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Appendix A Producer License Information Form

Section A: Business Information

1. Applicant business type:

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sole Proprietorship	Corporation	Limited Liability Co.	Partnership	Limited Liability Partnership	Unincorporated Association	Other:

2. Legal Name of Applicant:

Breakwater Production Facility, LLC

3. Trade Name of Applicant:

N/A

4. Applicant's Business Address:

c/o Lefkowitz & Edelstein 444 Madison Avenue Suite 1805

5. City: New York	6. State: NY	7. Zip Code: 10022
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8. Daytime Telephone Number:

(212) 759-1200

9. E-mail Address:

BreakwaterPF@gmail.com

10. Applicant's Mailing Address (if different than business address):

11. City:

12. State:	13. Zip Code:	14. Daytime Telephone Number:	15. Fax Number:
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Section B: Contact Information

All communications from the department regarding this application will be sent to your primary contact and alternate contact, if one is designated. We will assume that you receive all communications sent to your designated contact(s) and it will be your responsibility to notify us if any of your contact information changes.

16. Name of Primary Contact: H. Alexander Zaleski	17. Primary Contact Title: Chief Operating Officer
18. Primary Contact E-mail Address: BreakwaterPF@gmail.com	19. Primary Contact Telephone Number: (631) 288-6131
20. OPTIONAL - Name of Alternate Contact: Walter Edelstein	21. Alternate Contact Title: Chief Executive Officer
22. Alternate Contact E-mail Address: Walter@leattorneys.com	23. Alternate Contact Telephone Number: (212) 759-1200

Section C: Formation/Incorporation Information

24. Date of Formation/Incorporation: 11/08/2013	25. Place of Formation/Incorporation: Connecticut
26. Registered with the Connecticut Secretary of State:	27. Sale and Use Tax Permit Number: 60346616

Yes No

Provide a copy of your Sale and Use Tax permit with your application.

Please see Attachment 3 -
"Sale and Use Tax Permit"



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Section D: Proposed Production Facility Information

28. Proposed Production Facility Address: 400 Captain Neville Road			29. City: Waterbury
30. State: CT	31. Zip Code: 06705	32. Telephone Number:	33. Fax Number:
34. Own or Lease Property: <input type="checkbox"/> Own <input checked="" type="checkbox"/> Lease Provide a copy of the lease, deed or other documents evidencing the right to occupy if you are awarded a license.		35. Name of Property Owner: 400 Connecticut LLC	
Please see Attachment 12 - "LOI" and Attachment 13 - "Form Lease" for Question 34.			

Section E: Business Association Information

36. Are you associated with any dispensary facility license applicant or other producer license applicant? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
If yes, provide the name of all applicants with whom you are associated. Attach additional pages if necessary.	
37. Applicant Name:	38. Applicant Type: <input type="checkbox"/> Dispensary Facility <input type="checkbox"/> Producer
39. Applicant Name:	40. Applicant Type: <input type="checkbox"/> Dispensary Facility <input type="checkbox"/> Producer

Section F: Escrow Account, Letter of Credit or Surety Bond

41. Establishment of an escrow account, letter of credit or surety bond shall be required prior to issuance of a producer license. Provide the following information and **submit documentation evidencing** an ability to establish and maintain an escrow account, letter of credit or surety bond in the amount of two million dollars (\$2,000,000.00), if you are awarded a producer license.

Review the Terms and Conditions of this RFA to ensure that the terms of your escrow account, letter of credit or surety bond will be acceptable.

<input type="checkbox"/> Escrow Account	<input checked="" type="checkbox"/> Letter of Credit	<input type="checkbox"/> Surety Bond
42. Financial Institution/Surety Company Name: Merrill Lynch, Global Wealth Management		
43. Address: 717 Fifth Avenue, 5th Floor		
44. City: New York	45. State: NY	46. Zip Code: 10022
47. Telephone Number: (212) 415-7380	48. Fax Number: (646) 651-4500	49. E-mail Address: jeffrey_abramowitz@ml.com

Section G: Laboratory (This is only required if you have already selected a laboratory)

50. Laboratory Name:		51. Laboratory License No.	
52. Address:			
53. City:		54. State: CT	55. Zip Code:
56. Telephone Number:	57. Fax Number:	58. E-mail Address:	



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Section H: Proposed Production Facility Business Hours

59. State the proposed production facility's business hours for each day:

Monday	9 _____ to 6 _____	Friday	9 _____ to 6 _____
Tuesday	9 _____ to 6 _____	Saturday	10 _____ to 3 _____
Wednesday	9 _____ to 6 _____	Sunday	_____ to _____
Thursday	9 _____ to 6 _____		

Section I: Other Business Names & Addresses

List all names under which the applicant has done business or has held itself out to the public as doing business. Do not limit your response to business operations in Connecticut. Attach additional pages if necessary.

60. Name: Lefkowitz & Edelstein	61. Time Period: 1988 to Present
Stonebridge Pharmacy Corp.	2000 to 2008
Peconic Shell, Ltd. d/b/a Gull Environmental Systems	1987 to 2010
Breakwater Alternative Treatment Center Corp.	2011 to Present

List all addresses, other than those listed in response to Section A, that the applicant owns, has owned or from which it has conducted business during the previous five years and give the approximate time periods during which such locations were owned or utilized. Attach additional pages if necessary.

62. Address: 2 Corporate Drive, Cranbury, NJ 08512 (Breakwater ATC)	63. Time Period: 6/2013 to Present
661 Hillside Road, Pelham, NY 10803 (Stonebridge Pharmacy)	2000 to 2008
427 Main Street, Westhampton Beach, NY 11978 (Gull Environmental)	1987 to 2010

Section J: Producer Backers

Provide the following information for each producer backer. A producer backer is any person (including any legal entity) with a direct or indirect financial interest in the applicant, except it shall not include a person with an investment interest provided the interest held by such person and such person's co-workers, employees, spouse, parent or child, in the aggregate, does not exceed five per cent of the total ownership or interest rights in the applicant and such person will not participate directly or indirectly in the control, management or operation of the production facility if a license is granted.

Create additional copies of this page if necessary.

Each backer identified in response to this section must complete and sign Appendix B.

64. Name: Steven Kraus	65. Percentage of ownership [Redacted]



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Section K: Directors, Owners, Officers and Other High-Level Employees

Provide the following information for each individual, including each producer backer, who will::

- directly or indirectly have control over, or participate in the management or operation of, the production facility; or
- who currently receives, or who reasonably can be expected to receive, within one calendar year, compensation from the applicant exceeding \$100,000.

Create additional copies of this page if necessary.

Each person identified in response to this section must complete and sign Appendix C.

66. Name (First, Middle, Last):	67. Title:	68. Role:
Walter Edelstein	CEO	Chief Executive Officer
H. Alexander Zaleski	COO	Chief Operating Officer
Jonathan Bruce Fisher	Treasurer	Oversees Financial Functions
Joseph Bryant Bender	Chief Horticulturist	Growing and Production

Section L: Financial Statement

Set forth all expenses greater than \$10,000 incurred in connection with the establishment of your business and the sources of the funds for each. Attach additional pages if necessary. The Department may require backup documentation.

69. Expense Item:	70. Cost:	71. Source of Funds:
Application Fee	\$ 25,000.00	Walter Edelstein, H. Alexander Zaleski, Jonathan Fisher
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	



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Section M: Security System

Identify the companies that will provide security services for the production facility if a license is awarded. A primary and a backup security company are required. If more than two companies will provide security services, complete this section for each such additional company.

72. Primary Security Company Name: Canna Security America

73. Primary Security Company Address (including Apartment or Suite #):
4704 Harlan Street, Suite 511

74. City:
Denver

75. State: CO	76. Zip Code: 80212	77. Telephone Number: (720) 536-5824	78. Fax Number: (720) 269-1410
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79. E-mail Address:
chris@cannasecurity.com

80. Backup Security Company Name:
Protection One Security Solutions

81. Backup Security Company Address (including Apartment or Suite #):
262 Quarry Rd Suite J

82. City:
Milford

83. State: CT	84. Zip Code: 06460	85. Telephone Number: (203) 882-6010	86. Fax Number: (203) 882-6020
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87. E-mail Address:
davesheets@protection1.com

88. Attach a detailed description of the security plan to be offered by the security companies. Be sure to include a discussion of each of the required elements set forth in Section 21a-408-62 of the Regulations of Connecticut State Agencies.

Please see Security Plan
"Supplemental Information"

Section N: Legal Proceedings

89. Has the applicant ever had any petition filed by or against it, or otherwise sought relief under, any provision of the Federal Bankruptcy Act or under any State insolvency law in the last ten year period? Yes No

If the answer above is "yes", attach a statement providing the details of such proceeding or petition.

90. Has the applicant ever had a professional license, permit or registration in Connecticut, or any other State, suspended, revoked or otherwise subjected to disciplinary action? Yes No

If the answer above is "yes", attach a statement providing the date(s), the type of license, permit or registration at issue, and a description of the circumstances relating to each suspension, revocation or other disciplinary action.

91. Is the applicant a party to any legal proceedings where damages, fines or civil penalties may reasonably be expected to exceed \$500,000 above any insurance coverage available to cover the claim? Yes No

If the answer above is "yes", attach a statement describing the litigation, including the title and docket number of the litigation, the name and location of the court before which it is pending, the identify of all parties to the litigation, the general nature of the claims being made and the impact an unfavorable opinion may have on the applicant or the applicant's operations.

92. Has the applicant ever had any fines or other penalties over \$10,000 assessed by any regulatory agency? Yes No

If the answer above is "yes", attach a statement providing the details of such fines or penalties.



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Section O: Criminal Actions

93. Has the applicant ever been convicted of a crime or received a suspended sentence, deferred sentence, or forfeited bail for any offense in criminal or military court or are any such charges pending? Yes No

If the answer above is “yes”, attach a statement providing the date(s) of conviction(s), name of individual(s) involved, the court(s) where the case(s) were decided, a description of the circumstances relating to each offense or for the pending charges and the outcome of the proceedings.

Section P: Criminal Background Check

I understand that the department may review criminal background records for purposes of evaluating the applicant's suitability to participate in the medical marijuana program. As the duly authorized representative of the applicant, I hereby authorize the release of any and all information of a confidential or privileged nature to the department and its agents.

94. Signature:



95. Date Signed:

11-10-13

I hereby certify that the above information is correct and complete.

I fully understand that if I knowingly make a statement that is untrue and which is intended to mislead the Department of Consumer Protection or any person designated by the Department in the performance of their official function, I will be in violation of Section 53a-157b of the Connecticut General Statutes. As the duly authorized representative of the applicant, I hereby make the above certifications on behalf of the applicant.

96. Signature:



97. Date Signed:

11-10-13

Appendix A Addendums

Appendix A, Section I: Other Business Names and Addresses:

Name:	Time Period:
Connoisseur Crop Solutions, LLC	2010 to 2011
Skyline Windows, LLC	1977 to present
Address:	Time Period
604 Granite Street #201-1, Frisco, CO 80443 (Connoisseur Solutions)	2010 to 2011
92 Valley Lane, Chappaqua, NY 10514 (Skyline Windows – Steven Kraus)	1980 to present
210 Park Place East, Wood-Ridge, NJ 07075 (Skyline Windows – Steven Kraus)	1996 to 2012



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Appendix B Producer Backer Information Form

This form must be completed by each person or entity identified as a producer backer in Appendix A, section J.

Section A: Backer Information

1. Backer business type:

<input checked="" type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Corporation	<input type="checkbox"/> Limited Liability Co.	<input type="checkbox"/> Partnership	<input type="checkbox"/> Limited Liability Partnership	<input type="checkbox"/> Unincorporated Association	<input type="checkbox"/> Other:
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2. Legal Name of Backer:

Steven Kraus

3. Trade Name of Backer (if applicable):

4. Street Address (including Apartment or Suite #):

5. City: [REDACTED] 6. State: [REDACTED] 7. Zip Code: [REDACTED]

8. Daytime Telephone Number: [REDACTED]

9. Fax Number: [REDACTED]

10. E-mail Address: skraus@skylinewindows.com

Section B: Backer Members

If you selected anything other than "Sole Proprietorship" in response to Section A, identify the members of your organization. A member is any person with a direct or indirect ownership interest greater than 5%. Attach additional pages if necessary.

Each member of a backer identified in response to this section must complete either:

- Appendix C if they are also a director, owner, officer or other high-level employee of the producer; or
- Appendix D in all other instances.

11. Name (First, Middle, Last):	12. Percentage of ownership
[REDACTED]	[REDACTED]



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Section C: Licenses, Permits and Registrations

Provide information regarding all state licenses, permits or registrations ever held, current or expired, by you. Attach additional pages if necessary.

13. State	14. Issue Date (month/year): Expiration Date (month/year):	15. Type:	16. Number:
17. State	18. Issue Date (month/year): Expiration Date (month/year):	19. Type:	20. Number:

Section D: Legal Proceedings

21. Have you, or has any entity over which you exercised management or control, had any petition filed by or against you, or otherwise sought relief under, any provision of the Federal Bankruptcy Act or under any State insolvency law in the last ten year period?

Yes No

If the answer above is "yes", attach a statement providing the details of such proceeding or petition.

22. Have you, or has any entity over which you exercised management or control, ever had a professional license, permit or registration in Connecticut, or any other State, suspended, revoked or otherwise subjected to disciplinary action?

Yes No

If the answer above is "yes", attach a statement providing the date(s), the type of license, permit or registration at issue, and a description of the circumstances relating to each suspension, revocation or other disciplinary action.

23. Are you a party to any legal proceedings where damages, fines or civil penalties may reasonably be expected to exceed \$500,000 above any insurance coverage available to cover the claim?

Yes No

If the answer above is "yes", attach a statement describing the litigation, including the title and docket number of the litigation, the name and location of the court before which it is pending, the identify of all parties to the litigation, the general nature of the claims being made and the impact an unfavorable opinion may have on your ability to serve as a backer for the applicant.

24. Have you, or has any entity over which you exercised management or control, ever had any fines or other penalties over \$10,000 assessed by any regulatory agency?

Yes No

If the answer above is "yes", attach a statement providing the details of such fines or penalties.

Section E: Criminal Actions

25. Have you ever been convicted of a crime or received a suspended sentence, deferred sentence, or forfeited bail for any offense in criminal or military court or do you have any charges pending? Yes No

If the answer above is "yes", attach a statement providing the date(s) of conviction(s), name of individual(s) involved, the court(s) where the case(s) were decided, a description of the circumstances relating to each offense or for the pending charges and the outcome of the proceedings.



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Section F: Criminal Background Check

I understand that the department may review criminal background records for purposes of evaluating my suitability to participate in the medical marijuana program. As the backer, or duly authorized representative of the backer, I hereby authorize the release of any and all information of a confidential or privileged nature to the department and its agents.

26. Signature:



27. Date Signed:

11/14/13

I hereby certify that the above information is correct and complete.

I fully understand that if I knowingly make a statement that is untrue and which is intended to mislead the Department of Consumer Protection or any person designated by the Department in the performance of their official function, I will be in violation of Section 53a-157b of the Connecticut General Statutes.

28. Signature:



29. Date Signed:

11/14/13



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Appendix C Directors, Owners, Officers or Other High-Level Employees Background Information Form

To be completed by all persons identified in your response to Appendix A, section K.

Section A: Personal Information

1. Name (First, Middle, Last): Walter Edelstein		
2. Street Address (including Apartment or Suite #): [REDACTED]		
3. City: [REDACTED]		State: [REDACTED]
6. Title: CEO		7. Telephone Number: [REDACTED]
9. Date of Birth: [REDACTED]		10. Social Security Number: [REDACTED]
		11. Gender: <input checked="" type="checkbox"/> Male <input type="checkbox"/> Female

Section B: Employment Information

12. Current or Most Recent Employer: Lefkowitz & Edelstein		13. Date of Employment: Start Date: 1988 End Date: : Current	
14. Employer Address (including Apartment or Suite #): 444 Madison Avenue, Suite 1805			
15. City: New York		16. State: NY	17. Zip Code: 10022
18. Daytime Telephone Number: (212) 759-1200	19. Fax Number: (212) 317-8717	20. E-mail Address: Walter@leattorneys.com	

Section C: Marijuana or Agriculture Business Experience

21. Other than the applicant, do you have any experience controlling, managing, operating or working for a marijuana or agriculture business? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
22. Other than the applicant, are you currently associated with a marijuana or agriculture business in any state or country? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
23. If you answered "yes" to question 21 or 22, attach a statement setting forth the following information for each marijuana or agriculture business with which you have been associated: <ul style="list-style-type: none">• The business name;• Products or services offered;• The business location;• All titles and responsibilities held by you at the business, including the time frame for each;• The dates of your association with the business;• Whether you currently have a role at the business and, if not, when your involvement terminated and why; and• Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business and, if so, the nature and resolution of those allegations.		



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Section D: Other Relevant Business Experience

24. Do you have any experience controlling, managing, operating or working for any other business that you believe may be relevant to the department's evaluation of the applicant with whom you are associated?

Yes No

25. If you answered "yes" to question 24, attach a statement setting forth the following information for each such business with which you have been associated:

- The business name;
- Products or services offered;
- The business location;
- All titles and responsibilities held by you at the business, including the time frame for each;
- The dates of your association with the business;
- Whether you currently have a role at the business and, if not, when your involvement terminated and why;
- Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business and, if so, the nature and resolution of those allegations; and
- How this experience is relevant to the department's evaluation of the RFA response of the applicant with whom you are associated.

Section E: Licenses, Permits and Registrations

Provide information regarding all state licenses, permits and registrations ever held, current or expired by you. Attach additional pages if necessary.

26. State	27. Issue Date (month/year): [REDACTED]	28. Type: [REDACTED]	29. Number: [REDACTED]
	Expiration Date (month/year): [REDACTED]		
30. State	31. Issue Date (month/year): [REDACTED]	32. Type: [REDACTED]	33. Number: [REDACTED]
	Expiration Date (month/year): [REDACTED]		

Section F: Legal Proceedings

34. Have you, or has any entity over which you exercised management or control, had any petition filed by or against you, or otherwise sought relief under, any provision of the Federal Bankruptcy Act or under any State insolvency law in the last ten year period?

Yes No

If the answer above is "yes", attach a statement providing the details of such proceeding or petition.

35. Have you, or has any entity over which you exercised management or control, ever had a professional license, permit or registration in Connecticut, or any other State, suspended, revoked or otherwise subjected to disciplinary action?

Yes No

If the answer above is "yes", attach a statement providing the date(s), the type of license, permit or registration at issue, and a description of the circumstances relating to each suspension, revocation or other disciplinary action.



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36. Are you a party to any legal proceedings where damages, fines or civil penalties may reasonably be expected to exceed \$500,000 above any insurance coverage available to cover the claim?

Yes No

If the answer above is “yes”, attach a statement describing the litigation, including the title and docket number of the litigation, the name and location of the court before which it is pending, the identify of all parties to the litigation, the general nature of the claims being made and the impact an unfavorable opinion may have on the applicant or the applicant’s operations.

37. Have you, or has any entity over which you exercised management or control, ever had any fines or other penalties over \$10,000 assessed by any regulatory agency?

Yes No

If the answer above is “yes”, attach a statement providing the details of such fines or penalties.

Section G: Criminal Actions

38. Have you ever been convicted of a crime or received a suspended sentence, deferred sentence, or forfeited bail for any offense in criminal or military court or do you have any charges pending? Yes No

If the answer above is “yes”, attach a statement providing the date(s) of conviction(s), name of individual(s) involved, the court(s) where the case(s) were decided, a description of the circumstances relating to each offense or for the pending charges and the outcome of the proceedings.

Section H: Criminal Background Check

I understand that the department may review criminal background records for purposes of evaluating my suitability to participate in the medical marijuana program. I hereby authorize the release of any and all information of a confidential or privileged nature to the department and its agents.

39. Sig



40. Date Signed:

11/11/13

I hereby certify that the above information is correct and complete.

I fully understand that if I knowingly make a statement that is untrue and which is intended to mislead the Department of Consumer Protection or any person designated by the Department in the performance of their official function, I will be in violation of Section 53a-157b of the Connecticut General Statutes.

41. Signat



42. Date Signed:

11/11/13

Walter Edelstein

Appendix C, Section C Question 23 Addendum:

The business name:

Breakwater Alternative Treatment Center Corp.

Products or services offered:

Medical Marijuana

The business location:

2 Corporate Drive, Cranbury, NJ 08512

All titles and responsibilities held by you at the business, including the time frame for each:
Trustee and Director. February 10th, 2011 to present.

The dates of your association with the business:

February 10th, 2011 to present.

Whether you currently have a role at the business and, if not, when your involvement terminated and why:

Trustee and Director

Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business, and, if so, the nature and resolution of those allegations:

None

Appendix C, Section D Question 25 Addendum:

The business name:

Stonebridge Pharmacy Corp

Products or services offered:

Wholesale pharmaceutical distribution

The business location:

661 Hillside Road, Pelham, NY 10803

All titles and responsibilities held by you at the business, including the time frame for each:

Founding member. 2000 to 2008. Under my guidance, this industrial pharmacy grew from a fledgling business with a handful of employees into a large supplier of prescription medication with over 30 employees and \$10 million in annual revenue. Always aware of the needs of others, I was also instrumental in installing a program to assist patients with financial difficulties by establishing a company policy of providing either free or discounted pharmaceuticals to those patients who lacked the financial ability to pay.

The dates of your association with the business:

2000 to 2008.

Whether you currently have a role at the business and, if not, when your involvement terminated and why:

No longer have a role. Interest was sold.

Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business, and, if so, the nature and resolution of those allegations:

None.

How this experience is relevant to the department's evaluation of the RFA response of the applicant with whom you are associated:

Stonebridge Pharmaceutical Corp. has many operational similarities than to Breakwater PF's proposed production facility. More specifically, the labeling, packaging, and delivery systems of the two companies are very similar. As a former business owner of Stonebridge Pharmacy, I bring deep knowledge and experience in labeling, tamper-resistant packaging, and distribution of prescription pharmaceuticals, including controlled substances. These are all operating facets which will be an integral part of Breakwater PF's business.



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Appendix C Directors, Owners, Officers or Other High-Level Employees Background Information Form

To be completed by all persons identified in your response to Appendix A, section K.

Section A: Personal Information

1. Name (First, Middle, Last):	Henry Alexander Zaleski		
2. Street Address (including Apartment or Suite #):	[REDACTED]		
3. City:	[REDACTED]	State:	5. Zip Code: [REDACTED]
6. Title: President and COO	7. Telephone Number:	8. E-mail Address: [REDACTED]	
9. Date of Birth: [REDACTED]	10. Social Security Number: [REDACTED]	11. Gender: <input checked="" type="checkbox"/> Male <input type="checkbox"/> Female	

Section B: Employment Information

12. Current or Most Recent Employer: State of New York Office of Court Administration	13. Date of Employment: Start Date: 1979 End Date: 2002	
14. Employer Address (including Apartment or Suite #): 235 Griffing Avenue		
15. City: Riverhead	16. State: NY	17. Zip Code: 11901
18. Daytime Telephone Number: (631) 852-2334	19. Fax Number:	20. E-mail Address:

Section C: Marijuana or Agriculture Business Experience

21. Other than the applicant, do you have any experience controlling, managing, operating or working for a marijuana or agriculture business? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
22. Other than the applicant, are you currently associated with a marijuana or agriculture business in any state or country? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
23. If you answered "yes" to question 21 or 22, attach a statement setting forth the following information for each marijuana or agriculture business with which you have been associated: <ul style="list-style-type: none">• The business name;• Products or services offered;• The business location;• All titles and responsibilities held by you at the business, including the time frame for each;• The dates of your association with the business;• Whether you currently have a role at the business and, if not, when your involvement terminated and why; and• Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business and, if so, the nature and resolution of those allegations.



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Section D: Other Relevant Business Experience

24. Do you have any experience controlling, managing, operating or working for any other business that you believe may be relevant to the department's evaluation of the applicant with whom you are associated?

Yes No

25. If you answered "yes" to question 24, attach a statement setting forth the following information for each such business with which you have been associated:

- The business name;
- Products or services offered;
- The business location;
- All titles and responsibilities held by you at the business, including the time frame for each;
- The dates of your association with the business;
- Whether you currently have a role at the business and, if not, when your involvement terminated and why;
- Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business and, if so, the nature and resolution of those allegations; and
- How this experience is relevant to the department's evaluation of the RFA response of the applicant with whom you are associated.

Section E: Licenses, Permits and Registrations

Provide information regarding all state licenses, permits and registrations ever held, current or expired by you. Attach additional pages if necessary.

26. State	27. Issue Date (month/year): [REDACTED] Expiration Date (month/year): Current	28. Type:	29. Number: [REDACTED]
30. State	31. Issue Date (month/year): Expiration Date (month/year):	32. Type:	33. Number:

Section F: Legal Proceedings

34. Have you, or has any entity over which you exercised management or control, had any petition filed by or against you, or otherwise sought relief under, any provision of the Federal Bankruptcy Act or under any State insolvency law in the last ten year period?

Yes No

If the answer above is "yes", attach a statement providing the details of such proceeding or petition.

35. Have you, or has any entity over which you exercised management or control, ever had a professional license, permit or registration in Connecticut, or any other State, suspended, revoked or otherwise subjected to disciplinary action?

Yes No

If the answer above is "yes", attach a statement providing the date(s), the type of license, permit or registration at issue, and a description of the circumstances relating to each suspension, revocation or other disciplinary action.



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36. Are you a party to any legal proceedings where damages, fines or civil penalties may reasonably be expected to exceed \$500,000 above any insurance coverage available to cover the claim?

Yes No

If the answer above is "yes", attach a statement describing the litigation, including the title and docket number of the litigation, the name and location of the court before which it is pending, the identify of all parties to the litigation, the general nature of the claims being made and the impact an unfavorable opinion may have on the applicant or the applicant's operations.

37. Have you, or has any entity over which you exercised management or control, ever had any fines or other penalties over \$10,000 assessed by any regulatory agency?

Yes No

If the answer above is "yes", attach a statement providing the details of such fines or penalties.

Section G: Criminal Actions

38. Have you ever been convicted of a crime or received a suspended sentence, deferred sentence, or forfeited bail for any offense in criminal or military court or do you have any charges pending? Yes No

If the answer above is "yes", attach a statement providing the date(s) of conviction(s), name of individual(s) involved, the court(s) where the case(s) were decided, a description of the circumstances relating to each offense or for the pending charges and the outcome of the proceedings.

Section H: Criminal Background Check

I understand that the department may review criminal background records for purposes of evaluating my suitability to participate in the medical marijuana program. I hereby authorize the release of any and all information of a confidential or privileged nature to the department and its agents.

39. Signature:



40. Date Signed:

11-10-13

I hereby certify that the above information is correct and complete.

I fully understand that if I knowingly make a statement that is untrue and which is intended to mislead the Department of Consumer Protection or any person designated by the Department in the performance of their official function, I will be in violation of Section 53a-157b of the Connecticut General Statutes.

41. Signature:



42. Date Signed:

11-10-13

Henry Alexander Zaleski

Appendix C, Section C Question 23 Addendum:

The business name:

Breakwater Alternative Treatment Center Corp.

Products or services offered:

Medical Marijuana

The business location:

2 Corporate Drive, Cranbury, NJ 08512

All titles and responsibilities held by you at the business, including the time frame for each:

Trustee and Director, Chief Operating Officer, responsible for day-to-day operations of the business. February 10th, 2011 to present.

The dates of your association with the business:

February 10th, 2011 to present.

Whether you currently have a role at the business and, if not, when your involvement terminated and why:

Chief Operating Officer, Trustee and Director

Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business, and, if so, the nature and resolution of those allegations:

None

Appendix C, Section D Question 25 Addendum:

The business name:

Peconic Shell, Ltd. d/b/a Gull Environmental Systems

Products or services offered:

Medical and Hazardous Waste Transportation. Hazardous and Medical Waste Supplies.

The business location:

427 Main Street, Westhampton Beach, NY 11978

All titles and responsibilities held by you at the business, including the time frame for each:

Vice-President, responsible for running the day-to-day operations of the business from the commencement of the business until it ceased operations. 1987 to 2010.

The dates of your association with the business:

Co-founder in 1987 until 2010.

Whether you currently have a role at the business and, if not, when your involvement terminated and why:

No longer have a role, business was terminated in 2010. The Corporation was dissolved.

Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business, and, if so, the nature and resolution of those allegations:

None

How this experience is relevant to the department's evaluation of the RFA response of the applicant with whom you are associated:

The business I ran picked up regulated medical waste and hazardous waste from doctors, dentists, veterinarians, adult homes and hospitals. We then transported this medical and hazardous waste in trucks specifically fitted out for this purpose to highly regulated disposal facilities. Every pickup and every disposal was tracked by the State of New York by requiring us to document each pickup and each disposal with a tracking manifest. This manifest had to be signed by the doctor attesting to the amount and type of waste he gave us. The disposal facility likewise had to sign the manifest and separately attest to the amount and type of waste they were accepting from each of our doctors. A copy of each manifest was then sent to the State of New York. After the waste was properly disposed of, another copy of the manifest was returned to the generating doctor as confirmation his waste had been properly disposed of. We employed off duty police officers as our drivers because they are very proficient at dealing with complicated paperwork. This experience will enable me to seamlessly oversee the transportation of medical marijuana from our Breakwater Production Facility to authorized licensed dispensaries. Most importantly, my experience will assure the Department of Consumer Protection that every delivery will be properly documented with the greatest degree of specificity possible. Security was important in my prior business as it will be when transporting medical marijuana.



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Appendix C Directors, Owners, Officers or Other High-Level Employees Background Information Form

To be completed by all persons identified in your response to Appendix A, section K.

Section A: Personal Information

1. Name (First, Middle, Last): Jonathan Bruce Fisher		
2. Street Address (including Apartment or Suite #): [REDACTED]		
3. City: [REDACTED]	State: [REDACTED]	5. Zip Code: [REDACTED]
6. Title: Treasurer	7. Telephone Number: [REDACTED]	8. E-mail Address: Jon@leattorneys.com
9. Date of Birth: [REDACTED]	10. Social Security Number: [REDACTED]	11. Gender: <input checked="" type="checkbox"/> Male <input type="checkbox"/> Female

Section B: Employment Information

12. Current or Most Recent Employer: Jonathan Fisher Attorney at Law	13. Date of Employment: Start Date: 09/1992 End Date: Active	
14. Employer Address (including Apartment or Suite #): 444 Madison Avenue, Suite 1805		
15. City: New York	16. State: NY	17. Zip Code: 10022
18. Daytime Telephone Number: (212) 759-1200	19. Fax Number: (212) 317-8717	20. E-mail Address: Jon@leattorneys.com

Section C: Marijuana or Agriculture Business Experience

21. Other than the applicant, do you have any experience controlling, managing, operating or working for a marijuana or agriculture business? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
22. Other than the applicant, are you currently associated with a marijuana or agriculture business in any state or country? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
23. If you answered "yes" to question 21 or 22, attach a statement setting forth the following information for each marijuana or agriculture business with which you have been associated: <ul style="list-style-type: none">• The business name;• Products or services offered;• The business location;• All titles and responsibilities held by you at the business, including the time frame for each;• The dates of your association with the business;• Whether you currently have a role at the business and, if not, when your involvement terminated and why; and• Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business and, if so, the nature and resolution of those allegations.



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Section D: Other Relevant Business Experience

24. Do you have any experience controlling, managing, operating or working for any other business that you believe may be relevant to the department's evaluation of the applicant with whom you are associated?

Yes No

25. If you answered "yes" to question 24, attach a statement setting forth the following information for each such business with which you have been associated:

- The business name;
- Products or services offered;
- The business location;
- All titles and responsibilities held by you at the business, including the time frame for each;
- The dates of your association with the business;
- Whether you currently have a role at the business and, if not, when your involvement terminated and why;
- Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business and, if so, the nature and resolution of those allegations; and
- How this experience is relevant to the department's evaluation of the RFA response of the applicant with whom you are associated.

Section E: Licenses, Permits and Registrations

Provide information regarding all state licenses, permits and registrations ever held, current or expired by you. Attach additional pages if necessary.

26. State	27. Issue Date (month/year): [REDACTED]	28. Type: [REDACTED]	29. Number: [REDACTED]
[REDACTED]	Expiration Date (month/year): Current	[REDACTED]	[REDACTED]
30. State	31. Issue Date (month/year): [REDACTED]	32. Type: [REDACTED]	33. Number: [REDACTED]
[REDACTED]	Expiration Date (month/year): [REDACTED]	[REDACTED]	[REDACTED]

Section F: Legal Proceedings

34. Have you, or has any entity over which you exercised management or control, had any petition filed by or against you, or otherwise sought relief under, any provision of the Federal Bankruptcy Act or under any State insolvency law in the last ten year period?

Yes No

If the answer above is "yes", attach a statement providing the details of such proceeding or petition.

35. Have you, or has any entity over which you exercised management or control, ever had a professional license, permit or registration in Connecticut, or any other State, suspended, revoked or otherwise subjected to disciplinary action?

Yes No

If the answer above is "yes", attach a statement providing the date(s), the type of license, permit or registration at issue, and a description of the circumstances relating to each suspension, revocation or other disciplinary action.



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36. Are you a party to any legal proceedings where damages, fines or civil penalties may reasonably be expected to exceed \$500,000 above any insurance coverage available to cover the claim?

Yes No

If the answer above is "yes", attach a statement describing the litigation, including the title and docket number of the litigation, the name and location of the court before which it is pending, the identify of all parties to the litigation, the general nature of the claims being made and the impact an unfavorable opinion may have on the applicant or the applicant's operations.

37. Have you, or has any entity over which you exercised management or control, ever had any fines or other penalties over \$10,000 assessed by any regulatory agency?

Yes No

If the answer above is "yes", attach a statement providing the details of such fines or penalties.

Section G: Criminal Actions

38. Have you ever been convicted of a crime or received a suspended sentence, deferred sentence, or forfeited bail for any offense in criminal or military court or do you have any charges pending? Yes No

If the answer above is "yes", attach a statement providing the date(s) of conviction(s), name of individual(s) involved, the court(s) where the case(s) were decided, a description of the circumstances relating to each offense or for the pending charges and the outcome of the proceedings.

Section H: Criminal Background Check

I understand that the department may review criminal background records for purposes of evaluating my suitability to participate in the medical marijuana program. I hereby authorize the release of any and all information of a confidential or privileged nature to the department and its agents.

39. S



40. Date Signed:

11/10/2013

I hereby certify that the above information is correct and complete.

I fully understand that if I knowingly make a statement that is untrue and which is intended to mislead the Department of Consumer Protection or any person designated by the Department in the performance of their official function, I will be in violation of Section 53a-157b of the Connecticut General Statutes.

41. S



42. Date Signed:

11/10/2013

Jonathan Bruce Fisher

Appendix C, Section C Question 23 Addendum:

The business name:

Breakwater Alternative Treatment Center Corp.

Products or services offered:

Medical Marijuana

The business location:

2 Corporate Drive, Cranbury, NJ 08512

All titles and responsibilities held by you at the business, including the time frame for each:
Trustee and Director. February 10th, 2011 to present.

The dates of your association with the business:

February 10th, 2011 to present.

Whether you currently have a role at the business and, if not, when your involvement terminated and why:

Trustee and Director

Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business, and, if so, the nature and resolution of those allegations:

None

Appendix C, Section D Question 25 Addendum:

The business name:

Stonebridge Pharmacy Corp.

Products or services offered:

Wholesale pharmaceutical distribution.

The business location:

661 Hillside Road, Pelham, NY 10803.

All titles and responsibilities held by you at the business, including the time frame for each:
Legal Counsel. 2000 to 2008.

The dates of your association with the business:

2000 to 2008.

Whether you currently have a role at the business and, if not, when your involvement terminated and why:

No longer have a role. Interest of owners I represented was sold.

Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business, and, if so, the nature and resolution of those allegations:

None.

How this experience is relevant to the department's evaluation of the RFA response of the applicant with whom you are associated:

Stonebridge Pharmaceutical Corp. has many operational similarities than to Breakwater PF's proposed production facility. More specifically, the labeling, packaging, and delivery systems of the two companies are very similar. In acting as Legal Counsel to the firm, I am aware of standards, regulations, and legal issues revolving pharmaceutical grade products.

Appendix C, Section E Addendum: Licenses, Permits, and Registrations

State	Issue Date	Expiration Date	Type	Number
NY	01/91	01/96	Real Estate Broker	Expired



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Appendix C Directors, Owners, Officers or Other High-Level Employees Background Information Form

To be completed by all persons identified in your response to Appendix A, section K.

Section A: Personal Information

1. Name (First, Middle, Last): Joseph Bryant Bender		
2. Street Address (including Apartment or Suite #): [REDACTED]		
3. City: [REDACTED]		State: [REDACTED]
6. Title: Chief Horticulturist		7. Telephone Number: [REDACTED]
9. Date of Birth: [REDACTED]		10. Social Security Number: [REDACTED]
		11. Gender: <input checked="" type="checkbox"/> Male <input type="checkbox"/> Female

Section B: Employment Information

12. Current or Most Recent Employer: Sole Proprietor		13. Date of Employment: Start Date: January 2009 End Date: : Current
14. Employer Address (including Apartment or Suite #): 257 Minorca Beach Way #406		
15. City: New Smyrna Beach		16. State: FL 17. Zip Code: 32169
18. Daytime Telephone Number: (321) 217-7730	19. Fax Number:	20. E-mail Address: JBender149@gmail.com

Section C: Marijuana or Agriculture Business Experience

21. Other than the applicant, do you have any experience controlling, managing, operating or working for a marijuana or agriculture business? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
22. Other than the applicant, are you currently associated with a marijuana or agriculture business in any state or country? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
23. If you answered "yes" to question 21 or 22, attach a statement setting forth the following information for each marijuana or agriculture business with which you have been associated: <ul style="list-style-type: none">• The business name;• Products or services offered;• The business location;• All titles and responsibilities held by you at the business, including the time frame for each;• The dates of your association with the business;• Whether you currently have a role at the business and, if not, when your involvement terminated and why; and• Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business and, if so, the nature and resolution of those allegations.		



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Section D: Other Relevant Business Experience

24. Do you have any experience controlling, managing, operating or working for any other business that you believe may be relevant to the department's evaluation of the applicant with whom you are associated?

Yes No

25. If you answered "yes" to question 24, attach a statement setting forth the following information for each such business with which you have been associated:

- The business name;
- Products or services offered;
- The business location;
- All titles and responsibilities held by you at the business, including the time frame for each;
- The dates of your association with the business;
- Whether you currently have a role at the business and, if not, when your involvement terminated and why;
- Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business and, if so, the nature and resolution of those allegations; and
- How this experience is relevant to the department's evaluation of the RFA response of the applicant with whom you are associated.

Section E: Licenses, Permits and Registrations

Provide information regarding all state licenses, permits and registrations ever held, current or expired by you. Attach additional pages if necessary.

26. State	27. Issue Date (month/year): Expiration Date (month/year):	28. Type:	29. Number:
30. State	31. Issue Date (month/year): Expiration Date (month/year):	32. Type:	33. Number:

Section F: Legal Proceedings

34. Have you, or has any entity over which you exercised management or control, had any petition filed by or against you, or otherwise sought relief under, any provision of the Federal Bankruptcy Act or under any State insolvency law in the last ten year period?

Yes No

If the answer above is "yes", attach a statement providing the details of such proceeding or petition.

35. Have you, or has any entity over which you exercised management or control, ever had a professional license, permit or registration in Connecticut, or any other State, suspended, revoked or otherwise subjected to disciplinary action?

Yes No

If the answer above is "yes", attach a statement providing the date(s), the type of license, permit or registration at issue, and a description of the circumstances relating to each suspension, revocation or other disciplinary action.



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36. Are you a party to any legal proceedings where damages, fines or civil penalties may reasonably be expected to exceed \$500,000 above any insurance coverage available to cover the claim?

Yes No

If the answer above is "yes", attach a statement describing the litigation, including the title and docket number of the litigation, the name and location of the court before which it is pending, the identify of all parties to the litigation, the general nature of the claims being made and the impact an unfavorable opinion may have on the applicant or the applicant's operations.

37. Have you, or has any entity over which you exercised management or control, ever had any fines or other penalties over \$10,000 assessed by any regulatory agency?

Yes No

If the answer above is "yes", attach a statement providing the details of such fines or penalties.

Section G: Criminal Actions

38. Have you ever been convicted of a crime or received a suspended sentence, deferred sentence, or forfeited bail for any offense in criminal or military court or do you have any charges pending? Yes No

If the answer above is "yes", attach a statement providing the date(s) of conviction(s), name of individual(s) involved, the court(s) where the case(s) were decided, a description of the circumstances relating to each offense or for the pending charges and the outcome of the proceedings.

Section H: Criminal Background Check

I understand that the department may review criminal background records for purposes of evaluating my suitability to participate in the medical marijuana program. I hereby authorize the release of any and all information of a confidential or privileged nature to the department and its agents.

39. Signature



40. Date Signed:

Nov. 11, 2013

I hereby certify that the above information is correct and complete.

I fully understand that if I knowingly make a statement that is untrue and which is intended to mislead the Department of Consumer Protection or any person designated by the Department in the performance of their official function, I will be in violation of Section 53a-157b of the Connecticut General Statutes.

41. Signature



42. Date Signed:

Nov. 11, 2013

Joseph Bryant Bender

Appendix C, Section C Question 23 Addendum:

The business name:

Breakwater Alternative Treatment Center Corp.

Products or services offered:

Medical Marijuana

The business location:

2 Corporate Drive, Cranbury, NJ 08512

All titles and responsibilities held by you at the business, including the time frame for each:

Chief Horticulturalist, responsible for the development of grow techniques and technical oversight of medicinal marijuana production. February 10th, 2011 to present.

The dates of your association with the business:

February 10th, 2011 to present.

Whether you currently have a role at the business and, if not, when your involvement terminated and why:

Chief Horticulturalist

Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business, and, if so, the nature and resolution of those allegations:

None

Appendix C, Section D Question 25 Addendum:

The business name:

Connoisseur Crop Solutions, LLC

Products or services offered:

Consulting services for medicinal marijuana dispensaries solve crop problems, and improve crop yields

The business location:

604 Granite Street #201-1, Frisco, CO 80443

All titles and responsibilities held by you at the business, including the time frame for each:

Founder and Sole Proprietor from November 2010 to September 2011.

The dates of your association with the business:

Founder and Sole Proprietor from November 2010 to September 2011.

Whether you currently have a role at the business and, if not, when your involvement terminated and why:

No longer have a role, business was terminated in 2011.

Whether the business was ever alleged to have violated the laws or regulations of the state or country in which it operates during the time period when you were associated with the business, and, if so, the nature and resolution of those allegations:

None

How this experience is relevant to the department's evaluation of the RFA response of the applicant with whom you are associated:

Connoisseur Crop Solutions was a consulting company that Joe started with the intent of helping medicinal marijuana dispensaries solve crop problems, and improve crop yields. The business was located at Joe's apartment at 604 Granite Street #201-1, Frisco, CO 80443. Joe was the sole employee and owner of the business. Joe helped two dispensaries, Lotus and Breckenridge Cannabis Club, solve problems in their grow operations. Furthermore, Joe wrote an article called "IPM: Thrips," which High Times published in their June 2011 issue. He also instructed a class on pest problems that are commonly faced by medical marijuana growers. This experience translates directly to his role as Chief Horticulturalist at Breakwater PF.



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Appendix D Backer Members

Authorization for Release of Personal History Form

This form must be completed and signed by any member of a Backer that is not required to complete Appendix C.

Section A: Member Information

1. Name (First, Middle, Last):

N/A

2. Street Address (including Apartment or Suite #):

3. City:

4. State:

5. Zip Code:

6. Daytime Phone Number:

7. Fax Number:

8. E-mail Address:

Section B: Criminal Actions

9. Have you ever been convicted of a crime or received a suspended sentence, deferred sentence, or forfeited bail for any offense in criminal or military court or do you have any charges pending? Yes No

If the answer above is “yes”, attach a statement providing the date(s) of conviction(s), name of individual(s) involved, the court(s) where the case(s) were decided, a description of the circumstances relating to each offense or for the pending charges and the outcome of the proceedings.

Section C: Criminal Background Check

I understand that the department may review criminal background records for purposes of evaluating my suitability to participate in the medical marijuana program. I hereby authorize the release of any and all information of a confidential or privileged nature to the department and its agents.

10. Signature:



11. Date Signed:

I hereby certify that the above information is correct and complete.

I fully understand that if I knowingly make a statement that is untrue and which is intended to mislead the Department of Consumer Protection or any person designated by the Department in the performance of their official function, I will be in violation of Section 53a-157b of the Connecticut General Statutes.

12. Signature:



13. Date Signed:

REQUEST FOR APPLICATION RESPONSE

**Breakwater Production Facility
Application for the Operation of a Medicinal Marijuana Production Facility
In Waterbury, Connecticut**

Criterion A: Business Information of Applicant [250 Points]

Measure 1: Complete the Producer Information Form, attached as Appendix A.

Please see Appendix A (Attached)

Measure 2: Provide a brief summary (no longer than five double-spaced pages) of the applicant's qualifications, experience and industry knowledge relevant to the development and operation of a production facility.

Please see the following 5 pages.

Breakwater Production Facility, LLC (Breakwater PF) is comprised of an accomplished team of skilled professionals, who are seeking approval to operate a state-of-the-art Medical Marijuana Production Facility in Waterbury, CT. The team received one of six licenses to operate a state-of-the-art Production Facility and Dispensary (Alternative Treatment Center) in the State of New Jersey (NJ). The team has been actively engaged in the industry for over 5 years. We remain confident that with one common vision and purpose we will set the benchmark for Production Facilities not only in the State of Connecticut but nationwide.

Through Breakwater PF's research and efforts in NJ, Breakwater PF recognizes the advantages of separating the functions of production and dispensing. Breakwater PF believes Connecticut's decision to separate these functions provides a positive insight into the state's understanding of the industry. Additionally, Breakwater PF's experience in production facility design concerning efficiency of space, grow lighting design, hydroponic system design and the use of food-grade materials throughout the growing systems will distinguish Breakwater PF from other applicants.

The Connecticut Department of Consumer Protection (DCP) has established unadulterated pharmaceutical grade-quality medical marijuana as a standard for all products. Current growing procedures used in many other states fail to meet this standard. Examples of this are makeshift growing designs, commonly found in the hobby market, which have plagued the industry from its inception. Even the largest facilities of some relatively established companies produce products in this unrefined manner. In contrast, Breakwater PF employs advanced indoor growing techniques, custom-made designs, and equipment similar to the caliber of research-developed techniques employed by pharmaceutical corporations and university research facilities. We envision working closely with the Connecticut Department of Consumer Protection (DCP) to

contribute to the success of our Production Facility for the benefit of patients who desperately need cannabis medicine, surrounding neighbors and the citizens of Connecticut at large.

Breakwater Production Facility Team

- An Attorney and former business owner of a multi-million dollar institutional pharmaceutical.
- An Attorney and former owner and co-founder of a successful medical waste transportation business serving hundreds of customers (doctors' offices, hospitals and long-term care facilities, etc.).
- An Attorney and Counsel to an institutional pharmaceutical company, commercial real estate developers and commercial manufacturers.
- Horticulturist with over 11 years of industry specific experience, in particular in Colorado and New Jersey who holds a Bachelor of Science degree from University of Florida's prestigious Horticulture Program.

Walter Edelstein, Esq., Director & Chief Executive Officer (CEO), is a graduate of the Benjamin Cardozo School of Law and co-founded the law firm of Lefkowitz & Edelstein. Serving as the firm's managing partner, Walter received a B.S. in accounting and finance, graduating Magna Cum Laude from the University of Buffalo. He specializes in all aspects of Real Estate Law, including both residential and commercial Real Estate transactions and leasing. He is also counsel to many private lenders where he supervises all aspects of loan transactions and is responsible for approving the creditworthiness of prospective borrowers. In addition to his Real Estate practice, Walter's financial background has been instrumental in fostering his expertise in various areas of corporate law.

Walter is a founding member of Stonebridge Pharmacy Corp., an institutional pharmacy providing prescription pharmaceuticals, including controlled substances, to thousands of patients

in nursing homes and long-term care facilities throughout the Northeastern United States. Under Mr. Edelstein's guidance, this industrial pharmacy grew from a fledgling business with a handful of employees into a large supplier of prescription medication with over 30 employees and \$10 million in annual revenue. Always aware of the needs of others, Mr. Edelstein was instrumental in installing a program to assist patients with financial difficulties by establishing a company policy of providing either free or discounted pharmaceuticals to those patients.

With a broad base of hands-on business experience and a working knowledge of the law, Mr. Edelstein contributions to Breakwater PF are invaluable.

H. Alexander Zaleski, Esq., Director & Chief Operating Officer (COO), is a graduate of Fordham College, School of Business Administration in New York City and Suffolk University School of Law in Boston, Massachusetts.

Alex co-founded Gull Environmental Systems, a medical and hazardous waste transportation company. The company was licensed by The State of New York (Department of Environmental Conservation) and operated in Nassau and Suffolk counties. The company serviced hospitals, doctors, dentists, dermatologists, podiatrists, veterinary clinics, chiropractors, sports centers and nursing homes in a region with a population of 2.8 million people. At various times, the waste was transported by locked cargo trucks to Pennsylvania, New York City and Connecticut for disposal. In over 20 years of operation, the company was never cited for any violations of the strict laws and regulations imposed on medical and hazardous waste transporters in New York State. Alex Zaleski has 40 years of experience with the design and construction of business facilities and residential housing. He has intimate knowledge of the construction techniques and equipment used by the medical marijuana growing and production industry. In particular, he is overseeing all the planning and construction of Breakwater ATC's facility in NJ. His experience

in these techniques will be applied in all growing, drying, trimming, bulk and packaged storage, processing and security areas at the Production Facility in Connecticut.

These combined business experiences, spanning decades, makes Alex very well qualified to run a Production Facility that will securely deliver medical marijuana to licensed dispensaries.

Jonathan Fisher, Esq., Director & Treasurer, is a graduate of Boston University Law School and Tufts University. Prior to entering private practice, Mr. Fisher worked for the enforcement division of the New York Stock Exchange where he served as compliance counsel. Jonathan specializes in all areas of commercial law including drafting contracts and preparing licensing agreements. Jonathan has served as legal counsel real estate developers and investment companies drafting operating agreements, business plans, offering plans, loan documents, subscription agreements and employment contracts.

Mr. Fisher's clientele include a commercial pharmacy, various retail stores, and has recently overseen the development and construction of one of the largest auction houses in New York. Jonathan presently represents real estate developers covering all areas of real estate construction from the initial purchase of raw land through construction and sale.

Joseph Bender, Chief Horticulturist, has received a Bachelor of Horticulture Science from the University of Florida, Gainesville. His areas of expertise included Entomology, Plant Pathology, Advanced Organic and Sustainable Crop Production, Horticultural Crop Production, Soils, Plant Propagation, World Herbs and Vegetables, Micro propagation of Horticultural Crops, Field Techniques in Integrated Pest Management, Horticultural Physiology I and II, Nutrition of Horticultural Crops, Genetics, Fruit Crop Production, and Safety in Agriculture.

Joe brings over 11 years of extensive horticultural and consulting experience to Breakwater PF. He has toured and studied numerous grow rooms and growing facilities, plant growth chamber

labs, and outdoor horticultural sites. Joe owned his own medical marijuana-consulting firm in Colorado. As part of his consulting work, Joe has served as a horticultural consultant to Breck Cannabis Club, Lotus Dispensary and several other Medicinal Marijuana distributors in Colorado. Joe directly contributed to the drafting of our New Jersey state application adding critical technical information that played an essential role in our receipt of the license.

Joe has developed Breakwater PF's grow room plans using his expert knowledge in production design and horticulture. With over 11 years of experience with various equipment systems and supplies, Joe has expertly and meticulously designed many state-of-the-art grow rooms.

Our proven and seasoned team of experts is very well equipped to effectively meet and satisfy the needs and goals of patients participating in Connecticut's medical marijuana program while fastidiously fulfilling all compliance obligations set forth in the "State of Connecticut Regulation of the Department of Consumer Protection concerning Palliative Use of Marijuana". We look forward to funding clinical trials and sharing this critically important information with the DCP.

We have received zoning approval from the City of Waterbury and look forward to commencing operations and becoming an asset to the community. We specifically searched for a secure facility and targeted areas where the introduction of a new business is sorely needed; we found both in Waterbury, situated within an Enterprise Zone.

We believe our application fulfills the requirements of the Regulations and lays a strong foundation for operation of our Production Facility in Connecticut. The experience gained in New Jersey, where we have designed a state-of-the-art facility crafted after two years of research of planning, will allow us to very quickly build out our facility and expeditiously commence medical marijuana production. The size and scope of the proposed Connecticut facility will allow us to mirror our design and all necessary equipment from our New Jersey project.

Measure 3: Provide a financial statement setting forth the elements and the details of all business transactions connected with your application.

Breakwater PF is a LLC made up of three managing members and one financial manager. Our financing will be provided by Mr. Steven Kraus. Mr. Kraus will provide a two-million-dollar letter of credit through Merrill Lynch (**See Attachment 8 – “Verification of Steven Kraus’ ability to obtain a ‘Letter of Credit’ from Merrill Lynch”**) and will provide an additional four-million-dollars in equity financing (**Attachment 9 – “Steve Kraus Ability to Finance \$4,000,000 Membership Interest”**). The provided four million dollars is sufficient to fully fund our designed and planned medical marijuana growing operation.

Additionally, please see **Attachment 11 – “Breakwater PF Journal Entries”** and **Attachment 10 – “Breakwater PF Balance Sheet”** to fully answer Measure 3.

Criterion B: Location & Site Plan [250 Points]

Measure 1: The location of the proposed production facility;

The City of Waterbury

Once the leading producer of brass in the world and currently the fifth largest city in Connecticut, Waterbury (nicknamed the “Brass City”) was home to the big three Brass companies. After reaching unprecedented heights of production during World War II, the brass industry in Waterbury began a steady decline. Eventually, the Big Three ceased their operations in Waterbury.

As a result of Waterbury's economic decline in the 1970s and 1980s, the city went from being an industrial center to an economically-depressed area. However, Waterbury remains one of the State's largest centers for manufacturing and the City works very proactively to lure new business into the City.

With the granting of a Producer License, Breakwater PF will contribute to the revitalization of the City of Waterbury and help with the City's ongoing efforts to build a strong industry base and employment expansion to the city.

Breakwater PF has worked diligently with local real estate agents and building owners to secure a properly-zoned and municipally-approved facility in an easily accessible and safe area of Connecticut that meet the criteria outlined in the “State of Connecticut Regulation of the Department of Consumer Protection concerning Palliative Use of Marijuana”. In particular, this included finding a location where no public or private school, convent, charitable institution, whether supported by private or public funds, hospital or veterans' home or any camp or military establishment are within 1000 feet of the proposed production Facility. Our proposed facility meets these requirements.

Proposed Production Facility Address: 400 Captain Neville Drive
Waterbury, CT 06705

The proposed production facility is a 30,000 square foot space with an additional 1,200 square foot attached office building in the southeast portion of a nearly 80% vacant 208,000 square foot updated manufacturing building. The building is located in an enterprise zone just south off I-84, at Exit 25A in the Captain Neville Industrial Park, a high end and well maintained industrial park that sits on a four-way interchange immediately off I-84. This park is largely fully occupied with a wide range of tenants that have enjoyed a crime free, safe, and attractive business community.

➤ Site Control –Breakwater PF has a fully negotiated and agreed upon lease in hand, which shall be immediately executed upon receipt of a producer license.

Our Production Facility is located in ideal location in Connecticut. The population density of Waterbury and its surrounding region and the ease of access to highways make distribution from our Waterbury location to the majority of cities across the State of Connecticut secure and practical.

▪ Less than 2 minutes (1/4 Mile) from Exit 25A of I-84.

- Approximately 30 minutes from populous cities: Bridgeport, New Haven, Middletown, Hartford, Torrington and Danbury.
- Easily accessible to major highways like I-84, I-691, I-91, I-95 and Route 8.

Measure 2: Documents sufficient to establish that the applicant is authorized to conduct business in Connecticut and that state and local building, fire and zoning requirements and local ordinances are met for the proposed location of the production facility;

Breakwater Production Facility, LLC and its landlord contacted municipal officials and the zoning officer in Waterbury to ensure compliance with all zoning regulations, local codes and ordinances. ***Please see the following 2 pages for the zoning application from Waterbury.*** As of this date, our intended use has been declared to be in full compliance with all local zoning regulations.

The facility is in the IP zone – Industrial Park and the initial space is the southeasterly portion of the building.

Please also see **Attachment 1- “Articles of Organization”, Attachment 2- “Certificate of Good Standing”, Attachment 3- “Sale and Use Tax Permit” and Attachment 7- “Employer Identification Number”** to fully answer Measure 2.

JAMES A. SEQUIN, AICP
CITY PLANNER
One Jefferson Square • 5th Floor
Waterbury, CT 06706
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Email: jsequin@waterburyct.org



NEIL M. O'LEARY
MAYOR

CITY PLANNING DEPARTMENT
THE CITY OF WATERBURY
CONNECTICUT

October 31, 2013

Mr. Kyle Roberts
CBRE-New England
Cityplace 1
185 Asylum Street
Hartford, CT 06103

Mr. Jeffrey D. McLellan
Cornerstone Realty, Inc.
225 East Aurora Street
Waterbury, CT 06708

RE: Zoning Determination 400 Captain Neville Drive

Dear Mr. Roberts and Mr. McLellan:

This is in response to your request for a determination as to whether a Medical Marijuana Manufacturing facility located at 400 Captain Neville Drive, Waterbury, Connecticut would be in compliance with the Waterbury Zoning Regulation.

The 400 Captain Neville Drive property (site) is a 20.5 acre parcel which contains one primary structure. The exiting use of the site is classified as "Manufacturing and Processing" for Zoning purposes. The site is located in the IP – Industrial Park District which permits Manufacturing and Processing as of right.

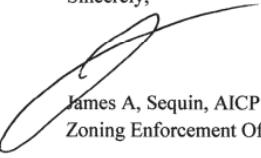
This review is based on the following information contained in your letter and my understanding of the State of Connecticut Regulations governing medical marijuana facilities:

- All medical marijuana will be produced and processed inside of a secure structure.
- There will be no retail sale of the product on site.

It is the opinion of the Zoning Enforcement officer that the Medical Marijuana Manufacturing facility is a Manufacturing and Processing use for Zoning purposes. Since this is the current primary Zoning use of site, the Medical Marijuana Manufacturing facility may begin operations with no further Zoning approval provided it operates within the footprints and envelopes of the existing structures.

If new structures are to be built or the footprint/envelope of an existing structure is expanded, the new and/or expanded structure(s) must comply with Zoning bulk and parking standards. Demolition of existing structures is permitted as of right and requires no Zoning approval.

Sincerely,



James A. Sequin, AICP
Zoning Enforcement Officer/City planner

NOTICE OF RIGHT TO ADVERTISE (CGS 8-3 (f))

No building permit or certificate of occupancy shall be issued for a building, use or structure subject to the zoning regulations of a municipality without certification in writing by the official charged with the enforcement of such regulations that such building, use or structure is in conformity with such regulations or is a valid nonconforming use under such regulations. Such official shall inform the applicant for any such certification that such applicant may provide notice of such certification by either (1) publication in a newspaper having substantial circulation in such municipality stating that the certification has been issued, or (2) any other method provided for by local ordinance. Any such notice shall contain (A) a description of the building, use or structure, (B) the location of the building, use or structure, (C) the identity of the applicant, and (D) a statement that an aggrieved person may appeal to the zoning board of appeals in accordance within thirty days of the publication of the notice.

Measure 3: If the property is not owned by the applicant, provide a written statement from the property owner and landlord certifying that they have consented to the applicant operating a production facility on the premises;

Please see **Attachment 12 – “Letter of Intent”** and **Attachment 13 – “Form Lease”** to fully answer Measure 3.

Measure 4: Any text and graphic materials that will be shown on the exterior of the proposed production facility;

Please see the below excerpt from Breakwater PF’s Security Plan within the Business Plan.

Production Facility Signage: The Production Facility will have no signage on the building or on the premises identifying it as the Breakwater Production Facility. The only signage will be for identification purposes designating the location of Breakwater PF’s business address. The outside door will have a sign stating: “Employees Only – No Soliciting”.

Measure 5: Photographs of the surrounding neighborhood and businesses sufficient to evaluate the proposed production facility’s compatibility with commercial or residential structures already constructed, or under construction, within the immediate neighborhood;

Please see the pictures on the following pages of the neighborhood surrounding the space at 400 Captain Neville Drive Waterbury, CT. For reference purposes, we are in the Industrial Park (IP) zone with industrial buildings surrounding our facility and we neighbor I-84 as well.

400 CAPTAIN NEVILLE DRIVE | WATERBURY, CONNECTICUT



CBRE

400 CAPTAIN NEVILLE DRIVE | WATERBURY, CONNECTICUT



CBRE

BREAKWATER PRODUCTION FACILITY

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400 Captain Neville Drive (Front of Building)



400 Captain Neville Drive (Initial 30,000 sq ft Production Space and Office Annex)

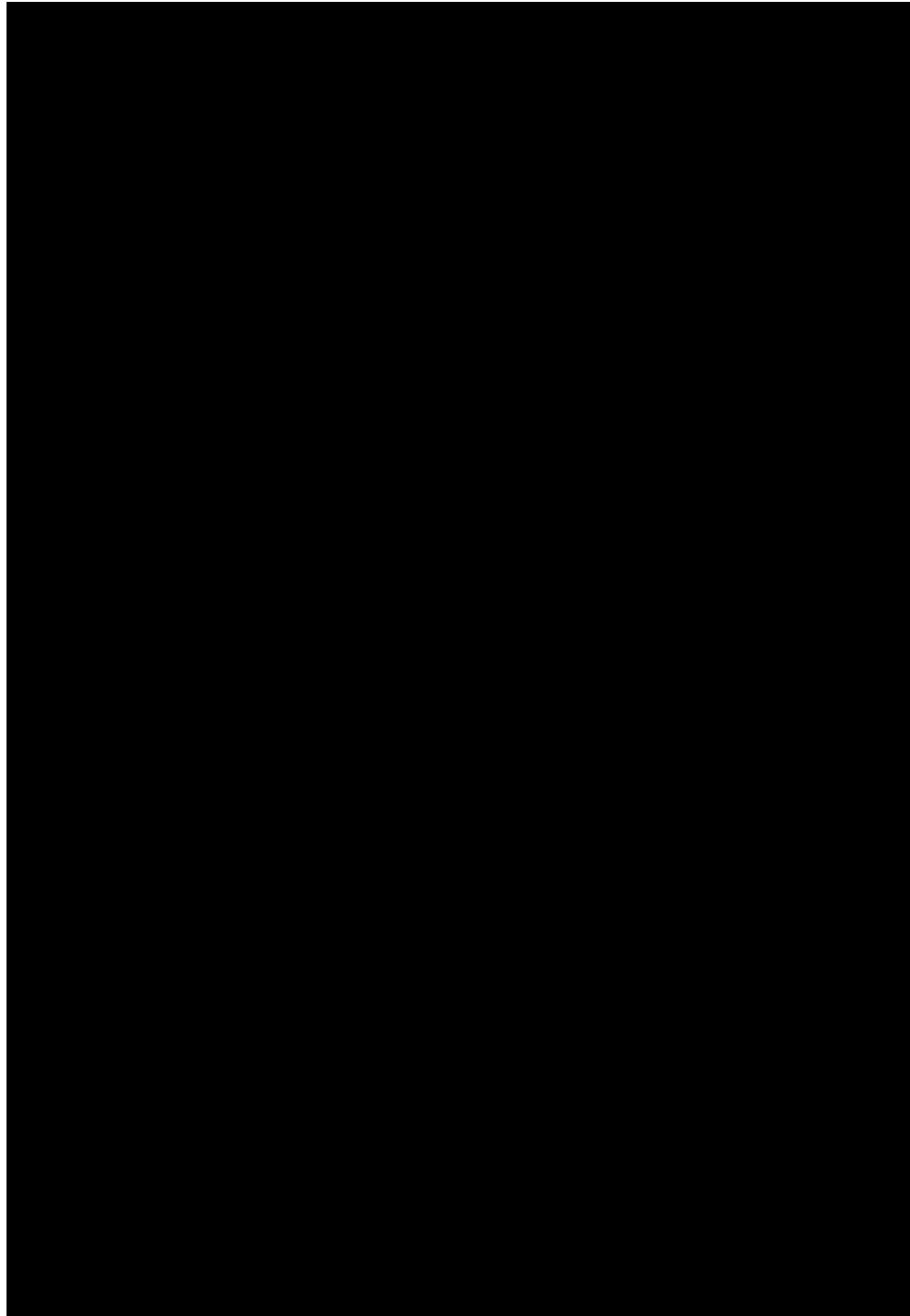


400 Captain Neville Drive (Office Annex)



Measure 6: A site plan drawn to scale of the proposed production facility showing streets, property lines, buildings, parking areas, and outdoor areas, if applicable, that are within the same block as the production facility;

Please see an enlarged landscaped view of the site plan on the following page.



Measure 7: A map that identifies all places used primarily for religious worship, public or private school, convent, charitable institution, whether supported by private or public funds, hospital or veterans' home or any camp or military establishment that are within 1000 feet of the proposed production facility location; and

Production Facility

Great care was taken throughout the site selection process to avoid schools and sensitive areas within communities. Although there were other potential locations in various cities, Breakwater PF found 400 Captain Neville Drive in Waterbury to be the most accessible, compliant and safest location for a production site. The Production Facility is more than **1,000 feet** from the nearest school. Upon the awarding of the production license, we are prepared to immediately commence construction after the issuance of our Producer License. Since the Production Facility is located in an Industrial Park zone and situated more than 1,000 feet from any school or house of worship, our location meets all necessary requirements for the use as a Medicinal Marijuana Production Facility.

Please see the following page for a prepared 1000-foot radius map surrounding the site plan of the Production Facility.

400 CAPTAIN NEVILLE DRIVE | WATERBURY, CT



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Measure 8: A blueprint, or floor plan drawn to scale, of the proposed production facility, which shall, at a minimum, show and identify the following:

Located in Waterbury, the proposed facility is a state-of-the-art 30,000 square foot space composed of three 6000 square foot grow rooms, one 2,600 square foot grow room, a laboratory (primarily used for tissue culture production), laboratory storage room (tissue culture storage), a breeding room, a trimming room, our production office, men's and woman's rooms, a waste storage room, a bulk storage room, an equipment storage room, a drying room for plant materials, a bulk packaging area, a surveillance room, a packaged product storage room, a labeling and packaging area and a processing room (complete with extracting machines and a full industrial kitchen). The facility also has an attached office building (approximately 1,200 square feet) where we will have our men's and woman's locker rooms, a break room, waiting area, offices, administrative workspace and reception. There is only one means (one door) into the entire facility. There are two man-trap security measures into the production facility; One man-trap will be at the entrance to the office area; its second door will restrict visitors from access to a third door in the waiting area. After going through the office area, the only way to get into the production facility is through a second man-trap security measure and passing by the surveillance room.

Our grow rooms will handle both the vegetation and flowering cycle. To meet all concerns regarding pest and disease control, we designed our facility specifically to address these issues without the need for pesticides. Reverse door fans (air curtains) will be used throughout the production facility to prevent pests from entering through doorways. Trays containing bleach solution will be located at doorways before entering the production areas and at grow and processing room entryways for workers to step in and sanitize the bottom of their shoes. Additionally, we will use cultural controls and release predatory insects to control any pests population that in a worst-case scenario may establish itself to ensure pesticide-free pest control. Following each growing cycle, we will thoroughly clean and disinfect the harvested rooms. An always-spotless facility is essential to our success and necessary to produce unadulterated pharmaceutical grade marijuana.

We recognize the possibility of a potential surge in demand and Breakwater PF has the resources and funding to meet any increased demand. The architectural plans show a 30,000 sq. foot space with an additional attached office building.

Our proposed facility has an additional 130,000 square feet of comparable production space available for potential expansion. The size of our facility gives us the flexibility to rapidly expand should demands require increased production. Our space is also prepared to handle future expansion in processing and production rooms. We have strategically located and allotted extra space for our trimming, drying and bulk storage areas as well as planning accordingly for our processing room and have equipped it with expansion in mind.

Note: Please be aware the following square footages are approximate.

a. The location and square footage of the area where marijuana is to be grown;

Grow Rooms 1-3: 6,000 sq ft each

Grow Room 4: 1,566 sq ft

Mother Plant Room: 1,000 sq ft

Breeding Room: 150 sq ft

Lab: 140 sq ft

Lab Storage: 100 sq ft

b. The square footage of the areas where marijuana is to be harvested;

Trimming Room: 770 sq ft

Drying Room: 860 sq ft

Bulk Packaging Area (within in drying room): 167 sq ft

Bulk Storage Room Vault: 270 sq ft

c. The square footage of the areas where marijuana is to be packaged and labeled;

Bulk Packaging Area (within drying room): 167 sq ft

Packaging & Labeling (within Processing, Packaging & Labeling Room): 50 sq ft of packaging & labeling counter space. The area will handle all the packaging and labeling of products.

Packaged Product Storage Room Vault: 180 sq ft

d. The square footage of the areas where marijuana is to be produced and manufactured;

All Rooms stated in A, B & C.

Processing, Packaging & Labeling Room: 880 sq ft

e. The square footage of the overall production facility;

Exactly 29,895 sq ft. of Production Space and an additional 1,169 sq ft of an office annex complete with a men's and woman's locker room, a break room, a waiting room, an office, administrative workspace and a reception area.

f. The square footage and location of areas to be used as storerooms or stockrooms;

Equipment Storage Room: 180 sq ft

Bulk Storage Vault Room: 270 sq ft

Packaged Product Storage Room Vault: 180 sq ft

g. The location of any approved safes or approved vaults that are to be used to store marijuana;

Bulk Storage Room Vault: 270 sq ft

Packaged Product Storage Room Vault: 180 sq ft

h. The location of the toilet facilities;

Men's Room (Production Facility): 130 sq ft

Woman's Room (Production Facility): 130 sq ft

Men's Locker Room: 150 sq ft

Woman's Locker Room: 150 sq ft

i. The location of all break rooms and personal belonging lockers; and

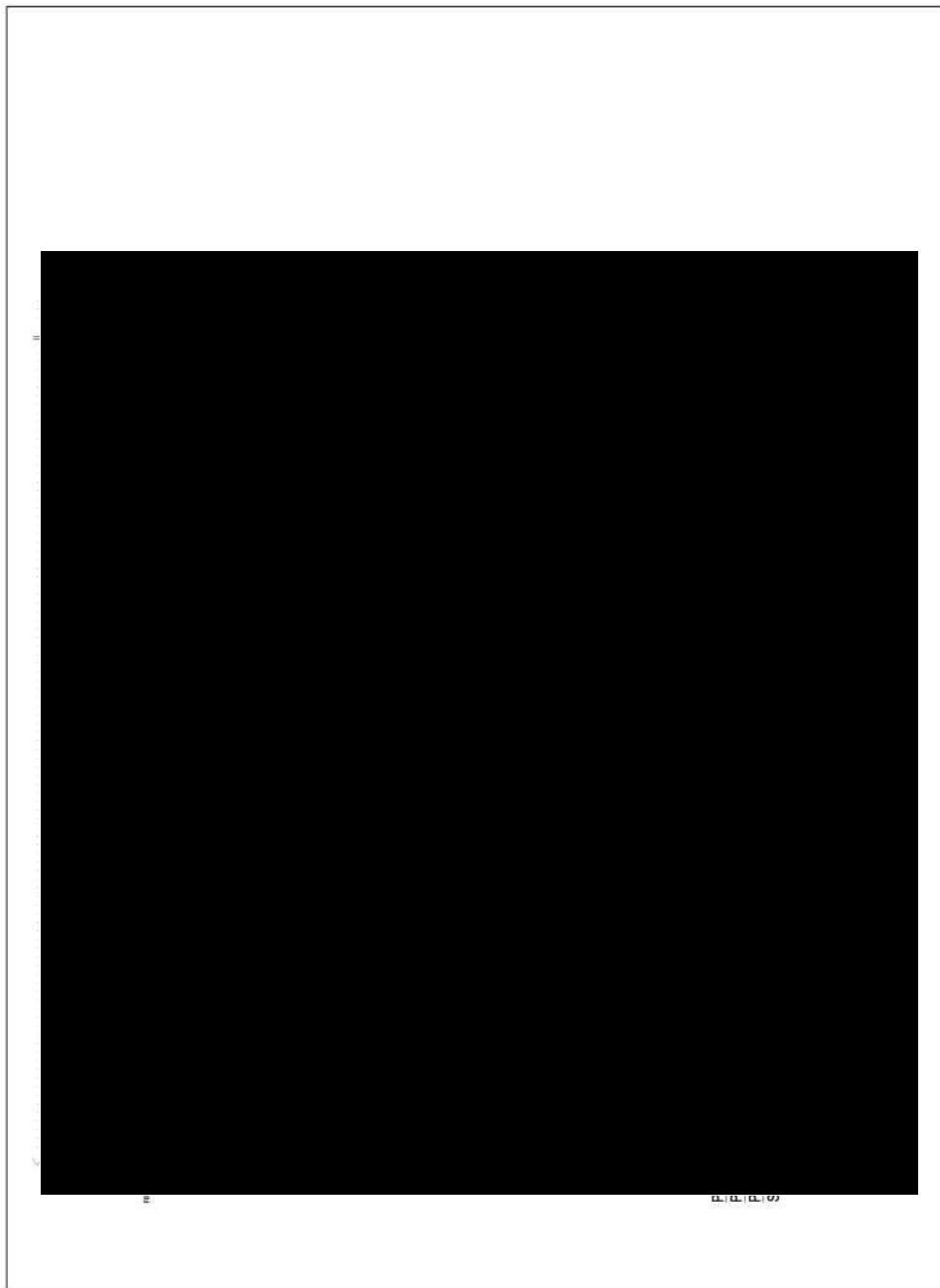
Break Room: 150 sq ft

Men's Locker Room: 150 sq ft

Woman's Locker Room: 150 sq ft

j. The locations of all areas that may contain marijuana or marijuana products that shows walls, partitions, counters and all areas of ingress and egress. Said diagram shall also reflect all production, propagation, vegetation, flowering, harvesting, storage and manufacturing areas.

Please refer to the entire floorplan on the next page to answer “j” and all the above questions.



Criterion C: PROPOSED BUSINESS PLAN [500 Points]

A producer shall operate in accordance with the business plan submitted to, and approved by, the Department as part of the application.

Measure 1: Provide a proposed business plan that shows the applicant's expected production capacity, including any ability of the applicant to expand capacity within the approved production facility.

Please see the Business Plan section to fully answer Measure 1.

Measure 2: Provide the following information, using bullet points wherever possible:

a. A detailed description of all marijuana products intended to be offered by the producer during the first year of operation and, for each product, provide a sample of the proposed label and identify the type of packaging to be used;

Breakwater PF Marijuana Products

Breakwater PF will offer the following products in the first year of operation. Breakwater PF will continue to develop current products and look to offer new types of products in the years to come.

Raw Marijuana- Breakwater PF will produce top quality raw marijuana. It will be packaged into glass jars containing 1/16 oz, 1/8 oz, 1/4 oz, and 1 oz quantities of marijuana. These jars will have child resistant lids, and will be amber to resist the entry of light.

Oral Administration

Not just brownies: In theory, cannabis food can be anything that contains substantial butter, oil, milk, or alcohol, because cannabinoids are oil and fat-soluble and thus dissolve in these ingredients [2].

- **Tinctures-** Cannabis can be administered orally using cannabis tinctures. There are three types of cannabis tinctures, made using alcohol and/or glycerine as solvents. All three of these solutions may be taken under the tongue with an eyedropper. They are absorbed through the mucus membranes of the mouth, and take effect in five to ten minutes. Tincture dosage varies greatly depending on the concentration of cannabis in the tincture. Glycerine tinctures have the advantages of tasting sweeter than alcohol tinctures, and being well suited for those who do not consume alcohol. Alcohol tinctures have the advantage of being significantly more potent than glycerine tinctures, thus less needs to be used for the desired effect. Glycerine/alcohol tinctures combine the advantages and disadvantages of glycerine tinctures and alcohol tinctures.
- **Cigarettes-** We will produce cigarettes made using 'Smoke Cones' cigarette production system. Smoke Cones sells pre-rolled cone that we will fill with marijuana using simple machines also sold by Smoke Cones. This system allows companies to produce cigarettes

without licking them to seal them, thus providing a hygienic product. The cigarettes will then be sealed in child resistant containers.

- **Concentrated Extracts-** Concentrated extracts are excellent for those who require large doses of medicinal marijuana for symptom relief. Concentrates can be vaporized for quick relief via inhalation, and for such usage, Breakwater PF will sell activated (de-carboxylated) cannabinoid oils in small jars. Activated concentrates can also be placed into gel capsules, to be swallowed for long-lasting symptom relief. Breakwater PF will sell such gel capsules. BPF will produce activated cannabinoid oil concentrates using a state-of-the-art 'Cold Finger' extraction machine--a product of Eden Labs. Eden Labs is known for producing safe, high-quality extraction machines for the cannabis industry. Their machines produce very high quality cannabinoid concentrates that do not contain solvent residues.

Eating food enriched with cannabis offers patients several advantages:

1. No risk of damage to respiratory system.
2. Longer-lasting relief (up to 10 hrs.)
3. Can be made with leaf, which costs less than high-grade bud

Eating cannabis-laden foods also has distinct disadvantages for some patients:

1. Slower onset of effects (15min-3hrs)
2. Proper dosage is difficult to gauge; many variables at play
3. Cooking THC makes it slightly more psychoactive

b. A detailed description of the process that the producer will take to ensure that access to the production facility premises will be limited only to employees;

The safety and security of all employees of Breakwater Production Facility is of the utmost importance to us. Breakwater PF will meet and exceed the standards set forth by the Department of Consumer Protection concerning the Palliative Use of Marijuana with regard to Security set forth in Sections 21a-408-61 and 21a-408-62.

We will install the latest security equipment and implement the strictest procedures to accomplish this goal. Access to our production facility will be strictly limited to Breakwater Production Facility employees. However, access to the production facility will also be granted to all authorized governmental representatives when necessary.

Our security doors will utilize a keyless entry system. Authorized employees will be issued a personal code to enter only the areas for which that employee is authorized. If an employee leaves our employment, his code will be erased from the lock(s) into which it was programmed. Some high security areas, in addition to the keyless locks, will also employ card readers for enhanced security.

All employees will be issued different colored cards, specific to their work area, to be worn by pinning to their chest. This will enable management and other workers to easily determine if an employee is present in an unauthorized area.

Only employees authorized to work in the grow rooms will have access to the hallway abutting the grow rooms. Our maintenance personnel will ensure that all locks and security equipment are continuously kept in good working order.

Our production facility, located at 400 Captain Neville Drive, Waterbury, Connecticut, will have an alarm system designed and installed by one of the industry leaders in providing security for the medical marijuana production and distribution, Canna Security, and our backup alarm and monitoring security company will be Protection One Security Solutions. Additionally, knowledge of the location of the production facility will be restricted to authorized Breakwater PF employees and appropriate officials only. Breakwater PF has made it a point to not to seek publicity of its intention and the location of applying for a Producer License.

We will consult with representatives of The Connecticut State Police and The Waterbury Police Department regarding all of our security plans. We will value and implement their suggestions and advice. Both agencies, together with the Department of Consumer Protection, will have remote access to all of our video cameras, twenty-four hours a day/seven days a week. This will permit remote viewing of all production activities, at will.

The Production Facility will have no signage on the building or on the premises identifying it as the Breakwater Production Facility. The only signage will be for identification purposes designating the location of Breakwater PF's business address. Access to the facility will be guarded by a security person controlling a man-trap door system. The outside door will have a sign stating: "Employees Only – No Soliciting". Employees using their own code may enter the outer door but will have to be buzzed through the second door.

The commercial-grade security system will begin with securing the perimeter of the facility. This means all exterior doors will be alarmed. Video cameras (all high definition color) and motion detectors will be installed to monitor the exterior of the building with special emphasis attached to doors and roof. These cameras will be installed to ensure that clear video and still pictures for identification purposes are made of anyone entering or exiting the building. Recordings from all cameras will be made 24 hours a day, seven days a week and shall be retained for at least thirty days, or longer under certain circumstances. During the hours of dusk, night and twilight the building exterior, including the roof, as well as the production facility premises, will be well-lit.

The security system we will install will have additional enhanced features designed to thwart extended access to the production facility by non-employees. These include: a duress alarm (entry of a special code that informs the monitoring station that an employee is being forced to turn off the alarm), panic button alarms (issued to every employee and worn at all times), holdup alarm (generates a silent alarm signal that a robbery or an attempted robbery is in progress) and an automatic voice dialer (sends a prerecorded voice message requesting immediate dispatch of police or emergency personnel). The security system will also have a failure notification feature that will notify the monitoring agency and the principals of Breakwater PF, within five minutes of the breakdown.

A backup alarm system capable of detecting unauthorized entry will be installed, monitored and maintained by Protection One Security Solutions.

Breakwater PF will install a backup generator in a secure tamperproof location to maintain operations in the event of a power failure.

Below are excerpts from Breakwater Production Facility's "OFFICIAL USE ONLY – SECURITY-RELATED INFORMATION – EXEMPT FROM DISCLOSURE UNDER THE CONNECTICUT FREEDOM OF INFORMATION ACT (FOIA)", as found under "Security Plan" to provide further details in answering Criterion C, measure 2b of this RFP:

Breakwater Production Facility (Breakwater PF) has developed an operations system where only a few authorized employees will be allowed to handle the cultivation and manufacturing of medical marijuana. Breakwater PF will initially have at least one Senior Manager on hand CEO, COO, Secretary or Vice President, Chief Horticulturist or Facility Manager as well as one or two employees involved in the growing and especially harvesting during specific shifts to handle the entire growing and curing process from start to finish. A Security Guard (Retired or off-duty State Trooper or Local Law Enforcement) will be present during all hours of operation. Security cameras with remote accessibility will monitor all portions of the cultivation facility and in the transport vehicles during transporting. As Breakwater PF increases its ability to service higher numbers of patients, more employees will be trained as needed. Breakwater PF currently estimates that initial levels of production will be capable of servicing approximately 1,408 patients receiving the maximum allowed 2.5 ounces per month and will require about 15 full-time employees.

Located in Waterbury, the proposed facility is a state-of-the-art 30,000 square foot space composed of three 6000 square foot grow rooms, one 2,600 square foot grow room, a laboratory (primarily used for tissue culture production), laboratory storage room (tissue culture storage), a breeding room, a trimming room, our production office, men's and woman's rooms, a waste storage room, a bulk storage room, an equipment storage room, a drying room for plant materials, a bulk packaging area, a surveillance room, a packaged product storage room, a labeling and packaging area and a processing room (complete with extracting machines and a full industrial kitchen). Each department will have a different color-coded card reader to differentiate departments and access to various production rooms and areas. The facility also has an attached office annex (approximately 1,000 square feet) where we will have our men's and woman's locker rooms, a break room, waiting area, offices and reception. There is only one means (one door) into the entire facility. There are two man-trap security measures into the production facility; One man-trap will be at the entrance to the office area; its second door will restrict visitors from access to a third door in the waiting area. After going through the office area, the only way to get into the production facility is through a second man-trap security measure and passing by the surveillance room. ***Please see the security plans from both security companies at the end of the Security Plan in "Supplemental Information."***

The production facility will have a single reinforced steel door (no windows) as the only means of entrance and egress, excluding the necessary fire exit doors. The door will be equipped with electronic access controls consisting of a card reader in conjunction with a keypad. This technology will also be used on all other doors on-site.

Once inside the building all access points will be through steel reinforced doors with electronic access controls. There will be a fully temperature controlled hallway from the growing rooms to the additional production rooms for drying, trimming, bulk storage (curing), packaged marijuana (ready for sale) storage, processing, baking, etc. Only authorized employees will have access to these areas. It should be noted that Breakwater PF anticipates that initially only three employees

will be needed for the process of growing, drying, trimming, bulk storage (curing), packaged marijuana (ready for sale) storage, processing and baking of the useable medical cannabis.

What Breakwater PF's Production Facility will provide:

- a. Security- The site located far enough from the street, which acts as a deterrent to traffic and potential criminal activity.
 1. The windowless facility is made of modern tilt up concrete panel and will have one limited secure entry point.
 2. Natural & Man-made Buffers: the site has a thick tree line (i.e. large oaks) on top of a berm around a fully enclosed fence zone.
 3. One entrance and exit into the parking lot of the site.
 4. The production facility has on-site parking and exterior lighting sufficient to deter nuisance activity and facilitate surveillance that will not disturb neighbors.
 5. Security Guard in the facility during hours of operation.
 6. There is only one means (one door) into the entire facility. There are two man-trap security measures into the production facility; one entering the office area with a second door restricting visitors from entering a third door from the waiting area and the only way to get into the production facility is through a second man-trap security measure and passing by the surveillance room.
- b. Production of medical marijuana – the site provides the ability to grow, manufacture and distribute medical marijuana safely and discretely without public knowledge of the operation, taking place inside the facility. Breakwater PF will construct its own facility within the building that will include secure accessibility for cultivation, manufacturing, processing, storage and transporting of medical marijuana.

Specific Security & Safety for the Cultivation of Medical Marijuana

The safety and security of all employees of Breakwater Production Facility is of the utmost importance to us. Breakwater PF will meet and exceed the standards set forth by the Department of Consumer Protection concerning the Palliative Use of Marijuana with regard to Security set forth in Sections 21a-408-61 and 21a-408-62.

We will install the latest security equipment and implement the strictest procedures to accomplish this goal. Access to our production facility will be strictly limited to Breakwater Production Facility employees exclusively. However, access to the production facility will also be granted to all authorized governmental representatives when necessary.

Our production facility, located at 400 Captain Neville Drive, Waterbury, Connecticut, will have an alarm system designed and installed by one of the leaders in providing security for the medical marijuana industry, Canna Security. Additionally, knowledge of the location of the production facility will be restricted to authorized Breakwater PF employees and appropriate officials only. Breakwater PF has made it a point to not to seek publicity of its intention and the location of applying for a Producer License.

We will consult with representatives of The Connecticut State Police and The Waterbury Police Department regarding all of our security plans. We will value and implement their suggestions

and advice. Both agencies, together with the Department of Consumer Protection, will have remote access to all of our video cameras, twenty four hours a day/seven days a week. This will permit remote viewing of all production activities, at will.

There will be no signage on the building or on the premises identifying it as the Breakwater Production Facility. The only signage will be identification of the building address for Breakwater PF's business address. Access to the facility will be guarded by a security person controlling a man trap door system. The outside door will have a sign stating: "Employees Only – No Soliciting". Employees using their own code may enter the outer door but will have to be buzzed through the second door.

Restricted Area Perimeter

Restricting the area perimeter involves two fundamental aspects — 'securing' the restricted area and 'monitoring' the restricted area. These two concepts, described below, act in unison to allow a facility to deter, detect, and defend against breaches of the facility perimeter.

- a. **Secure** – In the context of restricting an area perimeter, 'secure' means physically limiting the accessibility of the facility such that there is a low likelihood of any intruder successfully breaching the facility perimeter or using the area immediately outside of the facility's perimeter to launch an attack. Securing Breakwater PF's production facility will be accomplished by using a combination of physical barriers (e.g., fencing and other man-made structures).
 1. The fencing system will delay aggressive attacks and will also be integrated with additional security features (i.e. video surveillance).
 2. The facility windowless and is made of modern tilt up concrete panel. The internal production activity will not be visible or accessible from outside the perimeter area, the street or other public areas.
 3. Only those employees of Breakwater PF who actually work at the production facility will have access to the facility. Employee access will be controlled and audited by an electronic access control system. All exterior doors will be alarmed.
 4. All roof HVAC equipment will have security cages to restrict access.
- b. **Monitor** – In the context of restricting the area perimeter, 'monitor' refers to the need to have domain awareness of the perimeter, including the areas immediately beyond the perimeter (the "buffer zone") and the area just inside the perimeter. Breakwater PF will effectuate monitoring by using intrusion detection systems integrated with other electronic surveillance systems that monitor the facility perimeter to deter, detect, communicate, and evaluate the presence of unauthorized persons or vehicles or unauthorized activities.
 - The commercial-grade security system will begin with securing the perimeter of the facility.
 - This means all exterior doors and windows (installed only in the connected office portion) will be alarmed.
 - Vibration (shock) sensors will provide alarm capabilities on all perimeter walls.
 - All attic space (between the roof and ceiling of facility) will have motion sensors.

- Video cameras (all high definition color) and motion detectors will be installed to monitor the exterior of the building with special emphasis attached to doors, windows and roof.
- These cameras will be installed to ensure that clear video and still pictures for identification purposes are made of anyone entering or exiting the building.
- Recordings from all cameras will be made 24 hours a day, seven days a week and shall be retained for at least thirty days, or longer under certain circumstances.
- The buffer zone will be well lit on the entire perimeter. During the hours of dusk, night and twilight the building exterior, including the roof, as well as the production facility premises, will be well lit.

c. A detailed description of any air treatment or other system that will be installed and used to reduce off-site odors;

HVAC Security & Environmental Plan

We will be using an environmental control system called Argus which we'll install throughout our entire growing and production facility. The Argus system will easily and conveniently manage the environmental conditions of our facility, using programmed settings, and in response to manual inputs.

The type of HVAC system we are employing is a constant recirculation system or a "sealed system". The HVAC ventilation systems will contain integrated carbon filters within the units to remove odor from the grow rooms and production areas. However, we will place additional recirculating carbon filtration systems within the rooms to help combat smell (Can Fan or similar). We also have a separate exhaust system with carbon filters, to give us the option to bring fresh air from the hallway into the grow rooms, to prevent oxygen depletion, to prevent ethylene accumulation, and to provide a safe and comfortable working environment for employees.

HVAC System Design

- The supply air diffusers and returns are in the ceiling and there will be multiple diffusers down the length of the room.
- *Units*
 - Each unit will be equipped with carbon filters to reduce odors.
 - Each unit will be capable of trapping any mold, spores, bacteria, dust mite debris, pollen, and even virus, carbon dust, etc. using MERV 17 filters (used in pharmaceutical manufacturing cleanrooms) at a minimum.

With efficiency ratings of over 10 EER and 12.4 for IEER the HVAC systems we are using are extremely efficient and green. We are using double wall rooftop condensing units which provide the cleanest, safest and most efficient system. The difference between double wall and single wall units is staggering. Many will opt for the single wall as it is a less expensive unit up front. However, single wall units are not for this application. The insulation and any debris caught in the unit will circulate into the production facility and worst of all this issue cannot be rectified unless you replace the unit. These units are standard for clean rooms and hospitals. There are two separate side load filter racks in the units. The first rack holds 2" thick pre-filters and the

second holds 4" thick high efficiency filters (MERV 17, 18, 19 or 20). For our application we use a 2" thick MERV 8 which is 30% efficient as a pre-filter and 4" thick MERV 17-20 which is 95% efficient after filters within the rooftop unit. This is not a special application for our highly efficient units; the unit is designed and fabricated to handle these two types of filters in conjunction.

- *Separate Exhaust Systems:*

- A small separate exhaust system (not exhausting through our HVAC units) will be provided in the grow rooms with carbon filtration (Can Fan or similar). The separate exhaust system will exhaust air directly out of the rooms and through the roof of the facility into the atmosphere.
- We will program our Argus control system and also have a manual switch on the wall which when flipped will turn on the separate exhaust system and tell the hallway fresh air system unit to bring in a small amount of additional fresh air.

d. A detailed description of the training and continuing education opportunities that will be provided to production facility employees; and

At Breakwater PF we understand that the education and training of our employees is essential to maintain the highest standards we set for our entire operation. As part of our commitment to our production and production team, we will implement rigorous training, professional development and continuing education of Breakwater PF's personnel. Our objective is to achieve the goal set forth in our Mission Statement, to produce unadulterated pharmaceutical grade medical marijuana, and to prevent the diversion, theft or loss of marijuana or marijuana product. This can only be achieved through proper employee training and oversight.

Employees impact Breakwater PF's Objectives as follows:

- Provide safe, dignified and affordable access to medical cannabis by approved licensed dispensaries in the State of Connecticut.
- Create a community-oriented organization that provides Connecticut licensed dispensaries and their patients with safe access to high quality unadulterated medicine, wellness services and educational resources.
- Maintain a model facility that operates in full compliance with the law, maintains the highest standards of professional conduct and fully services the needs of licensed dispensaries and their patients within the State of Connecticut.

Prior to commencing work at the production facility, an employee will be required pass a Basic Training program encompassing the following steps:

BASIC TRAINING:

- The Employee will receive a complete review of the Mission Statement, goals, objectives, and organizational structure of Breakwater PF. This provides the employee an understanding of where he/she fits into Breakwater PF.

- Outline policies and procedures of Breakwater PF such as Employment Policies, Standards of Conduct, Wages and Salary Policies, Benefits and Services, Employee Communications, Human Resource Policies and Contacts, Security Policies, and role of the Safety Department.
- Instruct all employees on the State of Connecticut's Department of Consumer Protection Regulations on the Palliative Use of Marijuana.
- Define "Pharmaceutical grade marijuana" to employees as defined by the State of Connecticut's Department of Consumer Protection:
 - Marijuana or marijuana products that are not adulterated
 - Products that are processed, packaged and labeled according to the Food and Drug Administration's "Current Good Manufacturing Practice in Manufacturing, Packaging, Labeling, or Holding Operations for Dietary Supplements," 21 CFR 111;
 - Products that are labeled with the results of an active ingredient analysis, a microbiological contaminants analysis, a mycotoxin analysis, a heavy metal analysis and a pesticide chemical residue analysis which have been completed on a batch basis by an independent laboratory; and where each step of the production, cultivating, trimming, curing, manufacturing, processing and packaging method has been documented by using established standard operation procedures approved by the commissioner
- Expand on Security Policies at Breakwater PF, explain why Security is of the upmost importance, detail on how an employee must report security breaches through the company's Critical Incident Reporting system and train employees on how to respond in an emergency. Explain the duress alarm (entry of a special code that informs the monitoring station that an employee is being forced to turn off the alarm), panic button alarms (issued to every employee and worn at all times), holdup alarm (generates a silent alarm signal that a robbery or an attempted robbery is in progress) and the automatic voice dialer (sends a prerecorded voice message requesting immediate dispatch of police or emergency personnel).
- Provide an overview of the sections from Breakwater PF's Security Plan that apply to the employee's role and responsibilities. ***Please see Breakwater PF's Security Plan Section.*** The full Security Plan will not be available to employees. It will only be available to executives or appropriate security personnel, since keeping the entirety of the plan confidential is a necessary security measure.
- Provide detailed training of the employee's specific role within the company. All job descriptions, roles, and responsibilities are also made available in Breakwater PF's Operations Manual.
- Review standards of employment for each employee on a regular basis.
- The employee will spend a day meeting with all of Breakwater PF's executives including the CEO, COO, Treasurer, and Chief Horticulturalist. This is in order for the new employee to become acquainted with management as well as understand the overarching roles of each division. During this day, the employee will also be a tutorial and information seminar regarding the medical marijuana industry in Connecticut. There will also be a staff meeting attended by all employees, the CEO, COO, Treasurer, and Chief Horticulturist no less than twice a month.

After basic training is complete, the employee will spend one week shadowing a current employee in his/her role. This will provide the employee with one-on-one training that will help engrain the daily processes and responsibilities of the employee before he/she begins full-time employment.

CONTINUING EDUCATION AND TRAINING:

Breakwater PF will provide continuing education and training for all employees in order for them to stay up to date with the latest evolutions and innovations in the medical marijuana industry. This will be done through biyearly one-day workshops, information seminars, tutorials on techniques and sciences for the production of medical marijuana (these tutorials will be videotaped and eventually be part of an online education portal available to employees). We will also include presentations by experts in the field of medical marijuana production. Training that involves any non-employees will be held at offsite locations.

Random Security Drills:

Breakwater PF will conduct random unannounced security drills, which will reinforce procedures and policies to be followed by employees in the case of an emergency or situation which could compromise the ability of the employees to produce unadulterated, pharmaceutical grade marijuana, or result in the diversion, theft, or loss of marijuana.

Bi-annual Reviews:

Employees will have bi-annual review meetings with their team managers for feedback on performance as well as to review the following topics:

- The protocol for using security tools such as a duress alarm (entry of a special code that informs the monitoring station that an employee is being forced to turn off the alarm), panic button alarms (issued to every employee and worn at all times), holdup alarm (generates a silent alarm signal that a robbery or an attempted robbery is in progress) and an automatic voice dialer (sends a prerecorded voice message requesting immediate dispatch of police or emergency personnel).
- The ridged standards for manufacturing unadulterated, pharmaceutical grade marijuana
- The rules and regulations set forth by the Department of Consumer Protection concerning the Use of Palliative Marijuana, highlighting any updated rules or regulations.

Continuing Education Programs:

Breakwater PF will offer employees Continuing Education Programs. Breakwater PF will maintain a record of following information: The name of the person receiving the training, the dates of the training, a general description of the topics covered, and the name of the person supervising the training.

▪ Bi-annual One-Day Workshop

This bi-annual workshop will be a mandatory event. The workshop will be led by our executive team, including our chief horticulturalist, and will cover all aspects of the production of Medical Marijuana, including cultivation, handling and storage, transportation, security, and security breach responses. Employees will also be educated on the latest regulations set forth by the Department of Consumer Protection as well as the latest standards set forth by the Food and Drug Administration regarding current Good Manufacturing Procedures. The workshop will be held during non-operating hours and at an offsite location.

▪ Information Seminars

Information seminars will be held by our chief horticulturalist during non-operating hours. The topics of these seminars will range from production techniques to the latest published

literature in the medical marijuana field. These are optional, onsite, seminars that will be recorded, should employees wish to view at another time.

▪ **Tutorials**

Each unit within the production facility will be given tutorials regarding operations as pertained to their functions and roles. A tutorial will be given to a team when new members join or when management determines that a tutorial review is required. The Tutorial will be mandatory, will be onsite, and will be recorded should employees wish to reference the tutorial in the future.

▪ **Guest Speakers**

Guest speakers will be invited to speak to employees and management. Speakers will generally be industry leaders, leading physicians, or testimonials regarding the use of medical marijuana. These are optional, offsite, and will be recorded should employees wish to view at another time.

EMPLOYEE ADVANCEMENT AND CAREER ACCELERATION:

Breakwater PF's employees are an important asset to our operation and well-trained, dedicated employees are essential to producing unadulterated, pharmaceutical grade medical marijuana. Furthermore, we know that employee loyalty and trust is an essential aspect of maintaining strict security and preventing the theft or loss of marijuana. We plan to take measures to avoid employee turnover by providing a positive work place with high employee morale, and strong employee incentives.

Breakwater PF believes there are two types of employees, there are those who are Externally Motivated and Internally Motivated. Breakwater will only hire individuals with a strong drive to maintain the highest personal standards at work. We plan to use a number of different incentive-based programs in an effort to reduce turnover throughout the population of our employee base.

Externally Motivated employees seek the following:

- Job Security
- Salary
- Bonus

For these employees we offer the following:

- Employer contributions toward retirement plans
- Regular salary increases with seniority
- Profit sharing plan with employees based on production and efficiency

Internally Motivated employees seek the following:

- Achievement
- Recognition
- Responsibility

For these employees we offer the following programs:

- Executive Club Program
- Management Career Track Opportunity

Executive Club Program:

This is a program where employees have the opportunity to have lunch with management once a month. During this lunch, employees are encouraged to give feedback, advice, and voice any concerns regarding Breakwater PF's operations. This is a great opportunity for employees to showcase their analytical skills and thought processes, as well as an opportunity for management to gain feedback on all aspects of our operation. This program will give the employees a "voice" in the company.

Management Career Track Opportunity:

This program is intended to provide selected employees with an opportunity to become part of Breakwater PF's management team. This selective program involves:

- A six-month rotational program where the employee operates in all roles throughout the production process and facility.
- Shadowing of executives through daily operations and responsibilities.
- Develop understanding on how to communicate effectively and adhere to standards set forth by the Department of Consumer Protection, understanding relationships and standards in dealing with any equipment suppliers and understanding how to deal with confidential information involving Breakwater PF's proprietary growing operations.
- Advanced education regarding growing and production techniques.

After successful completion of the program, employees will be assigned to a supervisory role within a selected department.

e. A detailed description of any processes or controls that will be implemented to prevent the diversion, theft or loss of marijuana.

The prevention of diversion, theft or loss of marijuana is a primary security concern. Breakwater PF will meet and exceed the standards set forth by the Department of Consumer Protection concerning the Palliative Use of Marijuana with regard to Security set forth in Sections 21a-408-61 and 21a-408-62.

Preventing diversion, theft or loss of marijuana begins with implementing good hiring practices.

1. Any potential employee who lies on his application should never be hired as this is clear evidence that the applicant is not trustworthy and is dishonest. A current employee subsequently found to have lied on his application shall be terminated immediately.
2. Contact the prospective employee's previous employers and references to verify their role in the company. If the employer expresses hesitation in rehiring the employee, do not hire him.
3. Conduct criminal background checks and do not employ anyone convicted of a crime.
4. Screen out anyone who tests positive for drugs or is awash in debt.
5. Breakwater PF will monitor all emails exchanged in our facility. We will implement a policy of confidential reporting of theft. Breakwater PF will rotate employees in and out of positions of importance to detect unusual deviations from one employee to the next.

6. We will implement a policy of confidential reporting of theft. Breakwater PF will rotate employees in and out of positions of importance to assist in the detection of unusual deviations.

A regular auditing of inventory is a required part of our production in-house controls. Close video monitoring together with a company principal's physical presence during all harvests and packaging of marijuana will be implemented. Random inspection of the plants will be conducted in order to detect unauthorized trimming.

All employees working with marijuana will wear white one piece, pocket less, jumpsuits. Wearing socks above the shoe height will not be allowed. The pant leg must terminate at least one inch above the shoe height. No bags, knapsacks or lunchboxes will be permitted outside of the locker room or break room.

After harvesting, all useable marijuana will be either locked in an approved safe (packaged marijuana ready for sale) or secured in a locked approved vault (unpackaged bulk marijuana). A security video camera will be pointed directly at the safe and vault. Only authorized employees will have access to the secured area where the processed cannabis is stored. All areas of the facility that actually contain marijuana will be kept securely locked at all times except when the presence of authorized employees is required.

Our security doors will utilize a keyless entry system. Authorized employees will be issued a personal code to enter only the areas for which that employee is authorized. If an employee leaves our employment, his code will be erased from the lock(s) into which it was programmed. Some high security areas, in addition to the keyless locks, will also employ card readers for enhanced security.

All employees will be issued different colored cards, specific to their work area, to be worn by pinning to their chest. This will enable management and other workers to easily determine if an employee is present in an unauthorized area.

Only employees authorized to work in the grow rooms will have access to the hallway abutting the grow rooms. Our maintenance personnel will ensure that all locks and security equipment are continuously kept in good working order.

Our production plan envisions a grow volume that can be completed during normal business operations, while avoiding growing more than the projected sales volume.

All entry doors to rooms containing marijuana will have signs thereon at least 12 inches by 12 inches stating: "Do Not Enter – Limited Access Area – Access Limited to Authorized Employees Only". All areas that contain marijuana will be monitored with audio/video cameras, 24/7. These cameras will be capable of producing clear 9600 dpi color photos from live or recorded images. All recordings will be dated and time stamped discretely, so as to preserve as much of the viewing area as possible. The recording equipment will be capable of exporting still images in standard image formats in addition to a proprietary format. All security equipment shall be well maintained and tested at least twice a year.

Our highly secured dedicated Surveillance Room will contain the security system equipment and be accessible only by limited authorized personnel (Breakwater PF employees, law enforcement, security service employees and DCP representatives).

Below are excerpts from Breakwater Production Facility's "OFFICIAL USE ONLY – SECURITY-RELATED INFORMATION – EXEMPT FROM DISCLOSURE UNDER THE CONNECTICUT FREEDOM OF INFORMATION ACT (FOIA)", as found under "Security Plan" to provide further details in answering Criterion C, measure 2e of this RFP:

Preventing diversion, theft or loss of marijuana

The prevention of diversion, theft or loss of marijuana is a security concern. Breakwater PF will meet and exceed the standards set forth by the Department of Consumer Protection concerning the Palliative Use of Marijuana with regard to Security set forth in Sections 21a-408-61 and 21a-408-62.

Preventing diversion, theft or loss of marijuana begins with implementing good hiring practices.

- Any potential employee who lies on his application should never be hired as this is clear evidence that the applicant is not trustworthy and is dishonest. A current employee subsequently found to have lied on his application should be terminated immediately.
- Contact the prospective employee's previous employers and verify their role in the company. If the employer expresses hesitation in rehiring the employee, do not hire him.
- Conduct criminal background checks and do not employ anyone convicted of a crime.
- Screen out anyone who tests positive for drugs or that is awash in debt.
- Breakwater PF will monitor all emails exchanged in our facility. We will implement a policy of confidential reporting of theft. Breakwater PF will rotate employees in and out of positions of importance to detect unusual deviations.

Securing critical assets involves two fundamental aspects — 'securing' the critical asset(s) or the restricted area(s) in which the critical asset(s) are located and 'monitoring' the critical asset(s) or the relevant restricted area(s). In 'Screening and Controlling Access' Breakwater PF is focusing on the identification, screening, and/or inspection of individuals and vehicles as they enter and exit the facility or restricted areas within the facility. Through identification, screening, and inspection, Breakwater PF will be better able to prevent unauthorized access to the facility or its restricted areas. Only the transport vehicle will have access to the inside of the perimeter.

Securing Site Assets

Only authorized personnel (cardholder who is a principal officer, manager or department employee) will have access to the facility and in particular specific production areas, including the growing, drying, trimming, bulk storage (curing), packaged marijuana (ready for sale) storage, processing and security rooms of the facility. Each room will have electronic access control points to alert the operating manager when employees access specific areas of the facility.

- After harvesting, all useable marijuana will be either locked in an approved safe (packaged marijuana ready for sale) or secured in a locked approved vault (unpackaged bulk marijuana). A security video camera will be pointed directly at the safe and vault. Only authorized employees will have access to the secured area where the processed cannabis is stored. All areas of the facility that actually contain marijuana will be kept securely locked at all times except when authorized employees are actually and necessarily for the minimum time

required, working with the marijuana. All entry doors to rooms containing marijuana will have signs thereon at least 12 inches by 12 inches stating: "Do Not Enter – Limited Access Area – Access Limited to Authorized Employees Only".

- **Procedural Measures:** Only authorized personnel will have access to the growing, drying, trimming, bulk storage (curing), packaged marijuana (ready for sale) storage, processing and security rooms of the production facility and each area will have electronic access control points to alert the operating manager when employees access specific areas of the production facility.
 - Our security doors will utilize a keyless entry system.
 - Authorized employees will be issued a personal code to enter only the areas for which that employee is authorized.
 - If an employee leaves our employment, his code will be erased from the lock(s) into which it was programmed.
 - Only employees authorized to work in the grow rooms will have access to the hallway abutting the grow rooms.
 - Our maintenance personnel will ensure that all locks and security equipment are kept in good working order.

Monitoring Site Asset Activity

- A regular auditing of inventory is a required part of our production in-house controls. Close video monitoring together with a principal's physical presence will be implemented for all harvests and packaging of marijuana. Random inspection of the plants will be conducted to detect unauthorized trimming.
- All employees working with marijuana will wear white one piece, pocket less, jumpsuits. Wearing socks above the shoe height will not be allowed. The pant leg must terminate at least one inch above the shoe height. No bags, knapsacks or lunchboxes will be permitted outside of the locker room or break room.
- All areas that contain marijuana will be monitored with audio/video cameras, 24/7. These cameras will be capable of producing clear 9600 dpi color photos from live or recorded images. All recordings will be dated and time stamped discretely, so as to preserve as much of the viewing area as possible. The recording equipment will be capable of exporting still images in standard image formats in addition to a proprietary format. All security equipment shall be well maintained and tested at least twice a year.

Procedures for proper sanitation practices to minimize plant disease, and to promptly dispose of diseased plant material in a secured disposal area.

Any pathogen-infected or pest infested plant material that is discovered in the grow rooms will be immediately segregated until it can be properly disposed of, unless the infestation has already significantly spread throughout the crop, in which case we may need to address the problem differently. In order to properly dispose of infected plant material, Breakwater PF will recommend using an on-site incinerator to burn it, in the presence of an authorized representative of the commissioner pursuant to Sec. 21a-408-64. Burning plant materials infested with pests or pathogens is an effective way of destroying the pests and/or potential disease inoculum. It will also ensure the secure disposal of any potentially psychoactive plant materials. Records, as required by the regulations, will be kept of all destroyed plants and marijuana products.

Criterion D: PROPOSED MARKETING PLAN [250 Points]

Measure 1: Provide a copy of the applicant's proposed marketing plan and include any web templates and educational materials such as brochures, posters, or promotional items.

Note: Also please see the end of this Section for attached web templates and a company brochure.

Marketing Department

Breakwater Production Facility is limited to selling its products exclusively to licensed dispensaries exclusively. Our plans for marketing and advertising are likewise limited in scope.

We have no plans to join with any other person or entity to market our products for the purpose of influencing a patient regarding their selection of a physician, dispensary or marijuana product. We will be growing specific strains and offering various products based upon experience and research and anticipate greater positive results. We hope to validate these hypotheses through research programs funded by Breakwater PF. We know without continued research and the funding of these efforts, the medical marijuana industry will remain static.

All promotional materials will strictly present the factual information supported by properly conducted research.

With strong backgrounds in Law and horticulture making up the core of the Breakwater PF Team, we remain confident that we will strictly follow all requirements set forth by the department of Consumer Protection, including those limitations on advertising and promotion. . Although not required by the regulations, *prior* to any publication Breakwater PF will always submit copies of all advertising or marketing plans to the Commissioner of Consumer Protection for pre-approval. . Any proposed advertisement submitted to the Commissioner for review will fully and completely comply with the requirements of Sec.21a-408-66(d). Thereafter, Breakwater PF will comply with any requirements regarding the advertising that may be imposed by the Commissioner. Sec. 21a-408-66(f).

Breakwater PF is fully aware of the dearth of verified clinical trials regarding medical marijuana. Any statements considered for publication will be verified and will refer only to the products that we actually sell and their effects on specific conditions afflicting registered patients in the State of Connecticut. We will not make any statements regarding the safety or efficacy of medical marijuana. Nor will Breakwater PF offer any type of inducement to a patient, caregiver or doctor regarding the purchase of marijuana or securing a physician's certification. We will always adhere to the remaining requirements of Sec. 21a-408-66(a through c).

After the awarding of dispensary licenses and upon approval by the Commissioner, we will provide the dispensaries with a complete list of the products we will sell. At this time we envision a general announcement to the public that we have opened our production business and list the products that we intend to produce. The listing would be completely factual in nature and without any representations regarding efficacy. After a thorough laboratory analysis by an independent laboratory (following all the regulations set forth on laboratory testing), the list

would include the percentage of THC and percentage of CBD for each product, together with other relevant factual information.

Our marketing will be primarily to the licensed dispensaries and very rarely to the public at large. We will rely on our website, licensed dispensary facilities and physician to be the avenues with which our product marketing materials reach the Connecticut patient community. As previously stated, any marketing material would be distributed only after the Commissioner's approval. At all times we will fully comply with the requirements of Sec. 21a-408-67.

Our team has endured personal experience witnessing loved ones and friends who have struggled with drug abuse and have witnessed the impact pharmaceutical and illegal drugs can have on communities. As a result, we remain cognizant and proactive of who and where our marketing material will reach, directly or indirectly. Our audience is the medical marijuana patient community in need of care, understanding and compassion. *Any future marketing will always present a balance view.* We understand the power and impact Medicinal Marijuana can have on non-intended users, and will be careful not to intentionally or unintentionally market to groups that could be easily influenced, such as teenagers. We will stay clear of any injury content, overconsumption content, addiction content, sex-related content and violation of industry regulations as set forth. Breakwater PF finds it obscene when these tactics are used to promote alcohol, pharmaceutical drugs and in particular products that have existed in certain states where medical marijuana and/or marijuana is legal. The industry requires a professional approach. Breakwater PF embodies the needed professionalism to properly produce and sell Medical Marijuana. We share this same understanding with the State of Connecticut, given the history and experience the State, as well as the current Commissioner of the Department of Consumer Protection, have had in fighting the marketing tactics by tobacco companies employed in the late 1990s. Furthermore, our team has a connection with non-profit organizations such as the Drug Policy Alliance (DPA). We will support local and national causes and organizations with the messages and programs that we believe properly target drug and alcohol abuse and help the victims of substance-abuse through treatment and support.

Breakwater PF will work to provide patients access to medical marijuana resource centers through partnerships with patient group organizations. Prior to and with continuous monitoring, Breakwater PF will ensure that any organization we fund is adhering to all HIPPA compliance protocols. Funding services that are designed to ensure a patient's transition to the use of medical marijuana from their existing medical treatment is based on knowledge and compassion. Breakwater PF will provide licensed dispensaries with free educational literature on medical cannabis developed by Breakwater PF in partnership with medical and scientific research programs (hospitals, universities, laboratories, etc.) for licensed dispensaries, their patients as well as physicians. All these reading materials will be available at the resource centers regarding topics such as cannabinoids research, specific cultivar (strain) information, pain and stress management, and holistic approaches to health and wellness. Breakwater PF donations and/or funding will help fund services including in-depth consultations and solutions by compassionate caregivers and legal support administered through a patient group organization's legal services programs. Our goal is simple – Positive Patient Outcomes. As members of the medical marijuana community, the Breakwater Production Facility staff will help fund programs that help people who have a qualifying medical condition become a legal medical marijuana patient especially to those who are experiencing financial difficulties. We are committed to funding only high quality patient services.

Breakwater Production Facility will provide product information literature to all licensed dispensaries that purchase any medical marijuana products from our facility. Breakwater PF will make available to each registered qualifying patient and their registered primary caregiver, if any, a variety of source material regarding the various methods of ingestion (vaporizer, smoking, eating, tincture, tea and marijuana compress) of medical marijuana accompanied by validated research studies on the health effects of each. These materials may include a take home DVD, printed information, web-based information, and brochures. The DVD and any printed materials will be available for viewing on our website. Breakwater PF will compile a list of outside individuals and entities that can provide instruction and offer counseling on these topics. All opinion-based research regarding health side effects of ingesting medical marijuana will be presented in a balanced (pros and cons) fashion so that the patient can make an informed decision. A comprehensive listing of web sites covering these topics will be made available to physicians, licensed dispensaries, patients and caregivers alike.

At the licensed dispensaries, each patient will be presented with a Breakwater PF informational brochure, which will detail the various ingestion options, safe smoking techniques and all potential side effects for the medical cannabis products available at the licensed dispensaries. In addition to the brochure, we will provide all requested information and answer in writing any questions a licensed dispensary may have via email. We will also work with the Department of Consumer Protection to provide a list of Frequently Asked Questions concerning the Medical Marijuana Program.

As stated, Breakwater PF will provide a list of suggested websites and online videos to assist in their initial research. Key search topics, such as, marijuana side effects, marijuana long term side effects, marijuana overdose, marijuana effects, marijuana addiction, marijuana facts, marijuana long term effects and marijuana physical side effects will be suggested as starting points for obtaining additional information. These search topics will be updated on a regular basis and any important new research results will be immediately provided to physicians, dispensaries, patients and caregivers.

Breakwater PF will take pride in the care, compassion and understanding provided to licensed dispensaries for their patients. Educating on the safest methods of ingestion is a key component in making a patient comfortable and providing the most effective means of obtaining the optimum results for pain management and the treatment of other conditions. Breakwater PF will offer instructional literature on the multiple methods and product options for the ingestion of medical cannabis.

Please see the following pages “Using Your Medicine”

Bracketed numbers (ex. [1]) refers to “References” listed at the end of this section

Note: Any issues with statements herein or with any other Breakwater PF proposed advertising/marketing by the Department of Consumer Protection will be addressed and rectified immediately.

Using Your Medicine (Educational Materials)

The federal government classifies cannabis as a schedule 1 drug; a classification that implies that cannabis has no legitimate medical use. Many believe this classification should be changed because cannabis is recommended by a multitude of physicians for the treatment of many medical conditions. Furthermore, THC (the primary active compound in cannabis) is FDA approved and is called dronabinol [6]. Dronabinol is marketed using the trade name Marinol [6].

There are many methods of using cannabis for the treatment of medical conditions. The following information is intended to inform medical cannabis patients about the various options available to them.

Please note: The only form options that Breakwater PF offers currently are flower/bud form, lozenges and topical formulations. The following is provided for educational purposes only.

Raw Marijuana- Breakwater PF will produce top quality raw marijuana. It will be packaged into glass jars containing 1/16 oz, 1/8 oz, 1/4 oz, and 1 oz quantities of marijuana. These jars will have child resistant lids, and will be amber to resist the entry of light.

Smoking Cannabis

Smoking is popular among patients for several reasons:

1. Rapid onset: Smoking delivers active compounds quickly into the bloodstream and to receptor sites via the lungs [4].
2. Simplicity: Compared to other dosage methods, smoking cannabis is simple, requiring very little preparation time. Before smoking cannabis, the patient must simply separate the buds into individual flowers and remove any stems [2]. Doing so ensures an even burn and less need for flame application (less unwanted fumes=better-tasting, more healthful smoke). To make this easy, use a handheld herb grinder or a pair of scissors and a shot glass [2].
3. Easy dosage determination: smoked cannabis is effective almost immediately, allowing the user to titrate the dose one puff at a time. This allows the user to get just the right dose by gradually increasing the dose until effective [7].

Methods of smoking

- Joint: (a.k.a. “marijuana cigarette” or “reefer”) Convenience of joints is key, as joints burn for multiple puffs worth of cannabis after only being lit once and are easily transportable [2]. Joints also taste pleasant to most patients, and they don’t require breakable, expensive, or conspicuous equipment [2]. A huge plus is efficient delivery of cannabinoids [3]. This is perhaps due to a joint’s lack of a filter or long piping before the mouth, to which sticky cannabinoids adhere easily, reducing the amount of medicine that actually reaches the patient’s body [3]. It is a skill to roll a good joint, however, novices uninterested in learning how to do so should buy a joint-rolling machine or pre-rolled joints [2]. Before rolling a joint, the patient should break the bud(s) into small, uniform pieces about the size of the individual bud flowers or slightly smaller [2]. Stems should be removed from the flowers to avoid foul, acrid smoke and possible holes poked in the rolling paper [2]. To roll a joint, practice, practice, practice...or ask an expert at your licensed dispensary or Patient Organization for help. Some joint smokers prefer unbleached rolling papers, hemp rolling papers, or clear, cellulose-based papers, which may taste better and contain fewer impurities than traditional, bleached-white rolling papers.

**Patients should note that, while still remarkably safe, joints are not the healthiest methods of dosage because they burn paper and adhesive along with cannabis, exposing users to impurities not presented in other dosage methods [2]. Another downside is waste: Some smoke is inevitably lost between inhalations, and there is usually leftover cannabis in the “roach”, or the small, undesirable leftover part of a burned joint [2]. However, joints’ efficient delivery of cannabinoids—relative to other smoking methods—should compensate for such waste [3].

- Pipes: Pipes are an easy way to smoke cannabis, and can be broken down into two basic categories: 1) Dry “Hand” pipes, and 2) Waterpipes [2].
- Hand Pipes: These come in a (possibly overwhelming) variety of shapes, sizes, and materials, but the basic mechanics are universal. To smoke a cannabis pipe:
 1. Pack prepared buds into the bowl
 2. Hold a flame directly over the medicine while simultaneously inhaling through the mouthpiece [2].
 3. Waterpipes: Mechanically, these are nearly identical to hand pipes, but use a chamber of water to filter and cool the smoke before it is inhaled [2]. There are two main types: bongs and bubblers, classified by either a large or a small filling chamber, respectively, in which the smoke collects. The main proven advantage over dry pipes or joints is comfort; smoke is cooled and free of hot ashes and particles [3]. *BEWARE: large “hits” of smoke will cause light-headedness and an inclination to blacking out, and waterpipes make accidentally taking a bigger-than-expected dose a possibility. Waterpipes are supposed by many smokers to be a safer alternative to dry pipes or joints because the water filters tar out of the smoke [2]. Unfortunately, as one test points out, water filtration removes THC and other desirable active compounds more so than tar [3]. This means “in order to obtain the same effective dose of THC, a smoker would end up taking in at least 30% more tars from a waterpipe than from an unfiltered joint” [2]. However, water filtration may remove water-soluble toxic gases such as carbon monoxide, which is linked to heart disease, and aldehydes, which promote cancer [3], so more research is required to determine whether waterpipes are beneficial or counterproductive [2].

**A problem with all pipe smoking is that you must suck on one side of the pipe, pulling air and, along with the flame—lighter fluid fumes—over the cannabis, through the pipe, and into your lungs to light the cannabis on fire. Grind your bud to minimize the need for a starting flame. To avoid lighter fluid fumes, some patients light their pipe with an organic, beeswax-covered hemp wick, or a magnifying glass under bright sunlight.

If this is your first time smoking medical marijuana, use discretion. Breakwater PF's cannabis can be highly potent, depending on the strain. Don't be alarmed though; this is good news for the patient because it allows him or her to burn less plant material to get an effective dose than with lower-potency cannabis [3,2]. This also means that, if the patient is new to smoking, it may only take one substantial inhalation to get an effective dose. Start with a small inhale. Inhale deeply, exhale immediately (it is a myth that holding in the smoke will be more effective), and WAIT for several minutes to feel the effects of the inhale before taking the next so as to minimize the dose [4].

In summary, if a patient wants the quickest relief possible (easy preparation, plus onset in seconds [4]), and understands and accepts the possible risks inherent to smoking his or her medicine, a pipe is the utensil of choice.

Our growing process and drying process are designed to prevent problems associated with fungi that would affect the safety of our medicine. Buds will be inspected upon trimming and after drying for the presence of mold, and samples from every BPF will be sent to an independent laboratory for testing.

Vaporization

Breakwater Production Facility highly recommends this method to all patients. Good vaporizers allow patients quick-onset relief and oral satisfaction similar to smoking but without the health risks associated with smoke [1]. They do this by delicately heating the cannabis to the point that THC and other therapeutic substances change physical form, becoming gaseous [1]. The gas, or vapor, is then inhaled like smoke. The process leaves behind dry, slightly browned buds that, rather than having gone up in smoke, simply lack richness in medicinal compounds [2]. Studies show vaporizers significantly reduce carcinogens (cancer-causing agents), carbon monoxide (linked to cardiovascular disease), and tar [1,2,3].

Oral Administration

Not just brownies: In theory, cannabis food can be anything that contains substantial butter, oil, milk, or alcohol, because cannabinoids are oil and fat-soluble and thus dissolve in these ingredients [2].

1. **Tinctures-** Cannabis can be administered orally using cannabis tinctures [2]. Cannabis tinctures have a long history of medical use in the United States [5]. As early as the 1850's American physicians prescribed tincture of cannabis with successful results [5]. There are three types of cannabis tinctures made using alcohol and/or glycerine as solvents [4]. All three of these solutions may be taken under the tongue with an eyedropper [2]. They are absorbed through the mucus membranes of the mouth and take effect in five to ten minutes [2,4]. Tincture dosage varies greatly depending on the concentration of cannabis in the tincture [4]. Glycerine tinctures have the advantages of tasting sweeter than alcohol tinctures, and being well suited for those who do not consume alcohol [4]. Alcohol tinctures have the advantage of usually being more potent than glycerine tinctures. Thus, less needs to be used for the desired effect [4]. Glycerine/alcohol tinctures combine the advantages and disadvantages of glycerine tinctures and alcohol tinctures [4]. Shake glycerine/alcohol tinctures to counteract separation [4].
2. **Cigarettes-** We will produce cigarettes made using 'Smoke Cones' cigarette production system. Smoke Cones sells pre-rolled cones, that we'll fill with marijuana using simple machines also sold by Smoke Cones. This system allows companies to produce cigarettes without licking them to seal them, thus providing a hygienic product. The cigarettes will then be sealed in child resistant containers.
3. **Concentrated Extracts-** Concentrated extracts are excellent for those who require large doses of medicinal marijuana for symptom relief. Concentrates can be vaporized for quick relief via inhalation, and for such usage, Breakwater PF will sell activated (de-carboxylated) cannabinoid oils in small jars. Activated concentrates can also be placed into gel capsules, to be swallowed for long-lasting symptom relief. Breakwater PF will sell such gel capsules. BPF will produce activated cannabinoid oil concentrates using a

state-of-the-art ‘Cold Finger’ extraction machine--a product of Eden Labs. Eden Labs is known for producing safe, high-quality extraction machines for the cannabis industry. Their machines produce very high quality cannabinoid concentrates that do not contain solvent residues.

Eating food enriched with cannabis offers patients several advantages:

- No risk of damage to respiratory system.
- Longer-lasting relief (up to 10 hrs.) [4]
- Can be made with leaf, which costs less than high-grade bud [2]

Eating cannabis-laden foods also has distinct disadvantages for some patients:

- Slower onset of effects (15min-3hrs) [2]
- Proper dosage is difficult to gauge; many variables at play [4]
- Cooking THC makes it slightly more psychoactive [2]

Dosage

Cannabis can be administered using tinctures, ingestion, smoking, vaporizing, and by other methods. The effect of each method and the rate of onset when using each method varies. Smoking and vaporization provide the fastest onset of effects of any method of administering cannabis [4]. Effects can be felt almost instantly [4]. Tinctures are slightly slower to take effect than inhalation methods; they start to take effect in five minutes or less [2]. Eating cannabis infused foods or capsules is the slowest method of medicating with cannabis but it provides longer lasting effects than other methods [2]. The effects of ingested cannabis may take from 30 minutes to longer than an hour to be noticeable and may maintain peak intensity for one to two hours before gradually diminishing over several hours [2]. The effects imparted by eating cannabis are also pharmacologically different from those produced by other intake methods, because THC is converted to 11-hydroxyl-THC in the liver when cannabis is eaten [2].

When using any cannabis preparation start with a small quantity, wait the proper amount of time for the effects to take place and then take more if necessary [5]. Dosage determination is most easily accomplished using inhalation and tincture methods [2]. It is more difficult to determine ingestion dosage than inhalation or tincture dosage, because the onset of effects is much less rapid with ingestion [2]. The amount of food and type of food in the digestive tract also play roles in determining effective ingestion dosage, further complicating the task [4]. Whatever the method of intake, a lethal overdose of cannabis cannot be achieved [5]. Overdosing on cannabis may produce unpleasant feelings such as drowsiness or anxiety, but users experiencing such feelings should stay calm and wait for the effects of cannabis to diminish [4]. Users who fear the possibility of unpleasant feelings from an overdose may wish to avoid cannabis edibles, as eating cannabis is the most likely intake method to cause an overdose [2].

Potency

All of the varieties that Breakwater PF will offer will be of high, medium and low potency*. This is a Breakwater PF policy for several reasons. One reason is high potency will save caretakers money by allowing them to use less medicine. Another reason is highly potent varieties are

healthier for those who choose to smoke their medicine, because less plant material must be smoked to get the same dose of active compounds [2]. We will also produce only highly potent varieties, as this will aid in simplifying the caretaker's task of choosing the right varieties for their individual needs. Another reason for this policy is that it will help caretakers determine the appropriate dosage of each variety.

*Each variety we offer is of different potency and unique medicinal effects.

Tolerance

Heavy cannabis use will, over time, result in lowered sensitivity to the drug [2]. However, most patients lose side effects over time, not medicinal efficacy [2]. To avoid gaining tolerance to cannabis, patients should try different varieties of cannabis and different intake methods [2].

Addiction

Cannabis isn't physically addictive, however psychological dependence may occur [2]. This means cannabis use may become habitual in some users [2]. When discontinuing cannabis use, long-term heavy users may experience mild withdrawal symptoms including anxiety, difficulty sleeping, and irritability [2].

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Viewer Mode

Breakwater Production Facility

Navigation: Home | Share | Sustainability | Investors | About

Education

Using Your Medicine (Educational Materials)

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There are many methods of care available for the treatment of medical conditions. The following information is provided as a general guide to patients and the medical care available to them. Note that the only physician capable of providing the best treatment for the specific condition is your physician. The following is a guide for Breakwater Production Facility, LLC.

Non-Medications
Breakwater PF LLC produces two oral non-medications. It will be packaged into class 3 oral controlled substances (OCS) and class 1 oral controlled substances. These products have OTC availability, and will be under a strict inventory of 100.

Medications
Breakwater PF LLC produces two oral non-medications. It will be packaged into class 3 oral controlled substances (OCS) and class 1 oral controlled substances. These products have OTC availability, and will be under a strict inventory of 100.

Using Medications
1. Read the instructions on the product label for several reasons:
a. To determine the correct dose of the medicine and to understand all the risks [2].
b. Since this compares to other dosage methods, specifically to tablets, capsules, syrup, liquid or suspension, understanding dosage, the patient must know about the product, individual tolerance and medical conditions [2]. Other substances can be more potent and the same application can be needed.
c. Understanding the instructions allows to take the medicine as intended and prevent side effects or adverse reactions [2].
d. Following the instructions is effective, safe, and effective, allowing the patient to take the medicine at the right time. This allows them to get just the right dose, gradually increasing the dosage if necessary [2].

Medication Warnings
1. Medications can potentially cause side effects. It is important to know what to expect and what to do if side effects occur. Taking the medicine with a healthcare provider [2]. This also helps to avoid potential side effects and to reduce the risk of complications, especially if the medicine is taken for a long time [2]. It is important to take the medicine as directed, including the amount of medicine that should be taken [2].
2. Medications can potentially cause side effects. It is important to know what to expect and what to do if side effects occur. Taking the medicine with a healthcare provider [2]. This also helps to avoid potential side effects and to reduce the risk of complications, especially if the medicine is taken for a long time [2]. It is important to take the medicine as directed, including the amount of medicine that should be taken [2].
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Presentations

Breakwater Production Facility

Home About Sustainability Business Contact

Sustainability

Sealed Grow Rooms
Breakwater PF uses a sealed grow room system for maintaining air circulation, air quality, and temperature. This system is designed to reduce energy usage and the potential for mold and mildew. The sealed system allows water to be heated to the optimal temperature, allowing for more efficient use of the water. The sealed system also provides a more controlled environment, which can dramatically improve crop yields. Therefore, we will use a system for heating much more efficiently by using 100% recuperation. Please see the HVAC Security & Control section for the next slide for more details.

Breakwater PF grows more than 100 strains that more than 60% of the room is grown in areas that utilize natural light. While the area is dedicated to sunlight, the light is assisted with LED and T5 light fixtures.

Hydroponics
Our hydroponic system is powered by hydroponic organic nutrient solution. The hydroponic nutrient solution is made by adding organic nutrient solution, which occurs when plants are growing in water. The organic nutrients (fertilizer) that will be used are derived from organic materials such as manure and plant growth. Although the feed is not certified by the Canadian Organic Materials Review Board and certified, they are 100% organic and are produced in Canada specifically for cultivating medical cannabis. Our hydroponic system is also a closed system growing environment, which is a growing and a water efficient system. The nutrient solution is applied to the plants through a nozzle such as a pump or a fan to move the nutrient. The plants can also grow on plants that can also be reused for many years.

Composting
Breakwater PF will use a digester to turn the leaves and stems into mulch. We will use the mulch to maintain healthy composting tanks. The composting tanks will be used to turn the mulch into a healthy soil amendment and compost, which will be used to fertilize the soil within the facility for growing plants.

Reusable packaging
Breakwater PF will not use plastic and other materials products in place of reusable. We will not use the same product every time, but will use what we have. The old product can be used again. This will provide a sense of responsibility and protection, and it will be reused or how many times they return. The company will not use plastic or a portion of that product in their products.

Discounts for patients
Breakwater PF will be a special place for patients to buy their medicine, and it will be a healthy place to live in other medical needs. The cost of the medicine for patients will be performed and reduced, which will encourage patients to buy outside, instead of another caregiver. This will be the leading option for patients to take advantage patients in their in the area of the city, which will be helpful in reducing medical costs.

Large CO2 storage tanks
Breakwater PF will have a large CO2 storage tank. This will be used to store CO2 for the plants to use for growth.

Methods of Smoking:

- **Joint:** Convenience of joints is key, as joints burn for multiple puffs worth of cannabis after only being lit once and are easily transportable [2]. Joints also taste pleasant to most patients, and they don't require breakable, expensive, or conspicuous equipment [2].
- **Pipes:** Pipes are an easy way to smoke cannabis, and can be broken down into two basic categories: 1) Dry "Hand" pipes, and 2) Waterpipes [2].
- **Hand Pipes:** These come in a (possibly overwhelming) variety of shapes, sizes, and materials, but the basic mechanics are universal. To smoke a cannabis pipe:
 1. Pack prepared buds into the bowl
 2. Hold a flame directly over the medicine while simultaneously inhaling through the mouthpiece [2].
- **Waterpipes:** Mechanically, these are nearly identical to hand pipes, but use a chamber of water to filter and cool the smoke before it is inhaled [2]. There are two main types: bongs and bubblers, classified by either a large or a small filling chamber, respectively, in which the smoke collects. The main proven advantage over dry pipes or joints is comfort; smoke is cooled and free of hot ashes and particles [3].

Who We Are

About Us

Breakwater PF is one of three licensed production facility in the State of Connecticut

Visit our Website for More Educational Information

www.TBD.com

USING YOUR MEDICINE

A Guide to Using Medicinal Cannabis

Vaporization

Some highly recommend this method to patients. Good vaporizers allow patients quick-onset relief and oral satisfaction similar to smoking but without the health risks associated with smoke [1]. They do this by delicately heating the cannabis to the point that THC and other therapeutic substances change physical form, becoming gaseous [1]. The gas, or vapor, is then inhaled like smoke. The process leaves behind dry, slightly browned buds that, rather than having gone up in smoke, simply lack richness in medicinal compounds [2]. Studies show vaporizers significantly reduce carcinogens (cancer-causing agents), carbon monoxide (linked to cardiovascular disease), and tar [1,2,3].

Addiction

With cannabis, psychological dependence may occur [2]. This means cannabis use may become habitual in some users [2]. When discontinuing cannabis use, long-term heavy users may experience mild withdrawal symptoms including anxiety, difficulty sleeping, and irritability [2].

Oral Administration

Not just brownies: In theory, cannabis food can be anything that contains substantial butter, oil, milk, or alcohol, because cannabinoids are oil and fat-soluble and thus dissolve in these ingredients [2].

References

1. Abramowitz, P. (2009). Emerging clinical applications for cannabis and cannabinoids: a review of the recent scientific literature. 2009. Washington, DC: NORML Foundation.
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Criterion E: FINANCIAL STATEMENTS AND ORGANIZATIONAL STRUCTURE [250 Points]

Please provide the following information or copies of the following documents:

Measure 1: Documents such as the articles of incorporation, articles of association, charter, by-laws, partnership agreement, agreements between any two or more members of the applicant that relate in any manner to the assets, property or profit of the applicant or any other comparable documents that set forth the legal structure of the applicant or relate to the organization, management or control of the applicant;

Proposed Legal Name: Breakwater Production Facility, LLC

Certificate and Articles of Organization

- See Attachment 1 “Articles of Organization”

Certificate of good standing issued by the Connecticut Secretary of State

- See Attachment 2 “Certificate of Good Standing”

Sales and Use Tax Permit

- See Attachment 3 “Sale and Use Tax Permit”

By-Laws for LLC

- See Attachment 4 “By-Laws”

Charter for LLC

- See Attachment 5 “Charter”

Operating Agreement

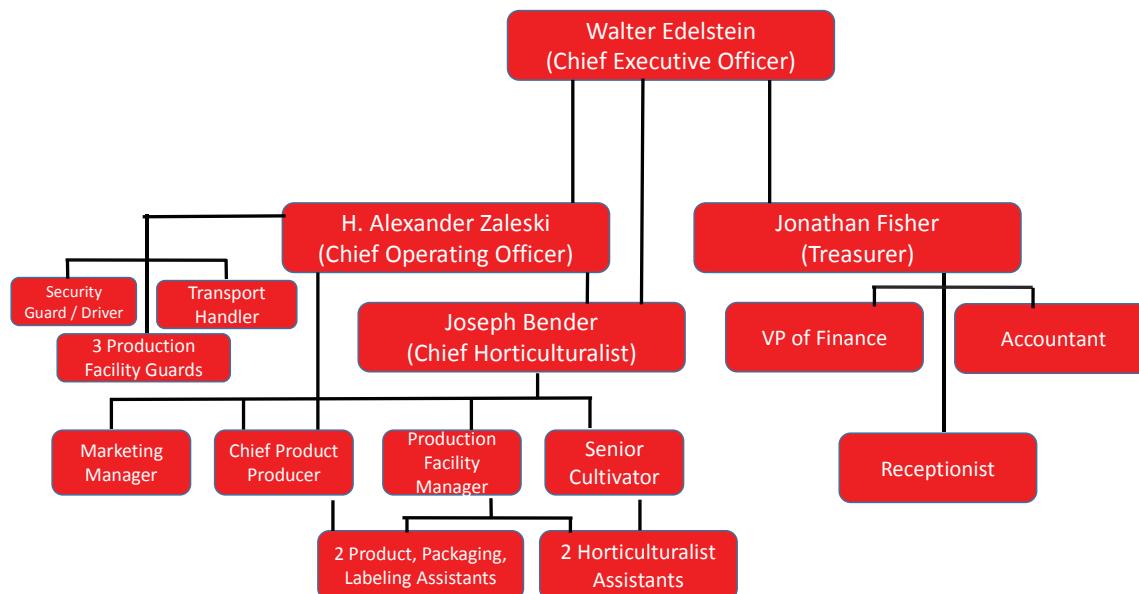
- See Attachment 6 “Operating Agreement”

Employer Identification Number

- See Attachment 7 “Employer Identification Number”

Measure 2: A current organizational chart that includes position descriptions and the names and resumes of persons holding each position to the extent such positions have been filled. To the extent such information is not revealed by their resume, include additional pages with each resume setting out the employee's particular skills, education, experience or significant accomplishments that are relevant to owning or operating a production facility;

Breakwater Production Facility Organization Chart



Job Descriptions are found below, as taken from our Operations Manual Section 13.9 Job Descriptions:

Chief Executive Officer (CEO)

Responsible to carry out the strategic plans and policies as established by the Board of Directors. The chief executive reports to the Board of Directors and Medical Advisory Board.

Chief Operating Officer (COO)

Responsible for oversight of all activities at the dispensary and the cultivation site. Responsibilities include implementing cultivation and harvesting protocols, inventory management, report generation, patient management, data entry supervision, sales tax reports and fire and police liaison.

Secretary

Responsible for oversight of all financial aspects of the Breakwater PF.

Vice President of Finance

Works with and reports to Treasurer. Jointly responsible for oversight of all financial aspects of the Breakwater PF and in particular day-to-day tracking of financials.

Accountant

Works with and reports to the Treasurer. Job responsibilities include tax preparation, record keeping, internal auditing, and working in conjunction with the VP of Finance for any financial reporting requirements.

Manager of Production Facility

Will be responsible for the supervision of all Production Facility employees to assure that they are properly performing their duties. The manager will also be responsible for preparing weekly inventory and sales reports. In addition, the manager will be the primary person responsible for the reporting of a fire, intrusion or other emergency.

Chief Horticulturist

Has direct control over all aspects of the growing, harvesting, curing, processing process and storage of medical marijuana and will conduct routine inspections of all equipment to assure that it is in proper working order. The Chief Cultivator takes direction from the CEO and COO and reports all matters to them.

Senior Cultivator (Horticulturist)

As the Senior Cultivator the individual takes direction from the Chief Cultivator and helps oversee all aspects of the growing, harvesting, curing, processing process and storage of medical marijuana and will conduct routine inspections of all equipment to assure that it is in proper working order.

Horticulturalist Assistants

Will take direction from their manager (Chief Cultivator & Senior Cultivator) as well as follow directions from senior management. Job duties include checking nutrient levels and evidence of pest infestations, performing the cloning, harvesting, trimming, drying, curing, processing and packaging of all medical cannabis.

Product, Packaging, and Labeling Assistants

Will take direction from their manager (Production Facility Manager) as well as follow directions from senior management. Job duties include functions around the final products, packaging, and labeling.

Marketing Manager

Will take direction from COO. The Marketing Manager is responsible for all functions revolving Breakwater PF's marketing efforts and community outreach programs.

Chief Product Producer

Will be responsible for all marijuana lozenge and products. The Chief Product Producer must follow the recipes and fully disclose all ingredients used. In conjunction with a cultivation assistant, the Chief Product producer is responsible for all packaging of products and ensuring proper labels are attached.

Production Facility Guards

Production Facility security guards will be present during the hours of operation and through the opening and closing of the facility.

Security Guard / Driver

Will be primarily responsible for the transportation (driving) of the medical cannabis transport vehicle from the production facility to the licensed dispensary facilities.

Transport Handler

Will be responsible for managing the transfer of medical cannabis from the cultivation site to the licensed dispensary site(s).

Receptionist

Employee is responsible for administrative tasks during business hours. A bi-lingual (Spanish) employee will answer the phones, receive and transfer calls to staff, answer inquiries received by email, and adhere to Breakwater PF policies regarding what can and cannot be shared over the phone. Employee will maintain the aesthetics of the reception area, ensuring a clean, organized, and well-stocked environment. The employee will also ensure that the overall aesthetics meet our standard of excellence (flowers, etc.). Additionally, the employee will make sure all documents are on file for employees and on file for other operating business needs.

Resumes and Backgrounds of individuals already in roles:

Please see Criterion H: AGRICULTURAL AND PRODUCTION EXPERIENCE of this RFA to reference the resume, background, and qualifications of Walter Edelstein, H. Alexander Zaleski, Jonathan Fisher, and Joseph Bender. Further information is also found in Appendix C: Directors, Owners, Officers or Other High-Level Employees Background Information Form.

Measure 3: A copy of all compensation agreements with producer backers, directors, owners, officers, other high-level employees or any other persons required to complete Appendices B, C or D. For purposes of this RFA, a compensation agreement includes any agreement that provides, or will provide, a benefit to the recipient whether in the form of salary, wages, commissions, fees, stock options, interest, bonuses or otherwise;

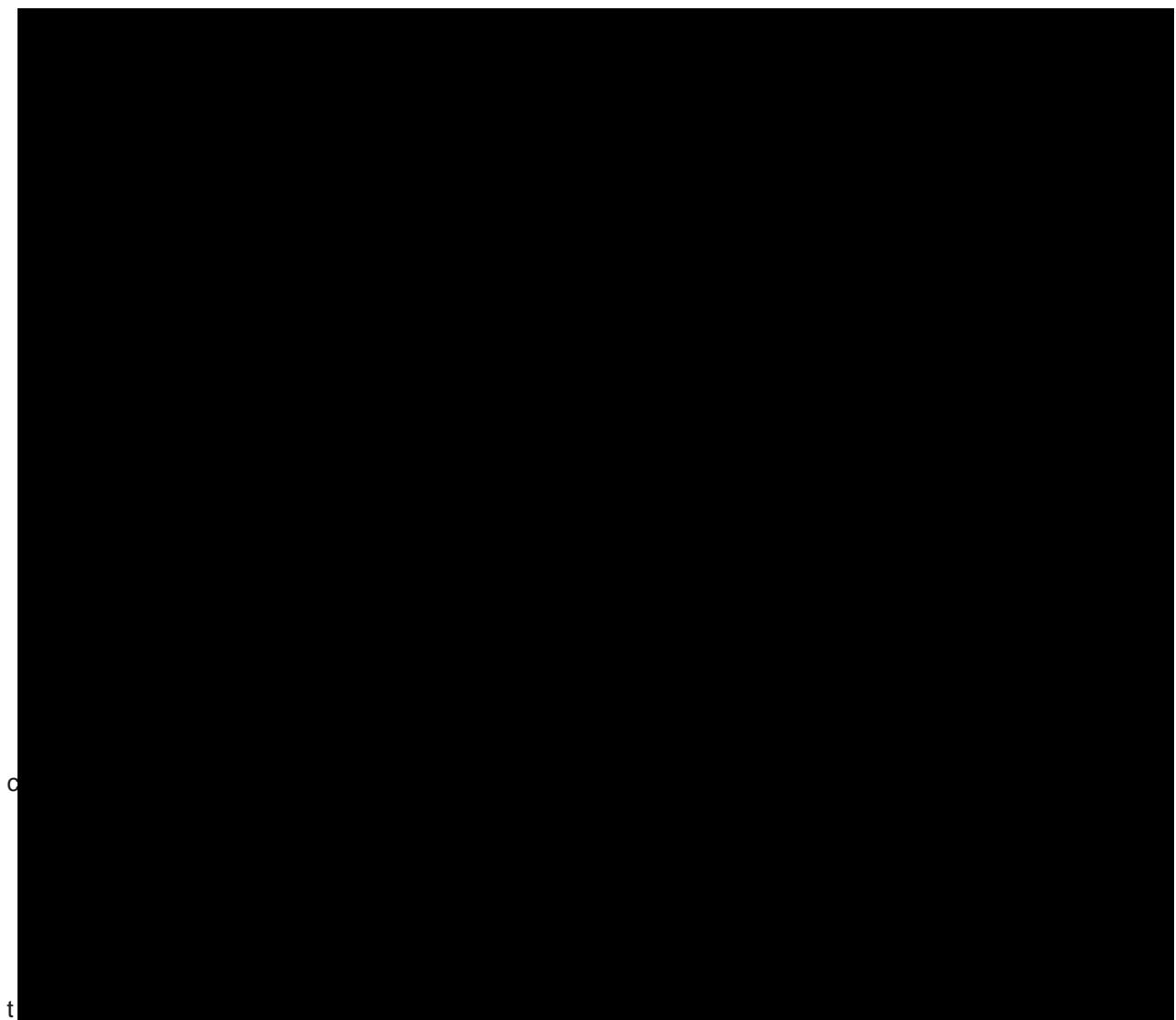
Please find on the following pages Joseph Bender's Employment Agreement. TO BE EXEMPT FROM DISCLOSURE UNDER THE CONNECTICUT FREEDOM OF INFORMATION ACT (FOIA). We will like to have this information kept confidential because this is personal information of Joseph Bender. Additionally, it can be detrimental to business should a competitor know the specific employment arrangements we have with our Chief Horticulturalist.

Please refer to Attachment 6 "Operating Agreement" for the compensations of Walter Edelstein, H. Alexander Zaleski, Jonathan Fisher, and Steven Kraus. These Directors will be compensated via distributions of the net income based the percentage of their membership interest set forth in the Operating Agreement.

TO BE EXEMPT FROM DISCLOSURE UNDER THE CONNECTICUT FREEDOM OF INFORMATION ACT (FOIA). We will like to have this information kept confidential because this is personal information of Joseph Bender. Additionally, it can be detrimental to business should a competitor know the specific employment arrangements we have with our Chief Horticulturalist.

Breakwater Production Facility, LLC

EMPLOYMENT AGREEMENT

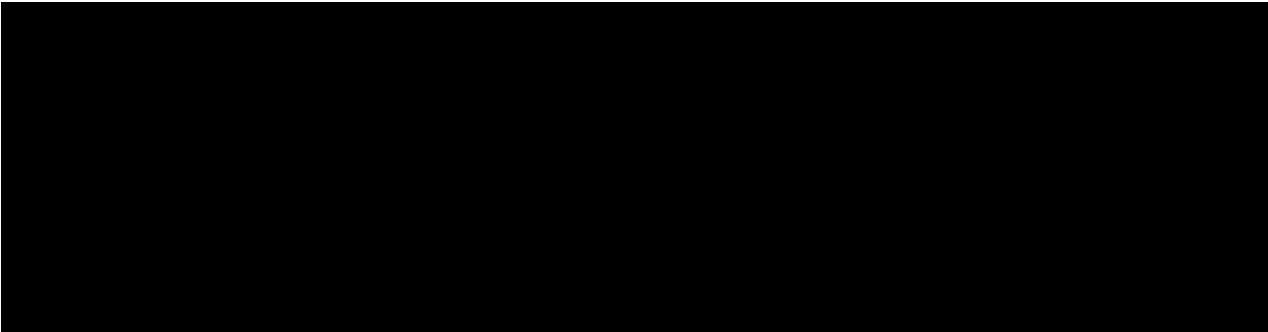


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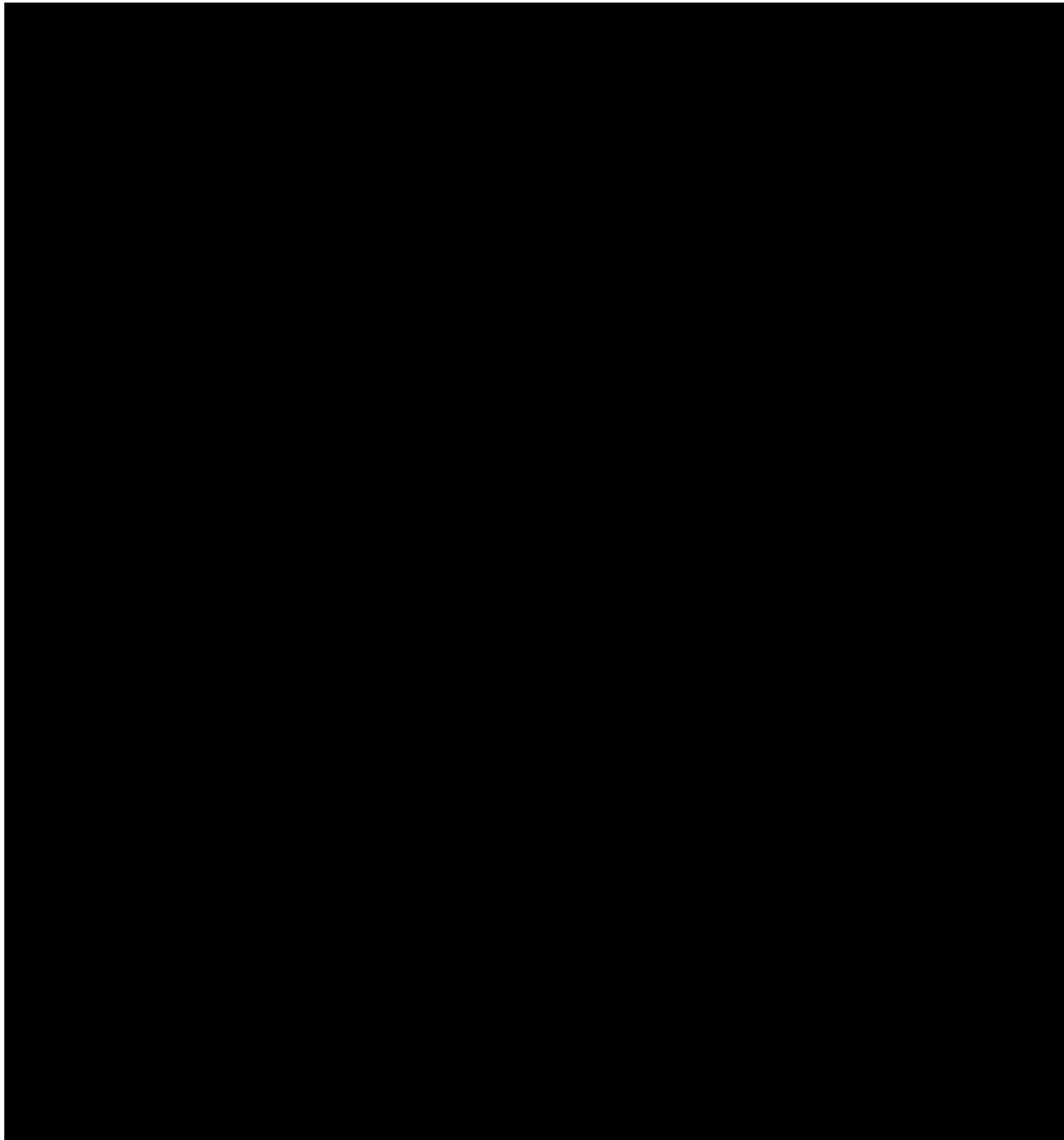
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ARTICLE 4. TERMINATION OF EMPLOYMENT

TO BE EXEMPT FROM DISCLOSURE UNDER THE CONNECTICUT FREEDOM OF INFORMATION ACT (FOIA). We will like to have this information kept confidential because this is personal information of Joseph Bender. Additionally, it can be detrimental to business should a competitor know the specific employment arrangements we have with our Chief Horticulturalist.



TO BE EXEMPT FROM DISCLOSURE UNDER THE CONNECTICUT FREEDOM OF INFORMATION ACT (FOIA). We will like to have this information kept confidential because this is personal information of Joseph Bender. Additionally, it can be detrimental to business should a competitor know the specific employment arrangements we have with our Chief Horticulturalist.



Measure 4: Describe the nature, type, terms, covenants and priorities of all outstanding bonds, loans, mortgages, trust deeds, pledges, lines of credit, notes, debentures or other forms of indebtedness issued or executed, or to be issued or executed, in connection with the opening or operating of the proposed production facility;

Please find in Attachment 8 “Verification of Steven Kraus’ ability to obtain a ‘Letter of Credit’ from Merrill Lynch”.

Funds of approximately \$33,000 paid by H. Alexander Zaleski, Walter Edelstein and Jonathan Fisher for the application filing fee and related expenses incurred to complete this Request for Application.

Measure 5: Provide audited financial statements for the previous fiscal year, which shall include, but not be limited to, an income statement, balance sheet, statement of retained earnings or owners’ equity, statement of cash flows, and all notes to such statements and related financial schedules, prepared in accordance with generally accepted accounting principles, along with the accompanying independent auditor’s report. If the applicant was formed within the year preceding this application, provide certified financial statements for the period of time the applicant has been in existence and any pro forma financials used for business planning purposes; and

The Company was first formed on November 8, 2013 and does not have certified financial statements.

Please see in Attachment 10 “Breakwater PF Balance Sheet”

Please see Attachment 11 “Breakwater PF Journal Entries”

Please see Business Plan “Supplemental Information to the Business Plan” to refer to pro forma financials and other financial information used for business planning purposes.

Measure 6: Provide complete copies of all federal, state and foreign (with translation) tax returns filed by the applicant for the last three years, or for such period the applicant has filed such returns if less than three years.

No tax returns have been filed on behalf of the Company as the Company was first formed on November 8, 2013.

Tax returns for the last three years of H. Alexander Zaleski, Walter Edelstein, Jonathan Fisher, Joseph Bender (has filed in 2012 only), and Steven Kraus are found under section Tax Returns.

Measure 7: Provide complete copies of the most recently filed federal, state and foreign (with translation) tax returns filed by each: (i) producer backer; and (ii) each backer member identified in Section B of Appendix B.

Please find the tax returns of Steven Kraus are found under section Tax Returns.

Criterion F: AGRICULTURAL AND PRODUCTION EXPERIENCE [250 Points]

Measure 1: Describe the experience of the applicant in agriculture and other production techniques required to produce pharmaceutical grade marijuana or to manufacture marijuana products. For purposes of this response, you may include the experience of any person employed by the applicant, including the person's name and position with the applicant.

Breakwater Production Facility's team is composed by a group of individuals that each bring expertise and experience in areas that are paramount in producing unadulterated pharmaceutical grade marijuana and in manufacturing marijuana products. Joseph Bender, Chief Horticulturalist, brings a combined 11 years of agricultural, cultivation, and medical marijuana consulting experience. Walter Edelstein, Esq., Chief Executive Officer, is a former business owner of Stonebridge Pharmacy, equipping him with experience in labeling, tamper-resistant packaging, and distribution of prescription pharmaceuticals, including controlled substances. H. Alexander Zaleski, Esq., Chief Operating Officer, is co-founder of Gull Environmental Systems, a medical and hazardous waste transportation company, where he acquired experience in dealing with potential contaminants and employed professional business methods and security measures to ensure hazardous waste was handled, contained, and disposed of correctly. Jonathan Fisher, Esq., Director and Treasurer, has expertise in many facets of the law ranging from a role as a compliance attorney in the enforcement division of the New York Stock Exchange to acting as legal counsel to a wholesale institutional pharmacy as well as to real estate developers covering all areas of real estate development from purchase to construction. Additionally, with three lawyers as part of the team, Breakwater PF will be sure to act in compliance with all production regulations set forth by the State of Connecticut's Department of Consumer Protection.

Furthermore, all team members were key components in the preparation of our application and winning Breakwater ATC's license to operate an Alternative Treatment Center in New Jersey. Over the past four years, all members of the team have been immersed in research and planning for the operation and build out the production facility in New Jersey which included:

- Studying the latest growing and production techniques
- Implementing methods to maximize space utilization in grow rooms
- Sourcing cutting edge materials from suppliers
- Questioning traditional industry techniques by exploring alternative supplies in order to reduce the cost of production without compromising the quality of the medicinal marijuana.
- Purchasing state-of-the art HVAC and lighting systems.
- Attending agricultural trade shows and meeting with industry thought leaders in searching for the latest technological innovations in the agricultural and pharmaceutical production fields

Breakwater PF's production facility in Connecticut will be slightly larger than the company's facility in New Jersey, but otherwise it will be close to a mirror image enabling the team to commence production on a state-of-the-art facility immediately upon receiving a license.

Lastly, the team has a deep and integrated network of investors. Financing options are very limited for the medical marijuana industry while access to a capital for an initial facility build out and for future expansion plans is vital to the long term success of our company. Through raising funds for the team's venture in New Jersey, as well as dealing with investors throughout the team members' careers, Breakwater PF has developed a deep trust with a large investor base. This network allows the company to be well capitalized, an utmost priority to successfully meet operating and production needs. The company has already obtained a commitment to fully fund the \$4,000,000 necessary to commence operation.

TEAM MEMBERS' AGRICULTURAL AND PRODUCTION EXPERIENCE

Joseph Bender - Chief Horticulturalist:

The Production and processing of Medical Marijuana will be headed by our Chief Horticulturalist, Joseph Bender. The combination of Joe's education, experiences, contacts within the industry and dedication and passion makes him a preeminent medical marijuana horticulturalist. He brings over 11 years of marijuana cultivation and consulting experience to Breakwater Production Facility. His work on agricultural and production techniques has been published in High Times magazine and he has taught courses in techniques on how to produce marijuana products that are free of contaminants. Additionally, Joe's cultivation plans were a key for Breakwater ATC in winning the license for an Alternative Treatment Center (grow facility and dispensary) in the State of New Jersey.

Joseph Bender earned a Bachelor of Horticulture Science degree from the University of Florida, Gainesville. He is proficient in disciplines including entomology, plant pathology, organic and sustainable crop production, horticultural crop production, soil science, plant propagation, herbs and vegetables, micro propagation/tissue culture of horticultural crops, integrated pest management, plant physiology, nutrition of horticultural crops (fertilization), genetics, fruit crop production, mycology, nematology, ethnobotany, orchidology, pesticides, and safety in agriculture. Joe studied these horticulture-related subjects in college and has continued to study and apply them to his work in the years since he graduated.

EDUCATION:

One of Joe's favorite subjects is plant pathology. Plant pathology encompasses much of horticultural science, as it is the study of plant diseases, which can be caused by microbes or by environmental factors such as nutrient deficiencies. Joe has a strong ability to diagnose plant diseases. He knows and can identify the symptoms of nutrient deficiencies and excesses, environmental aberrations, and of fungal, bacterial, mycoplasmal, viral, nematode-induced, mite-induced, and algal plant diseases. As a horticulturalist, this is one of the most important abilities to have.

Entomology is another horticulture related field in which Joe is very skilled. He can quickly identify arthropods of all sorts. He is also very knowledgeable when it comes to

managing/treating insect and mite problems. Joe has an in-depth knowledge of pesticides including organic pesticides, of beneficial arthropods, and of cultural practices used to prevent, detect, and manage pest problems.

Joe is skilled in the field of plant tissue culture and micropropagation. Joe is an expert at extracting apical meristems for the establishment of clean tissue cultures. This is a technique used to establish disease-free clones of stock plants that are infected with diseases such as viruses. The process involves using a microscope and scalpel to remove the very tip of a growing shoot (less than 1 mm of excised plant tissue), where a vascular system is not yet established. This is done in the sterile air environment of a laminar flow hood. The excised plant tissue is placed on an agar-based, mineral and sucrose-rich, sterile medium for growth and development.

While working toward his degree, Joe toured many greenhouse and growing facilities, plant growth chamber labs, and outdoor horticultural sites. Among a few of his favorite tours was a blueberry farm that he visited near Gainesville, that had an onsite, indoor processing/packaging facility. The processing/packaging facility used forced air coolers to remove field heat from harvested blueberries, and an impressive computer-controlled grading machine. Another field trip that Joe enjoyed was going to Krull and Smith's orchid production greenhouses in Apopka, FL. Their irrigation systems used an interesting copper ion water treatment system to prevent diseases. Joe was especially impressed by the many greenhouses that he visited and worked in on UF's campus, where there are more than 200 greenhouses. He did many experiments in these greenhouses, such as a clone rooting experiment to show the impact of various rooting mediums, and an experiment to show the effects of growing squash plants in flooded conditions.

EXPERIENCES:

Joe brings over 11 years of marijuana cultivation and consulting experience to Breakwater PF. In recent years in Colorado, Joe served as a horticultural consultant for Breckenridge Cannabis Club, Lotus Dispensary and several other medicinal marijuana distributors. At Breckenridge Cannabis Club (BCC), Joe helped identify the plant symptoms of exposure to light during the dark period. This led one of the owners to examine his timers, and he found that one of the lights was coming on in the middle of the dark cycle, and interrupting flowering. On another occasion at BCC, Joe identified *Pythium* root rot on the roots of cannabis plants, and advised the owner that the pathogen was taking hold due to low oxygen in the nutrient solution and because the nutrient solution was too warm. The owner bought reservoir chillers as Joe suggested, which eliminated the problem. Joe also identified a species of mite, living on the growing medium of BCC's plants, as a non-problematic grazer of algae. At Lotus Dispensary, Joe identified phylloxera-- which nearly destroyed the European grape industry in the late 19th century-- as the insect that was attacking the roots of their crops, and found a natural, bacterium-based insecticide for them to use to treat the problem. Joe also taught a course on marijuana pest management in Breckenridge. The course discussed issues with spider mites, thrips insects, and phylloxera. High Times magazine published Joe's article 'Integrated Pest Management: Thrips,' in their June 2011 issue. Joe directly contributed to the drafting of Breakwater ATC's state of New Jersey medical marijuana alternative treatment center application, adding critical technical information that played an essential role in our receipt of the license. He also helped develop Breakwater ATC's grow and processing room design plans in New Jersey.

DEDICATION AND PASSION:

Joe has a passion for horticulture and medical marijuana possessed by very few people. For example, he read The Indoor Outdoor Marijuana Growers Bible by George Cervantes. After reading through it from beginning to end, he sent an email to Mr. Cervantes, citing 73 errors in the book. Another example of his passion for medical marijuana is a fourteen page research paper that he wrote on the subject of legalizing medicinal marijuana, during his freshman year of college (his professor gave it an A+).

Walter Edelstein, Esq. – Director & Chief Executive Officer (CEO)

Water Edelstein, Esq., CEO, is Managing Partner of Lefkowitz and Edelstein, a New York-based law firm. He specializes in all aspects of Real Estate Law, including both residential and commercial Real Estate transactions and leasing. In addition to his Real Estate practice, Walter's financial background has been instrumental in fostering his expertise in various areas of corporate law.

Walter's experience and contacts in the real estate industry has been instrumental in securing space to accommodate Breakwater PF's production plans and meet all zoning regulations, local codes, and ordinances. Additionally, Walter's ability to negotiate a transaction that includes expansion options in order for operations to meet a possible surge in demand is essential. This intimate knowledge of real estate and expertise in structuring appropriate leasing terms, is essential for Breakwater PF's production of pharmaceutical grade marijuana and flexibility to quickly expand production capacity in the event of an increase in demand.

Walter is a former owner of Stonebridge Pharmacy Corp., an institutional pharmacy providing prescription pharmaceuticals, including controlled substances, to thousands of patients in nursing homes and long-term care facilities throughout the Northeastern United States. Under Mr. Edelstein's guidance, this industrial pharmacy grew from a fledgling business with a handful of employees into a large supplier of prescription medication with over 80 employees and \$10 million in annual revenue. As owner of Stonebridge Pharmacy, Walter was responsible for the packaging and distribution of prescription pharmaceuticals.

The labeling, packaging and delivery systems of Stonebridge and Breakwater PF are extremely similar in that:

- The prescription pharmaceuticals at Stonebridge Pharmacy were all packaged in tamper proof packaging
- At Stonebridge Pharmacy, prescription pharmaceuticals were tracked from packaging to delivery
- Stonebridge Pharmacy did not ship directly to patients, but shipped to nursing homes and long-term care facilities for where the pharmaceuticals were later distributed to patients
- Stonebridge Pharmacy shipped pharmaceuticals from one main processing and packaging facility to numerous nursing homes and long term care facilities via delivery truck transport.

In short, the processing, packaging, and delivery of prescription pharmaceuticals by Stonebridge Pharmacy provides excellent knowledge and experience needed to operate Breakwater PF.

Lastly, as a Director of Breakwater Alternative Treat Center in New Jersey, Walter brings the following attributes:

- Over the past four years worked on the development of a medicinal marijuana production and dispensary facility in the State of New Jersey.

- A Director of one of only six licensees awarded in the State of New Jersey.
- Over the past four years engaged in extensive research to find the finest production equipment available in Hydroponic systems, using food grade quality materials, finding the most energy efficient lighting and HVAC systems, sourcing the finest extracting equipment, and finding the most effective air filtration systems.
- Worked on designing a 23,000 square foot indoor grow and production facility including the planning of all necessary security systems and measures. The plans for the New Jersey facility will be easily integrated into the 30,000 sq. foot facility Breakwater PF proposes to develop in CT.
- Is currently in the process of developing and constructing the New Jersey Facility giving Walter a decided advantage in production experience as he has spent the past four years finding the latest equipment and helped in developing the most efficient and technically-sound growing techniques.

H. Alexander Zaleski, Esq. – President & Chief Operating Officer (COO)

Alex co-founded Gull Environmental Systems, a medical and hazardous waste transportation company. The company was licensed by The State of New York Department of Environmental Conservation and operated in Nassau and Suffolk counties. The company serviced hospitals, doctors, dentists, dermatologists, podiatrists, veterinary clinics, chiropractors, sports centers and nursing homes in a region with a population of more than 2.8 million people. At various times, the waste was transported by locked cargo trucks to Pennsylvania, New York City and Connecticut for disposal. In its over 20 years of operation, the company was never cited for any violations of the strict laws and regulations imposed on medical and hazardous waste transporters in New York State. Additionally, Alex gained experience in dealing with potential contaminants and employed professional methods and security measures to ensure hazardous waste was handled, contained, and disposed of correctly. These safety measures and protocols were also used to ensure all employees remained safe and out of harm's way.

Alex has 40 years of experience with the design and construction of business facilities and residential homes. He has intimate knowledge of the construction techniques and equipment used by the medical marijuana growing and production industry. In particular, he is overseeing all the planning and construction of Breakwater ATC's facility in New Jersey. His experience in these techniques will continue to be applied in all growing, drying, trimming, bulk storage (curing), packaged marijuana (ready for sale) storage, processing and security areas at the Breakwater Production Facility in Connecticut.

These combined business experiences, spanning decades, makes Alex very well qualified to run a medical marijuana Production Facility that will securely deliver pharmaceutical grade medical marijuana to Connecticut licensed dispensaries.

Lastly, as a Director of Breakwater Alternative Center in New Jersey, Alex brings the following attributes:

- Over the past four years worked on the development of a medicinal marijuana production and dispensary facility in the State of New Jersey.
- A Director of one of only six licensees granted in the State of New Jersey.

- Over the past four years engaged in extensive research to find the finest production equipment available in Hydroponic systems, using food grade quality materials, finding the most energy efficient lighting and HVAC systems, sourcing the finest extracting equipment, and finding the most effective air filtration systems.
- Worked on designing a 23,000 square foot indoor grow and production facility including the planning of all necessary security systems and measures. The plans for the New Jersey facility will be easily integrated and melded into the 30,000 sq. foot facility Breakwater PF proposes to develop in Waterbury, CT.
- Is currently in the process of developing and constructing the New Jersey Facility giving Alex a decided advantage in production experience as he has spent the past four years finding the latest equipment and helped in developing the most efficient and technically-sound growing techniques.

Jonathan Fisher, Esq. – Director & Treasurer

Mr. Fisher worked for the enforcement division of the New York Stock Exchange. Jonathan specializes in all areas of commercial law including drafting contracts and preparing licensing agreements. Jonathan has served as legal counsel to hedge funds, Real Estate Developers and investment companies drafting operating agreements, business plans, offering plans, loan documents, subscription agreements and employment contracts.

Mr. Fisher has served as legal counsel to a commercial pharmacy, various retail stores, and has recently overseen the development and construction of one of the largest auction houses in New York. Jonathan presently represents real estate developers covering all areas of real estate construction, development and sales.

Lastly, as a Director of Breakwater Alternative Center in New Jersey, Jon brings the following attributes:

- Over the past four years worked on the development of a medicinal marijuana production and dispensary facility in the State of New Jersey.
- A Director of one of only six licensees awarded in the State of New Jersey.
- Reviewed all contracts for Breakwater ATC.
- Prepared all employment agreements on behalf of Breakwater ATC.
- Over the past four years engaged in extensive research to find the finest production equipment available in Hydroponic systems, using food grade quality materials, finding the most energy efficient lighting and HVAC systems, sourcing the finest extracting equipment, and finding the most effective air filtration systems.
- Worked on designing a 23,000 square foot indoor grow and production facility including the planning of all necessary security systems and measures. The plans for the New Jersey facility will be easily integrated into the 30,000 sq. foot facility Breakwater PF proposes to develop in CT.
- Is currently in the process of developing and constructing the New Jersey Facility giving Jon a decided advantage in production experience as he has spent the past four years finding the latest equipment and helped in developing the most efficient and technically-sound growing techniques.

Criterion G: PRODUCT AND SITE SAFETY [200 Points]

Measure 1: A detailed description of how the applicant's growing protocol will produce a plant free of mold, disease, heavy metals and other contaminates.

Ensuring Quality Medical Marijuana:

Introduction

Breakwater PF will select stock plants carefully. Joe Bender will germinate the seeds of world-renowned cultivars and will then select the best female(s) as the stock plant(s) for that cultivar. This is the best way to obtain pest-free and pathogen-free stock plants, as virtually all plant pests and most plant pathogens are not transmitted via seeds but rather while most pests and diseases are transmitted via cuttings. Joe will then clone the stock plant(s) of each cultivar via cuttings or micropropagation, in order to provide a steady supply of genetically identical females of each cultivar. Breakwater PF will take great care to ensure that its selection of cultivars encompasses the full spectrum of genetic variation and medical benefits available in cannabis. Clonally propagating each cultivar will allow Breakwater PF to produce lines of marijuana products that each contain unique, uniform quantities of cannabinoids.

Organic Growing Methods

Breakwater Production Facility will consistently supply qualifying dispensaries with high quality, pesticide free, organically grown cannabis. Breakwater PF's cultivation techniques are organic, efficient, and have minimal impact on the environment and avoid the use of non-renewable resources such as peat. Medical cannabis must be cultivated by a knowledgeable and experienced individual dedicated to providing safe, top-quality medicine. Our horticulturalist will oversee the cultivation of medical cannabis for Breakwater Production Facility. He possesses a wealth of knowledge and has formal training in the areas of horticultural crop production, entomology, nematology, plant pathology, mycology, plant nutrition, organic and sustainable vegetable production, plant propagation, micro propagation of horticultural crops/tissue culture, integrated pest management, plant physiology, ethnobotany, grow room management, and orchidology. He holds a degree in Horticultural Science from the University of Florida and is active in the medical cannabis industry. He participates in industry conventions and exchanges ideas and growing techniques with some of the most influential individuals and organizations in the industry. His expertise will help BPF avoid issues often encountered by less experienced cultivators, such as mold, pest infestations and deficiencies in the growing environment. His knowledge and experience will ensure that Breakwater PF produces premium quality medical cannabis in a cost-effective and environmentally friendly manner. Breakwater Production Facility will provide patients with medical cannabis of the very highest quality in the industry.

Steadily Supplying Medical Cannabis

Our individual grow rooms will be harvested on a staggered cycle, so that harvesting will be a process that occurs year round. Additionally, each individual room will be completely harvested and cleaned when the plants finish their life cycle. This will help prevent pests or diseases from multiplying in the grow rooms. Many growers continually harvest individual rooms, with plants at various life stages always present in each room. In that scenario, it is nearly impossible to eradicate even a minor pest problem, without using pesticides. Our grow rooms are designed with pest insect/mite prevention and disease prevention in mind: they'll use air doors, bleach solution filled shoe-cleaning trays, air filters, and sealed grow room technology, to prevent the entry of pests and pathogens, and provide an environment that is not conducive to disease. However, if a pest or disease were to begin to establish itself in one of our grow rooms, our production cycle methodology will allow pests found on a crop to be controlled via mechanical removal, the addition of beneficial predator and parasitoid mites and insects, and/or other measures, until the harvest of that crop, at which point the room will be thoroughly cleaned, thereby eliminating the pests.

The grow rooms will employ computerized environmental controls (Argus Environmental Control Systems) to regulate the growing environment. We will keep the relative humidity of the grow rooms in a range that prevents the development of fungal diseases. Our horticulturalist has designed a plan for plant spacing that will thwart plant diseases that can develop as a result of crowded leaves and buds. Proper air circulation around the plants will be achieved using circulation fans, which will prevent the spread of pathogens, while accelerating plant growth. We will employ a reverse osmosis water system that will provide clean water that is free of pollutants that could otherwise contaminate our marijuana plants.

Our horticulturist carefully selected all of the cultivars to help us achieve our production standard, which is providing only the highest quality medicinal marijuana to patients. Breakwater PF purchased seeds from a licensed distributor of seeds from world-renowned seed companies. The companies are legitimate breeders who have been awarded multiple times for their cultivars. Breakwater PF will germinate seeds and grow seedlings of each selected cannabis cultivar to the end of the plants' flowering stage. We will cut clones of each female prior to flowering. Using laboratory testing, we will evaluate the cannabis harvested from each seedling female for its cannabinoid content. We will further evaluate the females for additional beneficial characteristics, and (a) stock plant(s) for each variety will be chosen. Our selection process will ensure that our stock plants have all the traits we desire including disease resistance, potency, vigorous growth, and flavor/aroma. We will also obtain a well-balanced variety of stock plants with medical effects ranging from sleep inducing to stimulating.

We are confident that our grow rooms design will yield over 125 pounds of cannabis at the minimum. It is likely to yield closer to 150 pounds. Once in the production cycle it will take about 13 weeks between the harvest of the last plants to ripen in a room and the harvest of the first buds of the next cycle. Using our centralized inventory management program designed for the Medical Marijuana industry, we will be able to construct as many grow rooms as necessary to keep up with patient demand.

Utilizing the features of our custom grow room design, carefully selecting cultivars, and using sound cultural practices are all strategies that we will employ to ensure that diseases and pests don't affect the availability of medicine for authorized patients. Our expert horticulturist carefully selected all of the cultivars that we will use with the prevention of fungal diseases being a major

consideration in his selection process. The growth habit of a cultivar has a strong influence on the susceptibility that cultivar has to fungal bud rot. Our horticulturalist only selected cultivars that are not prone to developing problems with fungal bud rot. Stock plants of each variety will be selected that have moderately sized buds. Avoiding cultivation of plants with overly large buds will be one strategy used to avoid fungal bud rot pre and post-harvest. Our fertilization/irrigation practices will be done in a manner that will not favor diseases or insects and mites. For instance, we will avoid excessive fertilization, which can encourage pests and diseases to attack plants. We will use pruning strategies that will prevent disease development. For example, we will thin out overly crowded branches. We will emphasize careful grow room sanitation and pest exclusion strategies to prevent pest entry. Reverse door fans (air curtains) will be used throughout the production facility to prevent pests from entering through doorways. Trays containing bleach solution will be located at doorways before entering the production areas and at grow and processing room entryways for workers to step in and sanitize the bottom of their shoes. Diligent scouting/monitoring for pests and diseases will ensure that any presence of pests or disease is recognized before it becomes a problem. We will use blue sticky card traps to assist in monitoring for thrips, and yellow sticky card traps to assist in monitoring for aphids and whiteflies. If insects or mites are found, beneficial predators and/or parasitoids will be released to combat the problem.

We put a strong emphasis on the efficiency of our grow rooms, which will lower our variable costs and thus effectively allow us to produce medical marijuana at the most competitive price. Although we could purchase modular grow room structures and possibly supply medicine to patients more rapidly, we desire that our grow room facilities have unique, custom design features that will ensure our grow rooms are as energy efficient as possible and provide an optimal growing environment. Dispensaries will be able to depend on the quality of our medicine because we are committed to excellence. Quality medicine combined with efficient production will translate into customers getting more value for their money, thereby providing the best treatment for their maladies.

Disease Prevention

Our plants will be carefully protected from plant diseases caused by plant pathogens, including but not limited to, *Pythium* spp. and *Botrytis cinerea*. This will be accomplished through four main strategies: careful grow room design, good cultural practices including sanitation of the growing environment, selection of disease resistant cultivars, and the manipulation of environmental conditions in a way that is unfavorable for disease development. Automated grow room controls will assist in manipulating the conditions of the growing environment. Post-harvest processing will utilize atmospheric controls and proper drying techniques, to ensure that the medicine remains unspoiled by fungi.

Methods to keep environment free from flowering male plants

As previously discussed our production grow rooms will only be populated by female clones from carefully selected stock plants that have undergone evaluation for hermaphroditism and show no hermaphroditic tendencies.

Procedures for proper sanitation practices to minimize plant disease, and to promptly dispose of diseased plant material in a secured disposal area.

Any pathogen-infected or pest infested plant material that is discovered in the grow rooms will be immediately segregated until it can be properly disposed of, unless the infestation has already significantly spread throughout the crop, in which case we may need to address the problem differently. In order to properly dispose of infected plant material, Breakwater PF will recommend using an on-site incinerator to burn it in the presence of an authorized representative of the commissioner pursuant to Sec. 21a-408-64. Burning plant materials infested with pests or pathogens is an effective way of destroying the pests and/or potential disease inoculum. It will also ensure the secure disposal of any potentially psychoactive plant materials. Records, as required by the regulations, will be kept of all destroyed plants and marijuana products.

Record keeping of any cultural measures used for plant pest or disease control, including disposal of culled plants

Sticky cards will be located in multiple locations throughout Breakwater PF's grow rooms to assist in monitoring for flying insect pests. The sticky cards will feature square grids for more efficient counting of the insects on each card. Once each week a grow room manager will collect the cards and record the number of insects per card. The information recorded each week will be stored in a computer file. Using this record keeping technique will provide an early indication of the possibility of a growing insect pest population such as a population of fungus gnats. Managers will release beneficial arthropods into the grow rooms to control pests when necessary. Records of when releases are made and how many arthropods are released will be kept on file.

Grow room management will scout for arthropod pests and for diseases daily to ensure that infestations of pests or diseases are detected early if they do occur. Managers will keep a record of their observations in a notebook.

Proper nutrient management including irrigation management is important for plant health and performance. Plant problems that are caused by a lack or excess of nutrients and/or water are considered to be abiotic diseases (disease not caused by pathogen infection). Abiotic plant disease can often be a precursor to biotic plant disease due to suppression or interference with the plants normal immune system responses. In order to prevent abiotic and biotic plant diseases related to nutrients or water, grow room managers will utilize a carefully planned fertilization/irrigation schedule. To ensure the proper performance of the fertilization/irrigation schedule the plants nutrient status will be carefully monitored and so will nutrient solution concentrations in reservoirs. Plants sap will be sampled frequently for nitrate and potassium ion concentrations to monitor for deficiencies or excesses within plant tissues, thus allowing for changes in fertilization to made as necessary. The temperature of the grow room air will be measured frequently using a highly accurate handheld thermo-hygrometer. The measured air temperatures will also be compared against leaf temperature measurements measured by a highly accurate handheld infrared thermometer. Calculating the difference between the air and leaf temperature will provide grow room managers with information about the health of the plant before problem symptoms become evident and will provide a very good measure of the irrigation schedule's success. Managers will record the measured air and leaf temperatures and store the data for later use and evaluation.

Regulating the conditions of the growing environment is also important to prevent plant diseases. Plant diseases favor certain environmental conditions. For instance, the fungus *Botrytis cinerea* (the cause of grey mold) favors relative humidity above seventy percent. Managers will measure relative humidity and dew point in the grow rooms using a thermo-hygrometer. The thermo-

hygrometer measurements will indicate to the grow room management when to make changes to the settings of the automated environmental controls of the grow room, in order to prevent disease development. As an example, if the grow room is significantly above 70 percent relative humidity, the grower may change the settings of the environmental controls to keep the humidity level down. Managers will record thermo-hygrometer measurements and store the information in case further analysis becomes necessary.

Breakwater PF will keep records of any plants removed from the grow rooms due to suspicion of the presence of pests or biotic disease. Each plant will be labeled with its own code number when started, which will allow the life history of each plant to be followed through Breakwater PF's records. Although Breakwater PF will incinerate (pursuant to Sec. 21a-408-64) pest infested or pathogen infected plants on-site (culled plants), we will keep records of doing so, in order to comply with the mandated disposal regulations.

Laboratory Analysis

Breakwater Production Facility will provide product security and purity to its patients through detailed laboratory analysis of its medical cannabis products. This effort will be developed in partnership with a Connecticut university or private company that owns and operates a state-of-the-art laboratory testing facility. Breakwater PF will laboratory test all medicinal cannabis products produced and will provide patients with a scientific assessment of the safety and potency of their medicine, prior to ingestion. Breakwater PF will laboratory test flowers and leaves of all cannabis cultivars prior to making lozenges or topical formulations. The testing techniques will include gas chromatography/mass spectrometry and or liquid chromatography. The testing program has two main components: safety screening and potency quantification. Safety screening analyzes and detects contamination of pathogenic or mycotoxin producing molds, which can threaten the health of patients with or without compromised immune systems. Potency quantification provides the percentages of three major cannabinoids: THC, CBD and CBN. Later stages of the program will include the use of patient surveys to develop a comprehensive database of the efficacy of medical cannabis. Breakwater PF intends to develop an in depth patient survey and analysis concerning the ingestion levels, techniques and effects in relation to each particular patient condition in conjunction with a Connecticut college or university. Breakwater PF patients will be able to access product test results in three ways: 1) labels in display cases, 2) labels on products and 3) a book of complete test results. Product labels will include the percentages for THC, THC-A, CBD, CBD-A and CBN. These percentages will be posted in medicine display cases, as well as affixed to the products themselves. A book containing complete spectrometry reports for each product will be available at the service counter for those patients who desire more detailed analytical results. Testing services will commence with the initial launch period to develop and refine the logistics of sample collection and results identification. After these issues are fully addressed, the testing service results will be made widely available to individual patients and to our academic partner for research purposes. These services will include an independent certification component, so patients can be assured that the medicine they are purchasing has been thoroughly tested and approved.

Methods to ensure that seed production and/or hybridization is prevented during the cultivation of medicinal marijuana.

Cannabis (marijuana) is dioecious meaning that male and female flowers occur on separate plants. Male flowers are distinct in appearance from female flowers. With the proper knowledge of marijuana anatomy, it is possible to identify and remove male plants from a crop soon after they reach reproductive maturity and begin to flower. Removing the males soon after they show signs of flowering can ensure that none of their staminate flowers open. If no male flowers are permitted to open and release pollen, the female plants will not be pollinated. In this desirable scenario, the female plants will use their photosynthate for flower production instead of seed production. This will allow the female plants to develop large seedless buds. Although it is considered normal for male and female flowers to develop on separate Cannabis plants, hermaphroditic plants are a commonality in the genus. Hermaphroditic plants can cause major problems for growers, and are a common cause of unintended crop pollination. Some cultivars (strains) of marijuana are more prone to hermaphroditism than others. Also, within cultivars of marijuana individual plants can show differences in how inclined they are to exhibit hermaphroditism.

Recently the marijuana seed industry has seen a rise in the popularity of so called "feminized" seeds, and consequently growers have experienced greater incidence of unintended pollination. Feminized seeds offer growers the capability to grow a seed free crop without having to cull male plants. Unfortunately these "feminized" seeds are produced by pollinating females with hermaphrodite pollen and do not always develop into true female plants, thus leading to unintended pollination by hermaphroditic 'females'. To produce "feminized seeds," seed producers force female plants to develop male flowers by stressing the plants. The pollen produced from the male flowers is then used to pollinate female plants. This process creates "feminized" seeds. These seeds produce plants that appear female but have a stronger than usual tendency towards hermaphroditism. Growing a crop from "feminized" seeds is much more likely to result in unintended pollination than growing from conventional seed. Growing from conventional seed however, will not guarantee the absence of hermaphroditic females in a crop. The presence of even a single hermaphrodite male flower must be avoided in order to prevent crop pollination. This can only be achieved consistently by using clonal propagation.

Breakwater PF will avoid pollination of crops by growing clones from carefully selected clonal stock plants (mother plants). We will select our stock plants from seedling females that have no hermaphroditic tendencies, while also exhibiting all of our other desired phenotypic traits. Clonal propagation of our stock plants will provide us with the necessary number of clones to populate our grow rooms. Clones from well- selected stock plants will provide uniform and consistently high quality, seedless marijuana. Stock plants will be quarantined in their own specially protected grow room, as a measure to prevent them from being infected with diseases that would compromise their ability to supply healthy cuttings (clones).

Summary

Breakwater Production Facility is fully committed to providing dispensaries with safe, medically effective, and cost effective medicinal cannabis. Through industry leading cultivation techniques and state-of- the-art quality control policies, procedures, and systems, our Chief Cultivator/Horticulturalist will ensure that Breakwater PF produces the highest quality, organic and disease free medicinal cannabis.

Measure 2: An explanation of how the applicant will limit employee exposure to potentially unsafe chemicals or other unsafe conditions.

Protection Against Hazardous and Unsafe Chemicals

The primary way that Breakwater PF will minimize the potential for employee exposure to unsafe chemicals will be by minimizing the use of such chemicals. The most dangerous chemical we will use will be sodium hypochlorite (Clorox or household bleach). It will be used, in a dilute water/ sodium hypochlorite solution, to clean worker's shoes, to clean grow rooms and irrigation systems between crops, and to sterilize plant materials for the establishment of tissue cultures. As a secondary measure to prevent worker exposure to unsafe chemicals, we will require that workers wear the appropriate personal protective equipment for any given task that requires the use of chemicals, as instructed on the chemical's label.

To minimize worker exposure to unsafe working conditions, Breakwater PF will make many safety precautions standard procedures. One part of the production process that could present unsafe conditions is the trimming of harvested cannabis. Breakwater PF will use electric hand held trimmers that are unable to cut human skin. Additionally, employees will wear eye protection to prevent trichomes or other small bits of plant material from getting in their eyes, as well as to prevent eye injury.

Another part of the production process that could be dangerous is the processing of cannabis into medicated edibles, extracts, etc. To prevent worker injury, BPF will install non-slip surfaces on the floors near any potentially hazardous machines. Also, machines used for making extracts will be of the highest quality, and BPF will purchase them from industry leading companies such as Eden Labs. Along with proper maintenance, this will prevent potentially dangerous machine failures from occurring.

To prevent workers from falling and hurting themselves when our plants are tall, we will use three-step rolling ladders with railings surrounding the steps to work on the plants (scouting for pests, pruning, harvesting, etc.). This will allow workers to safely access the tops of tall plants.

To prevent workers from slipping and falling from spills, workers will mop up any liquid spill immediately, or will place a wet floor sign by the spill until it is mopped up (which will be as soon as possible).

Criterion H: MARIJUANA TRANSPORT [150 Points]

Measure 1: Provide a detail description of the proposed method of transportation of marijuana and marijuana products.

Marijuana Transport

Marijuana Transport will be a key aspect to Breakwater PF's operations, as delivering marijuana products in a timely and secure fashion is essential in ensuring the substantially uninterrupted supply of marijuana to Breakwater PF's licensed dispensary facility customers. Breakwater PF's Transportation operations will be supervised by COO, H. Alexander Zaleski. The experience H. Alexander Zaleski brings to the Breakwater PF team in medical waste transportation, employee screening and hiring, and in implementing security measures, makes him highly qualified to run a medical marijuana Production Facility, and in overseeing the Transportation operations. Please refer to the bio and qualifications of Mr. H. Alexander Zaleski found in Criterion A. Measure 2 of this RFA.

Additionally, Breakwater Production Facility believes it is of paramount importance to maintain full control over our medical transport team. Breakwater PF will do its own hiring of qualified individuals who will be required to pass a thorough background check, conducted by an outside third party agency as well as internal investigations, various employee testing and interviews. Breakwater PF is committed to creating new jobs in the Waterbury community and thereby adding to its economic strength and vitality.

Breakwater Production Facility will meet and exceed the standards set forth by the Department of Consumer Protection concerning the Palliative Use of Marijuana with regard to Transportation of Marijuana (Section 21a-408-60).

Transport Service Policy and Procedure:

Breakwater PF shall transport only electronically inventoried prepackaged usable marijuana from the production facility to the licensed dispensary facilities according to a delivery plan approved by the Department.

- The transport driver will remain with the transport vehicle at all times when there is marijuana on board.
- A security guard will accompany all drivers.
- All drivers must have a clean driving and criminal record.
- Plans to hire Connecticut State Police or retired local Law Enforcement (i.e. Waterbury Police).

Security personnel are in the prevention business. It is their job to act as a deterrent to crime, to watch for impending danger and to report crimes they may encounter.

1. **Visibility:** Security guards should remain visible as a deterrent to criminals. Thefts, damage and injuries can be thwarted when the perpetrators see a security guard.
2. **Alert:** Security guards must remain alert to watch for abnormal activity or hear any unusual sounds.
3. **Record:** Instead of rushing into a dangerous situation, security guards are required to record events, take down license plate numbers and remember features to report the findings to the appropriate local and state authorities.
4. **Report:** Security guards should always have access to a phone and/or radio to report suspicious activity or crimes in progress at all times.
5. **Inspection:** On some posts, security guards are required to check employees and visitors, badges and access authority. They may be asked to check bags of employees leaving a facility.

Delivery Driver Checklist:

- Track mileage using Breakwater Production Facility's mileage log.
- Medication must remain locked at all times in the truck safe.
- Driver must carry copies of Breakwater Production Facility's seller's license and business license in addition to delivery driver employee insurance information.
- Transport Driver will carry a portable Breakwater Production Facility laptop hooked to our centralized inventory management system on which to record deliveries.
- Transport Driver will carry a portable Breakwater Production Facility GPS system for navigation purposes.
- Transport Drivers must obey all Connecticut state speed limits and traffic laws.
- Transport Drivers must not use any mind-altering substances while on deliveries, nor can they begin deliveries if their sobriety is in question.

Breakwater will staff each transport vehicle with a delivery team consisting of at least two registered Breakwater PF employees. At least one delivery team member (Security team member) will remain with the vehicle at all times. Each delivery team member will have access to a secure form of communication with the Breakwater PF, such as a cellular telephone, at all times that the vehicle contains medicinal marijuana. Additionally, each transport vehicle will have a GPS tracking system so that management can remotely track Breakwater PF trucks at all times.

Each delivery team member will possess his or her Breakwater PF employee identification card at all times and will produce it to Department staff or law enforcement officials upon demand. Each transport vehicle will be equipped with a secure lockbox or locking cargo area, which will be used for the sanitary and secure transport of medicinal marijuana. The driver/company will maintain a current commercial automobile liability insurance policy in the amount of one million dollars per incident.

The vehicles used to transport medicinal marijuana will bear no markings that would either identify or indicate that the vehicle is used to transport medicinal marijuana. Breakwater will ensure that all transports are completed in a timely and efficient manner. The transport vehicle will proceed from the cultivation site where the medicinal marijuana is loaded directly to the

treatment center where the medicinal marijuana is unloaded without intervening stops or delays. Breakwater will report any vehicle accidents, diversions, losses, or other reportable events that occur during transport to the permitting authority, forthwith.

Breakwater will maintain a record of each transport of medicinal marijuana in a transport logbook as well as on our centralized inventory management system to ensure a written and electronic copy which will record:

- The date and time that the transport began and ended;
- Track mileage using Breakwater PF's mileage log
- Medication must remain locked at all times in secure lockboxes.
- The names of the Breakwater PF employees comprising the delivery team;
- The weight of the medicinal marijuana transported;
- The lot number of the medicinal marijuana, the name of the strain, whether it is high, medium, or low potency; and
- The signatures of the Breakwater PF employees comprising the delivery team.

Medical Marijuana Transport Team (Security Guard / Driver & Transport Handler):

The team consists of two like qualified individuals who shall carry with them at all times official department issued identification different colored cards and have a clear understanding of their distinct roles:

Security Guard / Driver: Will be primarily responsible for the transportation (driving) of the medical cannabis transport vehicle from the production facility to the licensed dispensary facilities.

Procedures to follow:

- All forms of medicinal marijuana will be placed in separate approved metal lockboxes for transportation from the Storage room at the production facility.
- First and foremost the driver will stay in constant contact with the production facility's security monitoring headquarters during the entire transporting process.
- He will program the on board GPS navigation system with all destination locations.
- He will the last used route to the destination and use the GPS "Alternate Route" feature and select a route different from the last one used, to enhance the security of our transportation methodology.
- He will compare the previously printed suggested route (attached to tracking manifest) with the route suggested by the on board GPS. He will determine which route is most efficient if there is a discrepancy. He will enter his selection on the transport manifest.
- He will note the time of the last delivery to the dispensary and insure that the current delivery time is significantly different from that of the last delivery. He will insure that the product is locked in the transport secure box (which shall be permanently attached to the transport vehicle) and that the vehicle is securely locked prior to departure.
- When transporting marijuana, the driver shall travel directly to the dispensary without any intervening stops, except to another licensed dispensary.
- He will direct the Transport Handler when to call the destination facility so they can prepare for the arrival of the medical cannabis. This position requires the individual to always remain with the vehicle when assets are being transported.

Transport Handler: Will be responsible for managing the transfer of medical cannabis from the cultivation site to the licensed dispensary site(s).

Procedures to follow:

1. At all times during the transportation of marijuana he shall maintain ready access to secure communication (secure GSM cell phone with AES 256 bit symmetric data protection) between the vehicle and our production facility.
2. He shall insure that only marijuana products are shipped by Breakwater PF.
3. His duties include preparing a state approved shipping manifest and securely transmitting same (together with a RFID printout) to the licensed dispensary at least 24 hours prior to the transport.
4. All shipping manifests, recorded in both electronic and hard copies, shall be maintained and made available for inspection by authorized state representatives for a minimum of three years.
5. The medical marijuana packages will first be assembled for shipment as ordered by the dispensary.
6. **Packaging for Transport**
 - a. The individual items will then be placed in a clear plastic bag together with a copy of the order form and a copy of the shipping manifest. Also placed into the clear bag will be a scanable RFID tag that will show all products within the bag via a printout of the contents. The printout will be emailed to the licensed dispensary facility.
 - b. This bag will then be placed in a shipping box secured with a zip tie with a stamped unique serial number on it. This number will have already been recorded on the shipping manifest and witnessed by the two transport team members.
 - c. The transport handler will then be responsible for loading the medical cannabis shipping box into a larger secure box (welded to the transport vehicle and not visible from the outside), on the transfer vehicle and unloading it at the dispensary.
7. He is also responsible for preparing the transport tracking manifest and insuring proper execution at departure and after arrival at the destination.
8. The cutting of the serial numbered zip tie shall only be done in the presence of the dispensary representative.
9. The dispensary facility representative must confirm that the serial number on the zip tie and recorded on the manifest do in fact match and must attest to that on the shipping manifest.
10. Note, only the original shipping manifest possessed by the transport handler will contain the dispensary certification that the serial numbers match. The use of this serial number system will prevent transport personnel from gaining access to the medical marijuana prior to its delivery.
11. This position requires the individual to manage, file and keep track of all transport records (including hard copies).

Criterion I: BONUS POINTS [300 Points]

PLEASE NOTE: ALL OF “APPENDIX G” INCLUDED BELOW IN PAGES 65-143 MUST BE READ. PLEASE REFER TO “APPENDIX G” FOR ALL ANSWERS TO CRITERION 2, MEASURE 1. THE FOLLOWING IS PRESENTED AS A GUIDE AND IS NOT LIMITED TO THE STATED SECTION FOR EACH. “APPENDIX G” HAS FULLY ANSWERED THE BELOW MINIMUM REQUIREMENTS AND IN SOME CASES MULTIPLE SECTIONS COMPLETE EACH ANSWER.

Measure 1: Employee Working Environmental Plan: Describe any plans you have to provide a safe, healthy and economically beneficial working environment for your employees, including, but not limited to, your plans regarding workplace safety and environmental standards, codes of conduct, healthcare benefits, educational benefits, retirement benefits, and wage standards.

Please See:

- Safety
- Harassment, Including Sexual Harassment
- Group Health Insurance
- Cobra Benefits
- Social Security/Medicare
- Vacation
- Record Keeping
- Holidays
- Jury Duty/Military Leave
- Educational Assistance
- Training, Professional Development, and Continuing Education

Please See Workplace Safety

SAFETY

Breakwater Production Facility provides information to employees about workplace safety and health issues through regular internal communication such as:

- Training sessions
- Team meetings
- Bulletin board postings
- Memorandums

- Other written communications

Each employee is expected to obey safety rules and exercise caution and common sense while performing all work activities. Employees must immediately report any unsafe conditions to their supervisor. Employees who violate safety standards, cause hazardous or dangerous situations, or fail to report, or where appropriate, remedy such situations, may be subject to disciplinary action including termination of employment. In the case of an accident that results in injury, regardless of how insignificant the injury may appear, employees should notify their supervisor.

Please See Environmental Standards

It is the aim of Breakwater Production Facility to ensure that our workplace meets the basic health, safety and welfare needs of all the members of our company.

Employees working with marijuana will be furnished with one piece white pocket less jumpsuits and all employees will be required to wear rubber soled shoes, to minimize slips and falls. All floors and traffic routes will be kept free from obstructions and any articles or substances which could present a tripping or slipping hazard.

Adequate lighting is very important for worker health and safety. All areas of the workplace will be provided with sufficient lighting for the work to be performed in a comfortable setting. This includes all hallways, offices, bathrooms and the break room, etc. Emergency lighting, in case of a power outage, will come on automatically to provide sufficient illumination for safe egress from the workplace. Care will be taken to select the most beneficial light bulb color temperature and wattage to ensure comfortable lighting conditions, including the absence of glare. Artificial lighting must be selected to avoid stroboscopic effects (flicker), glare or dazzle, and color rendition hazards (identification or recognition of colors). Similarly, the parking lot will be sufficiently lit at dusk, night and twilight to provide for employee comfort and safety.

We will make sure the workplace is ventilated by a sufficient quantity of fresh or purified air. The ventilation system will have a visible and audible warning in case of its failure. Fresh air will be supplied at the rate of at least 11-17 cubic feet/minute per room occupant. The ventilation system will be designed to avoid creating drafts, contamination or odors in the workplace. The air-conditioning system will filter and add fresh air before re-circulation. All ventilation equipment will be regularly cleaned, maintained and tested to ensure that it remains effective and operates hygienically.

During working hours, the temperature in all workplaces shall be reasonable and comfortable. All possible steps will be taken to achieve a reasonably comfortable temperature, for example, by providing air cooling, shading windows and positioning workstations away from places subject to radiant heat or drafts. The excessive effects of sunlight on room temperature will be avoided. Comfort cannot be measured with a thermometer alone, as it is affected by humidity and air movement ('freshness'). A relative humidity of 50%-70% will help prevent problems with static electricity and enhance a comfortable environment for all employees.

Any employee complaints regarding the lighting, ventilation, temperature or any other condition in the workplace will be taken seriously and, if confirmed, rectified expeditiously.

Breakwater PF will not use or permit the use of any hazardous chemicals or substances in our production facility.

HARASSMENT, INCLUDING SEXUAL HARASSMENT

Unwelcome verbal or physical conduct based on race, color, religion, sex (whether or not of a sexual nature and including same-gender harassment and gender identity harassment), national origin, age, disability (mental or physical), sexual orientation, or retaliation constitutes harassment when:

- The conduct is sufficiently severe or pervasive to create a hostile work environment; or
- A supervisor's harassing conduct results in a tangible change in an employee's employment status or benefits (for example, demotion, termination, failure to promote, etc.).

A hostile work environment occurs when unwelcome comments or conduct based on sex, race or other legally protected characteristics unreasonably interferes with an employee's work performance or creates an intimidating, hostile or offensive work environment. Anyone in the workplace might commit this type of harassment – a management official, co-worker, or non-employee, such as a contractor, vendor or guest. The victim can be anyone affected by the conduct, not just the individual at whom the offensive conduct is directed.

Examples of actions that may create sexual hostile environment harassment include:

- Leering, i.e., staring in a sexually suggestive manner
- Making offensive remarks about looks, clothing, body parts
- Touching in a way that may make an employee feel uncomfortable, such as patting, pinching or intentional brushing against another's body
- Telling sexual or lewd jokes, hanging sexual posters, making sexual gestures, etc.
- Sending, forwarding or soliciting sexually suggestive letters, notes, emails, or images

Breakwater Production Facility is committed to providing a work environment that is free of discrimination and unlawful harassment. Actions, words, jokes, or comments based on an individual's sex, race, ethnicity, age, religion, or any other legally protected characteristic will not be tolerated. If you believe you have been the victim of harassment, or know of another employee who has, report it immediately. Employees can raise concerns and make reports without fear of reprisal. Any supervisor who becomes aware of possible harassment should promptly advise their supervisor or the Human Resources Representative who will handle the matter in a timely and confidential manner.

SUBSTANCE ABUSE

The Breakwater Production Facility is committed to providing a safe and productive workplace for its employees. In keeping with this commitment, the following rules regarding alcohol and drug abuse have been established for all staff members, regardless of rank or position, including both regular and temporary employees. The rules apply during working hours to all employees of the Breakwater PF while they are on Breakwater PF premises or elsewhere working on Breakwater PF business.

So that there is no question about what these rules signify, please note the following definitions:

Breakwater PF property: All Breakwater PF owned or leased property used by employees.

Controlled substance of abuse: Any substance listed in Schedules I-V of Section 202 of the Controlled Substance Act, as amended.

Drug: Any chemical substance that produces physical, mental, emotional, or behavioral change in the user.

Drug paraphernalia: Equipment, a product, or material that is used or intended for use in concealing an illegal drug, or otherwise introducing into the human body an illegal drug or controlled substance.

Illegal drug:

- a. Any drug or derivative thereof whose use, possession, sale, transfer, attempted sale or transfer, manufacture, or storage is illegal or regulated under any federal, state, or local law or regulation.
- b. Any drug, including – but not limited to – a prescription drug, used for any reason other than that prescribed by a physician.
- c. Inhalants used illegally.

Under the influence: A state of not having the normal use of mental or physical faculties resulting from the voluntary introduction into the body of an alcoholic beverage, drug, or substance of abuse.

Employee Alcohol and Drug Policy

The foundation of one of our business practices is the establishment of a "zero tolerance policy" with regard to alcohol and drug use in the work place. Any employee found to have violated this policy will be immediately terminated.

The manufacture, distribution, possession, sale, or purchase of controlled substances or abuse of, on Breakwater Production Facility property is strictly prohibited. Being under the influence of illegal drugs, alcohol, or substances of abuse on Breakwater PF property is prohibited. Working while under the influence of prescription drugs that impair performance is likewise prohibited.

The causes for termination shall include but not be limited to the following activities:

- The use, possession, solicitation or sale of narcotics, other illegal drugs or prescription medication without an authorized prescription on Breakwater Production Facility premises or while performing job duties.
- Conviction of a crime directly related to the possession, sale or distribution of narcotics, other illegal drugs or unauthorized prescription drugs.
- The presence of any detectable amount of prohibited substances in the employee's system while at work, while on the premises of Breakwater Production Facility, or representing Breakwater PF in any business-related capacity. "Prohibited substances" include illegal drugs, alcohol, or prescription drugs not taken in accordance with an authorized medical prescription given to the employee.

Breakwater Production Facility will conduct drug and/or alcohol tests in accordance with any or all of the following procedures:

- RANDOM TESTING: Employees may be selected for drug and/or alcohol testing at any time during their employment with Breakwater Production Facility.
- FOR-CAUSE TESTING: Breakwater Production Facility may ask an employee to submit to a drug and/or alcohol test at any time it feels that the employee may be under the

influence of drugs or alcohol, including, but not limited to, the following circumstances: evidence of drugs or alcohol on or about the employee's person or in the employee's vicinity, unusual conduct on the employee's part that suggests impairment or influence of drugs or alcohol, negative performance patterns, or excessive and unexplained absenteeism or tardiness.

- **POST-ACCIDENT TESTING:** Any employee involved in an on-the-job accident or injury under circumstances that suggest possible use or influence of drugs or alcohol in the accident or injury event may be asked to submit to a drug and/or alcohol test. "Involved in an on-the- job accident or injury" means not only the one who was or could have been injured, but also any employee who potentially contributed to the accident or injury event in any way.
- If an employee is tested for drugs or alcohol outside of the employment context and the results indicate a violation of this policy, or if an employee refuses a request to submit to testing under this policy, the employee may be subject to appropriate disciplinary action, up to and including discharge from employment. In such a case, the employee will be given an opportunity to explain the circumstances prior to any final employment action becoming effective.

Consistent with the rules listed above, any of the following actions constitutes a violation of the Breakwater Production Facility's policy on drugs and may subject an employee to disciplinary action, up to and including immediate termination. Using, selling, purchasing, transferring, manufacturing, or storing an illegal drug or drug paraphernalia, or attempting to or assisting another to do so, while in the course of employment. Working or reporting to work, conducting Breakwater PF business or being on Breakwater PF property while under the influence of an illegal drug or alcohol, or in an impaired condition.

Please See Codes of Conduct

SECTION 4

STANDARDS OF CONDUCT

The work rules and standards of conduct for Breakwater Production Facility are important and we take them very seriously. All employees are urged to become familiar with these rules and standards. In addition, employees are expected to follow the rules and standards faithfully in doing their own jobs and while conducting the Breakwater PF's business while off the premises. Please note that any employee who deviates from these rules and standards will be subject to corrective action, up to and including termination of employment (see Section 3.12, Corrective Action). While not intended to list all the forms of behavior that are considered unacceptable in the workplace, the following are examples of rule infractions or misconduct that may result in disciplinary action, including termination of employment. Theft or inappropriate removal or possession of property; Falsification of timekeeping records (See Section 5.2, Timekeeping); Working under the influence of alcohol or illegal drugs (See Section 4.6, Substance Abuse); Possession, distribution, sale, transfer, or use of alcohol or illegal drugs in the workplace (See Section 4.6, Substance Abuse); Fighting or threatening violence in the workplace; Boisterous or disruptive activity in the workplace; Negligence or improper conduct leading to damage of Breakwater PF-owned or employee -owned property; Insubordination or other disrespectful conduct; Violation of safety or health rules; Smoking in the workplace; Sexual or other unlawful

or unwelcome harassment (See Section 4.3, Harassment, Including Sexual Harassment); Excessive absenteeism or any absence without notice (See also, Section 4.1 Attendance/Punctuality and 4.2, Absence without Notice); Unauthorized use of telephones, or other Breakwater PF-owned equipment (See Section 4.4, Telephone Use); Using Breakwater PF equipment for purposes other than business (i.e. playing games on computers or personal Internet usage); Unauthorized disclosure of business “secrets” or confidential information; Violation of personnel policies; and Unsatisfactory performance or conduct.

4.1 ATTENDANCE/PUNCTUALITY

The Breakwater Production Facility expects that every employee will be regular and punctual in attendance. This means being in the office, ready to work, at their starting time each day. Absenteeism and tardiness places a burden on other employees and on the Breakwater PF. If you are unable to report for work for any reason, notify your supervisor before regular starting time. You are responsible for speaking directly with your supervisor about your absence. It is not acceptable to leave a message on a supervisor’s voice mail, except in extreme emergencies. In the case of leaving a voice-mail message, a follow-up call must be made later that day. Should undue tardiness become apparent, disciplinary action may be required. If there comes a time when you see that you will need to work some hours other than those that make up your usual work week, notify your supervisor at least seven working days in advance. Each request for special work hours will be considered separately, in light of the employee’s needs and the needs of the Breakwater PF. Such requests may or may not be granted.

4.2 ABSENCE WITHOUT NOTICE

When you are unable to work owing to illness or an accident, please notify your supervisor. This will allow the Breakwater Production Facility to arrange for temporary coverage of your duties, and helps other employees to continue work in your absence. If you do not report for work and the Breakwater PF is not notified of your status, it will be assumed after two consecutive days of un-notified absence that you have resigned, and you will be removed from the payroll. If you become ill while at work or must leave the office for some other reason before the end of the workday, be sure to inform your supervisor of the situation and check out with the manager.

4.4 TELEPHONE USE

Breakwater Production Facility telephones are intended for the use of serving our dispensaries and suppliers and in conducting other Breakwater PF business. Personal usage during business hours is discouraged except for extreme emergencies. All personal telephone calls should be kept brief to avoid congestion on the telephone line. To respect the rights of all employees and avoid miscommunication in the office, employees must inform family members and friends to limit personal telephone calls during working hours. If an employee is found to be deviating from this policy, he/she will be subject to disciplinary action (See Section 3.12, Corrective Action).

4.5 PUBLIC IMAGE

A professional appearance is important anytime that you come in contact with clients or potential clients. Employees should be well groomed and dressed appropriately for our business and for their position in particular. The following items are considered inappropriate working attire for the Breakwater Production Facility: Open-toed sandals, Spaghetti-strapped shirts, Tank tops or revealing shirts, Short miniskirts, Sheer clothing, T-shirts with inappropriate or offensive

gestures or advertising. When meeting with a client, the dress code is more business-oriented, including attire such as: Slacks and dress shirt or blouse and dress or skirt and blouse, unless you are required to wear pocketless clothing in your particular position and/or unit (production team). If management occasionally designates "casual days," appropriate guidelines will be provided to you. Consult your supervisor if you have any questions about appropriate business attire.

4.7 TOBACCO PRODUCTS

The use of tobacco products is not permitted anywhere on the Breakwater Production Facility's premises.

4.8 INTERNET USE

Breakwater Production Facility employees are allowed use of the Internet and e-mail when necessary to serve our clients and conduct Breakwater PF's business. Employees may use the Internet when appropriate to access information needed to conduct the business of the Breakwater PF. Employees may use e-mail when appropriate for Breakwater PF business correspondence. Use of the Internet must not disrupt operation of the Breakwater PF computer network. Use of the Internet must not interfere with an employee's productivity. Employees are responsible for using the Internet in a manner that is ethical and lawful. Internet messages are public and not private. Breakwater PF reserves the right to access and monitor all files and messages on its systems.

Please See Healthcare Benefits

SECTION 6

BENEFITS AND SERVICES

Breakwater Production Facility offers group health and life insurance benefits for its eligible full-time employees working at least 30 hours a week.

6.1 GROUP HEALTH INSURANCE

Breakwater PF offers the following health insurance programs for eligible FULL-TIME employees.

HEALTH INSURANCE

- Coverage begins on the first of the month following 90 days of employment.
- The Breakwater PF pays 50% of the premium.
- The employee pays 50 % of the premium.
- The employee premium is paid through payroll deduction.

6.2 COBRA BENEFITS

Breakwater PF will adhere to the Connecticut law, which requires each group health insurance policy, regardless of the number of insured, to provide continuation of coverage for the periods as set forth in COBRA. Continuation of coverage is available to an employee and his or her covered dependents if the employee is laid-off, is given reduced work hours, takes a leave of absence, or terminates employment, for other than gross misconduct. The employee's spouse and dependent children can continue coverage under a group health plan if the employee dies; there is a divorce, court ordered annulment, or legal separation; or the child loses dependent status.

Coverage will continue for 18 or 36 months, depending on the qualifying event, or longer if the person has a disability. In addition coverage will continue for 30 months (instead of 18 months) after a layoff, reduction of hours, leave of absence, or employment termination. And an employee and his or her covered dependents also are entitled to continue coverage until midnight of the day preceding the employee's eligibility for Medicare if the employee's reduced hours, leave of absence, or employment termination results from his or her eligibility for Social Security income.

An individual may be required to pay the premium, up to 102% of the group rate, for the continued coverage.

Breakwater PF is aware that Connecticut law also provides limited continuation coverage for people with disabilities after a group health plan terminates. Regardless of a person's eligibility for other group insurance, when a group health plan terminates, coverage for covered individuals who were totally disabled on the date the plan terminated continues for 12 calendar months without payment of premium, provided a claim for coverage is submitted within one year of the termination. Coverage continues only for claims related to the disability. If a person is not totally disabled on the date the plan terminates, state law does not require coverage continuation.

State law also requires each group health insurance policy to give Connecticut residents the right to convert to an individual policy. In Connecticut, most plans offer conversion through the Health Reinsurance Association (HRA), the state's high-risk pool.

Breakwater PF will provide each eligible employee with a written notice describing rights granted under Connecticut state law and COBRA when the employee becomes eligible for coverage under Breakwater PF's health insurance plan. The notice contains important information about the employee's rights and obligations.

6.3 SOCIAL SECURITY/MEDICARE

Breakwater Production Facility will withhold income tax from all employees' earnings and participates in FICA (Social Security) and Medicare withholding and matching programs as required by law.

6.4 VACATION

Paid vacation is available to regular full-time and regular part-time employees following their first-year anniversary with Breakwater Production Facility and is provided based on the following calculation: During the first 2 (two) years of employment, vacation time will be earned at the rate of .0192 hours per hour worked. Earned vacation can be taken after 1 (one) year of continuous employment. During the 3rd (third) through 5th (fifth) years of employment, paid vacation time will be earned at the rate of .0384 hours per hour worked. During the 6th (sixth) and following years of employment, vacation time will be earned at the rate of .0586 hours per hour worked. The vacation policy applies to all regular full-time employees. Paid vacation time of regular employees will be earned on a fractional basis. Fractional vacation weeks will correspond to the average number of hours worked during the preceding year. Example: Employee "A" works 25 hours per week for 52 continuous weeks, $25 \times 52 = 1,300$ hours, Earned vacation equals $1,300$ hours worked $\times .0192 = 25$ hours. Earned vacation leave cannot be taken

before it is accrued and approved. Vacation may be taken in half-day increments of time. Upon termination, unused earned vacation will be paid in a lump sum in the employee's final paycheck. Only one week paid vacation may be carried over from one calendar year to the next. However, no more than one week of vacation may be taken at one time, except under extraordinary circumstances. Requests for more than one week of vacation should be in writing at least ninety days prior to the beginning of the requested vacation period.

6.5 RECORD KEEPING

The Human Resources Department or specific supervisory staff maintains vacation days accrued and used. Each employee is responsible for verifying his/her pay stub to make sure the correct amount of hours appear.

6.6 HOLIDAYS

Breakwater Production Facility observes the following paid holidays per year for all employees: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

6.7 JURY DUTY/MILITARY LEAVE

Employees will be granted time off to serve on a jury or military leave without pay. However, all regular employees, both full-time and part-time, will be kept on the active payroll until their civic duties have been completed. A copy of the jury duty summons and all other associated paperwork are required for the personnel file.

Please See Educational benefits

6.8 EDUCATIONAL ASSISTANCE

Breakwater PF recognizes that the skills and knowledge of its employees are critical to the success of the Company and the medical marijuana industry as a whole. Breakwater PF offers educational assistance programs, the GED Program and tuition reimbursement. Breakwater PF offers educational assistance programs to encourage personal development, improve job-related skills and enhance an employee's ability to compete for reasonably attainable jobs within the Company.

Think Ahead: At Breakwater PF we always believe there is already a wealth of information and experience to share among our existing employees. Coaching and mentoring: encourage managers to coach employees on specific skill areas where they need help, and pair employees with more experienced ones who can mentor them. Build confidence, shorten learning curves, clarify expectations and boost employee retention rates.

Breakwater PF recognizes the value of professional development and personal growth for employees. Therefore, Breakwater PF encourages its employees who are interested in continuing education and job specific training to research these options further and get approval before signing up for the seminars or courses.

6.9 TRAINING, PROFESSIONAL DEVELOPMENT, AND CONTINUING EDUCATION

At Breakwater PF we understand that the education and training of our employees is essential to maintain the highest standards we set for our entire operation. As part of our commitment to our production and production team, we will implement rigorous training, professional development and continuing education of Breakwater PF's personnel. Our objective is to achieve the goal set forth in our Mission Statement, to produce unadulterated pharmaceutical grade medical marijuana, and to prevent the diversion, theft or loss of marijuana or marijuana product. This can only be achieved through proper employee training and oversight.

Employees impact Breakwater PF's Objectives as follows:

- Provide safe, dignified and affordable access to medical cannabis by approved licensed dispensaries in the State of Connecticut.
- Create a community-oriented organization that provides Connecticut licensed dispensaries and their patients with safe access to high quality unadulterated medicine, wellness services and educational resources.
- Maintain a model facility that operates in full compliance with the law, maintains the highest standards of professional conduct and fully services the needs of licensed dispensaries and their patients within the State of Connecticut.

Prior to commencing work at the production facility, an employee will be required pass a Basic Training program encompassing the following steps:

BASIC TRAINING:

- The Employee will receive a complete review of the Mission Statement, goals, objectives, and organizational structure of Breakwater PF. This provides the employee an understanding of where he/she fits into Breakwater PF.
- Outline policies and procedures of Breakwater PF such as Employment Policies, Standards of Conduct, Wages and Salary Policies, Benefits and Services, Employee Communications, Human Resource Policies and Contacts, Security Policies, and role of the Safety Department.
- Instruct all employees on the State of Connecticut's Department of Consumer Protection Regulations on the Palliative Use of Marijuana.
- Define "Pharmaceutical grade marijuana" to employees as defined by the State of Connecticut's Department of Consumer Protection:
 - Marijuana or marijuana products that are not adulterated
 - Products that are processed, packaged and labeled according to the Food and Drug Administration's "Current Good Manufacturing Practice in Manufacturing, Packaging, Labeling, or Holding Operations for Dietary Supplements," 21 CFR 111;
 - Products that are labeled with the results of an active ingredient analysis, a microbiological contaminants analysis, a mycotoxin analysis, a heavy metal analysis and a pesticide chemical residue analysis which have been completed on a batch basis by an independent laboratory; and where each step of the production, cultivating, trimming, curing, manufacturing, processing and packaging method has been documented by using established standard operation procedures approved by the commissioner
- Expand on Security Policies at Breakwater PF, explain why Security is of the upmost importance, detail on how an employee must report security breaches through the company's Critical Incident Reporting system and train employees on how to respond in an emergency.

Explain the duress alarm (entry of a special code that informs the monitoring station that an employee is being forced to turn off the alarm), panic button alarms (issued to every employee and worn at all times), holdup alarm (generates a silent alarm signal that a robbery or an attempted robbery is in progress) and the automatic voice dialer (sends a prerecorded voice message requesting immediate dispatch of police or emergency personnel).

- Provide an overview of the sections from Breakwater PF's Security Plan that apply to the employee's role and responsibilities. The full Security Plan will not be available to employees. It will only be available to executives or appropriate security personnel, since keeping the entirety of the plan confidential is a necessary security measure.
- Provide detailed training of the employee's specific role within the company. All job descriptions, roles, and responsibilities are also made available in Breakwater PF's Operations Manual.
- Review standards of employment for each employee on a regular basis.
- The employee will spend a day meeting with all of Breakwater PF's executives including the CEO, COO, Treasurer, and Chief Horticulturalist. This is in order for the new employee to become acquainted with management as well as understand the overarching roles of each division. During this day, the employee will also be a tutorial and information seminar regarding the medical marijuana industry in Connecticut. There will also be a staff meeting attended by all employees, the CEO, COO, Treasurer, and Chief Horticulturist no less than twice a month.

After basic training is complete, the employee will spend one week shadowing a current employee in his/her role. This will provide the employee with one-on-one training that will help engrain the daily processes and responsibilities of the employee before he/she begins full-time employment.

CONTINUING EDUCATION AND TRAINING:

Breakwater PF will provide continuing education and training for all employees in order for them to stay up to date with the latest evolutions and innovations in the medical marijuana industry. This will be done through biyearly one-day workshops, information seminars, tutorials on techniques and sciences for the production of medical marijuana (these tutorials will be videotaped and eventually be part of an online education portal available to employees). We will also include presentations by experts in the field of medical marijuana production. Training that involves any non-employees will be held at offsite locations.

Random Security Drills:

Breakwater PF will conduct random unannounced security drills, which will reinforce procedures and policies to be followed by employees in the case of an emergency or situation which could compromise the ability of the employees to produce unadulterated, pharmaceutical grade marijuana, or result in the diversion, theft, or loss of marijuana.

Bi-annual Reviews:

Employees will have bi-annual review meetings with their team managers for feedback on performance as well as to review the following topics:

- The protocol for using security tools such as a duress alarm (entry of a special code that informs the monitoring station that an employee is being forced to turn off the alarm), panic button alarms (issued to every employee and worn at all times), holdup alarm (generates a

silent alarm signal that a robbery or an attempted robbery is in progress) and an automatic voice dialer (sends a prerecorded voice message requesting immediate dispatch of police or emergency personnel).

- The ridged standards for manufacturing unadulterated, pharmaceutical grade marijuana
- The rules and regulations set forth by the Department of Consumer Protection concerning the Use of Palliative Marijuana, highlighting any updated rules or regulations.

Continuing Education Programs:

Breakwater PF will offer employees Continuing Education Programs. Breakwater PF will maintain a record of following information: The name of the person receiving the training, the dates of the training, a general description of the topics covered, and the name of the person supervising the training.

▪ Bi-annual One-Day Workshop

This bi-annual workshop will be a mandatory event. The workshop will be led by our Executive team, including our Chief Horticulturalist, and will cover all aspects of the production of Medical Marijuana, including cultivation, handling and storage, transportation, security, and security breach responses. Employees will also be educated on the latest regulations set forth by the Department of Consumer Protection as well as the latest standards set forth by the Food and Drug Administration regarding current Good Manufacturing Procedures. The workshop will be held during non-operating hours and at an offsite location.

▪ Information Seminars

Information seminars will be held by our Chief Horticulturalist during non-operating hours. The topics of these seminars will range from production techniques to the latest published literature in the medical marijuana field. These are optional, onsite, seminars that will be recorded, should employees wish to view at another time.

▪ Tutorials

Each unit within the production facility will be given tutorials regarding operations as pertained to their functions and roles. A tutorial will be given to a team when new members join or when management determines that a tutorial review is required. The Tutorial will be mandatory, will be onsite, and will be recorded should employees wish to reference the tutorial in the future.

▪ Guest Speakers

Guest speakers will be invited to speak to employees and management. Speakers will generally be industry leaders, leading physicians, or testimonials regarding the use of medical marijuana. These are optional, offsite, and will be recorded should employees wish to view at another time.

EMPLOYEE ADVANCEMENT AND CAREER ACCELERATION:

Breakwater PF's employees are an important asset to our operation and well-trained, dedicated employees are essential to producing unadulterated, pharmaceutical grade medical marijuana. Furthermore, we know that employee loyalty and trust is an essential aspect of maintaining strict

security and preventing the theft or loss of marijuana. We plan to take measures to avoid employee turnover by providing a positive work place with high employee morale, and strong employee incentives.

Breakwater PF believes there are two types of employees, Extrinsically Motivated and Intrinsically Motivated. We plan to use a number of different incentive-based programs in an effort to reduce turnover through the population of our employee base.

Extrinsically Motivated employees seek the following:

- Job Security
- Salary
- Bonus

For these employees we offer the following:

- Employer contributions toward retirement plans
- Regular salary increases with seniority
- Profit sharing plan with employees based on production and efficiency

Intrinsically Motivated employees seek the following:

- Achievement
- Recognition
- Responsibility

For these employees we offer the following programs:

- Executive Club Program
- Management Career Track Opportunity

Executive Club Program:

This is a program where employees have the opportunity to have lunch with management once a month. During this lunch, employees are encouraged to give feedback, advice, and voice any concerns regarding Breakwater PF's operations. This is a great opportunity for employees to showcase their analytical skills and thought processes, as well as an opportunity for management to gain feedback on all aspects of our operation. This program will give the employees a "voice" in the company.

Management Career Track Opportunity:

This program is intended to provide selected employees with an opportunity to become part of Breakwater PF's management team. This selective program involves:

- A six-month rotational program where the employee operates in all roles throughout the production process and facility.
- Shadowing of executives through daily operations and responsibilities.
- Develop understanding on how to communicate effectively and adhere to standards set forth by the Department of Consumer Protection, understanding relationships and standards in dealing with any equipment suppliers and understanding how to deal with confidential information involving Breakwater PF's proprietary growing operations.
- Advanced education regarding growing and production techniques.

After successful completion of the program, employees will be assigned to a supervisory role within a selected department.

Please See Retirement Benefits Below

RETIREMENT BENEFITS:

Breakwater Production Facility will make a contribution of a sum to be determined by the employer to the Breakwater Production Facility Profit sharing Plan. The contribution, if any, will be allocated as a percentage of annual compensation to all participants, with an additional contribution for those participants whose annual compensation is in excess of the Social Security Taxable Wage Base.

The Breakwater Production Facility 401-(k) Plan will be designed to encourage employees to save regularly to provide income for retirement.

- All employees will be eligible to participate in the plan on the plan entry date (January 1st, April 1st, July 1st and October 1st) following 6 months of service and attainment of age 21.
- Each participant can contribute part of their pay to the Breakwater Production Facility 401-(k) Plan through convenient payroll deductions.
- Each participant may elect to contribute up to 20 percent of compensation or \$17,500 (2013 limit) as pre-tax contributions and/or on a post-tax basis as Roth Contributions.
- Employees over age 50 in 2013 or later, may contribute an annual “catch-up contribution” of \$5,500.
- Breakwater Production Facility will make a matching contribution (known as “Safe Harbor”) equal to 100% of the first 3% of annual compensation plus 50% of the next 2% of annual compensation. The total employer matching contribution will not exceed 4% of a participant’s annual compensation.
- Participants can invest their savings into one or more of the investment funds available under the Breakwater Production Facility 401-(k) Plan.
- Participants are always 100 percent vested in their own contributions and the employer matching contributions.
- Participants will be 100% vested in their Profit Sharing account balance, if any, upon attainment of Normal Retirement Age or become disabled or die. If employment is terminated prior to retirement, death or disability, they will be vested in their account balance according to a graded vesting schedule from 0% to 100% after six years.
- If a participant terminates employment with Breakwater Production Facility they may receive their vested account balance in a lump sum or may rollover the distribution to an Individual Retirement Account (IRA), a Roth IRA or another employer’s qualified plan, if they accept it.
- Hardship Withdrawals of a Participant’s Employee account shall be permitted due to an immediate and heavy financial need because of illness, disability or other emergency affecting a participant or their immediate family.

Please See Wage Standards

SECTION 5

WAGE AND SALARY POLICIES

5.1 WAGE OR SALARY INCREASES

Each employee's hourly wage or annual salary will be reviewed at least once each year. The employee's review date will usually be conducted on or about the anniversary date of employment or the date of the previous compensation review. Such reviews may be conducted more frequently for a newly created position, or based on a recent promotion. Increases will be determined on the basis of performance, adherence to Breakwater Production Facility policies and procedures, and ability to meet or exceed duties per job description and achieve performance goals (See Section 3.10, Performance Review/Planning Sessions). Although the Breakwater PF's salary ranges and hourly wage schedules will be adjusted on an ongoing basis, Breakwater PF does not automatically grant "cost of living" increases. Performance is the key to wage increases in the Breakwater PF.

5.2 TIMEKEEPING

Accurately recording time worked is the responsibility of every non-exempt employee. Time worked is the time actually spent on a job(s) performing assigned duties. Each client job is assigned a job number as posted in the Employee Message Center. Employees are responsible for accurately documenting their time spent on individual jobs. Breakwater Production Facility does not pay for extended breaks or time spent on personal matters. The time clock is a legal instrument. Altering, falsifying, tampering with time records, or recording time on another team member's time record will result in disciplinary action, including termination of employment. Authorized personnel will review time records each week. Any changes to an employee's time record must be approved by his/her supervisor. Questions regarding the timekeeping system or time cards should be directed to the manager or president.

Time Cards / Check in – Non-exempt employees will be issued a time card on their first day of employment. The employee will be given thorough instructions on usage and instructions on what to do should a problem occur. Employees will be financially responsible for replacing the card if it is lost or stolen.

5.3 OVERTIME

Breakwater Production Facility is open for business 50 hours per week. Overtime compensation is paid to non-exempt employees in accordance with federal and state wage and hour restrictions. Overtime is payable for all hours worked over 40 per week at a rate of one and one-half times the non-exempt employee's regular hourly rate. Time off on personal time, holidays, or any leave of absence will not be considered hours worked when calculating overtime. In addition, vacation time does not constitute hours worked. All overtime work performed by an hourly employee must receive the supervisor's prior authorization. Overtime worked without prior authorization from the supervisor may result in disciplinary action. The supervisor's signature on a timesheet authorizes pay for overtime hours worked.

5.4 PAYDAYS

All employees are paid every two weeks. In the event that a regularly scheduled payday falls on a weekend or holiday, employees will receive pay on the next day of operation. If a regular payday falls during an employee's vacation, the employee's paycheck will be available upon his/her return from vacation. Paychecks will not, under any circumstances, be given to any person other than the employee without prior written authorization. Paychecks may also be mailed to the employee's address or deposited directly into an employee's bank account upon request.

Measure 2: Compassionate Need Plan: Describe any compassionate need program you intend to offer. Include in your response:

- The protocols for determining which patients will qualify for the program;
- The discounts available to patients eligible for the compassionate need program;
- The names of any other organizations, if any, with which you intend to partner or coordinate in connection with the compassionate need program, including any dispensary facility applicant; and
- Any other information you think may be helpful to the Department in evaluating your compassionate need program.

Fee schedule and availability of sliding fee scales based on income;

Section 9.7

BREAKWATER PF DISCOUNTS:

Breakwater PF is focused on assisting Connecticut's disabled veterans, hospice patients and the indigent gain access to high quality alternative health treatment and services. We will offer assistance with the **uninsured cost** of alternative treatment and services, because at the present time the cost of medicinal marijuana is not covered by insurance companies. Breakwater PF is committed to providing medicinal marijuana at low or in some situations at no cost to patients for whom paying full price would constitute an actual and substantial economic hardship. Working with licensed dispensaries we intend on matching discounts that they grant to their patients. This policy will be very liberally applied but will require a third party (dispensaries or a state agency) to verify the documentation which patients and caregivers present to demonstrate their lack of financial resources. However, we want to help especially those indigent patients on Supplemental Security Income (SSI), Social Security Disability Insurance (SSDI) or food stamps. In most cases we will seek to provide a 40 to 60 percent discount, but will provide it free of charge if the circumstances warrant it.

**All discounts are within the legal dispensing guidelines and terms of the recommendation.*

Breakwater PF expects to partner with organizations to help administer and set the following Discounts for patients and caregivers it supplies through a dispensary:

- **Terminal Patients That Have One Year or Less To Live**

Breakwater PF will provide assistance with securing a doctor's recommendations, State ID cards, and transportation advice to a doctor's office or a dispensary, referral and medical counseling in addition to providing the discounted medicine. Medicinal cannabis shall be provided at a substantial discount to such qualifying patients.

- **Cancer and AIDS Access Program for Patients and Caregivers**

A discount based upon what is purchased (\$250-\$280 per ounce).

- **State, Federal, and Military Disability Patients and Caregivers**

A minimum 30% discount on what is purchased (\$175-\$196 per ounce).

- **Provide Medicine, on an Individual Income Verified Basis, Free-of-Charge or on a Sliding Scale to:**

Non-ambulatory patients with serious illnesses and seriously ill patients who cannot afford medicinal cannabis. Breakwater will match a patient's contribution amount so that they can purchase their needed medicinal cannabis. No qualifying patient or caregiver in need will be turned away and we will arrange to provide free medicine at the time of their visit to the dispensary until they are able to purchase it in the future.

Proposed Organizations to Partner With:

The Connecticut Department of Veterans' Affairs, The Connecticut Department of Social Services, The Connecticut Hospice, Inc., The Connecticut Association for Healthcare at Home and VITAS Innovative Hospice Care are some of the organizations we will work with.

Measure 3: Research Plan: Provide the Department with a detailed proposal to conduct, or facilitate, a scientific study or studies related to the medicinal use of marijuana. To the extent it has been determined, include in your proposal, a detailed description of:

1. The methodology of the study;
2. The issue(s) you intend to study;
3. The method you will use to identify and select study participants;
4. The identify of all persons or organizations you intend to work with in connection with the study, including the role of each;
5. The duration of the study; and
6. The intended use of the study results.

These systems will contain Breakwater PF general data on various patient questions (such as drug interactions, etc.), but will not contain those elements designated as sensitive patient data. This will allow Breakwater PF to provide customized interactions reporting for research purposes.

PLEASE REFER TO SECTION 9, 14 & 15 OF “APPENDIX G: OPERATIONS MANUAL” TO FULLY ANSWER MEASURE 3.

PLEASE REFER TO SECTION 9, 14 & 15 OF “APPENDIX G: OPERATIONS MANUAL” TO FULLY ANSWER MEASURE 3.

The areas of expertise of the members of our team, while broad and varied, do not include the skills necessary to conduct a plausible scientific study of the medical benefits of using medical marijuana to treat a debilitating medical condition.

However, we intend to fund appropriate methodical studies that will help to discover the beneficial or negative effects of ingesting marijuana to treat certain medical conditions. The most efficient way to accomplish this goal is to partner with those institutions (The University of Connecticut Health Center, Hartford Hospital and Danbury Hospital Department of Medical Education and Research) that are well versed in conducting scientific studies of this nature. The manner in which any studies will be conducted will be determined by the institution that will conduct the study and analyze the data collected, in coordination with Joe Bender our grower. The institution selected will assume the leading role in any study.

Initially, we believe it would most beneficial to study the debilitating medical condition that afflicts the most patients served by the dispensary. The next study would evaluate that condition which affects the next most patients and so on. These studies will be funded and continued in an ongoing basis. We will never reach a point where there will be no more to learn, since the permutations of these types of studies are endless.

The study results will enable more precise counseling of patients and recommendations of specific strains and strengths to treat a specific debilitating condition. The study results and findings will be widely shared with other research institutions, doctors and dispensaries.. Ultimately, the research will be conducted to benefit the patients as much as possible.

Breakwater PF pledges to always put the well-being of the patients it indirectly supplies and the public good foremost in our objectives. We want patients to be able to use the highest quality medicine available to alleviate the symptoms of their illness, and will always strive for positive outcomes for patients who use our products. In an effort to gather the most data possible on patient outcomes, Breakwater PF will institute, in addition to the research studies outlined above, a comprehensive, anonymous online research program.

Breakwater PF will help to provide patients with access to medical marijuana resource centers through funding patient group organizations. Funding services that are designed to ensure a patient’s transition to the use of medical marijuana from their existing medical treatment is based on knowledge and compassion. Breakwater PF will provide licensed dispensaries with free educational literature on medical cannabis, developed by Breakwater PF and gleaned from numerous research studies. All these reading materials will be available at the resource centers regarding topics such as cannabinoids research, pain and stress management, and holistic

approaches to health and wellness. Breakwater PF donations will help fund services including in-depth consultations and solutions developed by compassionate caregivers, and legal support administered through Breakwater PF's legal services program. Our goal is simple: positive patient outcomes. The Breakwater Production Facility staff will fund programs to help people who have qualifying medical conditions become legal medical marijuana patients, especially those who experience financial difficulties. We are committed to funding only high quality patient services.

Detailed demographic data, diagnostic information, treatment history, and self-reported treatment utilization data will be obtained at before patients begin using our products. Self-reported symptom severity information will be collected when patients start using one of our products, and at 3-month intervals. Registrants will also be required to complete standardized questionnaires that include assessment of quality of life, symptom severity, depression, anxiety, stress, coping skills, optimism/pessimism, etc.; at baseline and at least once a year thereafter. Breakwater plans to fully document and analyze all relevant patient data gathered during the initial registration and all follow-up consultations with the registrant. Due to the paucity of current clinical research, there is a need to document the efficacy and side effects, as well as any unintended benefits, our registrants might experience while using medical marijuana. BPF intends to develop an in-depth patient survey and analysis concerning the ingestion levels, techniques and effects in relation to each particular patient condition in conjunction with a Connecticut medical research institution and with a college or university as well. All this information will provide a basis for the retrospective analysis of the efficacy of medical marijuana in the treatment of specific debilitating medical conditions. In addition, BPF endeavors to partner with a major Connecticut university as previously stated, and studies on all aspects of medical marijuana use will be conducted on a long-term basis. The database will also track the amount, by type, of medical marijuana being sold by BPF in order to assure that an adequate supply is available to BPF registrants. The registrants will be advised as to the safeguards in place to assure information extracted from the database will be devoid of all patient identifiers. They will be informed as to the type of information which will be gathered from the database and how that information will be utilized. The registrants will be required to sign a document that acknowledges the registrants' acceptance of Breakwater PF's use of their anonymous medical information in this manner.

The patients will be encouraged to fill out additional surveys at any BPF supplied licensed dispensary, or on our website and the responses will be made available to physicians, dispensaries and other BPF registrants.

All facets of our operation will be tracked (patient management, inventory management-seedling to dispensary, sales management, etc.) utilizing the latest software applications. This data will be fully integrated into patient profiles. Therefore, if an unexpected adverse reaction is reported, the database can be utilized to determine if it is a lot number specific reaction.

Stringent controls that will be put in place by way of a Point of Sale/Inventory tracking system, tools and forms for accounting and verification, and tasks and processes that will ensure accountability at every stage, such as verifying product identification and weight measurements in multiple departments (cultivation, inventory, processing and sales).

Using our website or at the BPF supplied licensed dispensary, patients will be encouraged, as stated above, to fill out surveys. The program will include the use of patient surveys to develop a

comprehensive database of the efficacy of medical cannabis. BPF intends to develop an in depth patient survey and analysis concerning the ingestion levels, techniques and effects in relation to each particular patient condition in conjunction with a Connecticut research institution or university.

BPF patients will be able to access product test results in four ways:

- 1) Labels in display cases,
- 2) Labels on products and
- 3) A book of complete test results
- 4) On Breakwater PF's website.

Product labels will include the percentages for THC, THC-A, CBD, CBD-A, and CBN. These percentages will be posted in medicine display cases, as well as affixed to the products themselves. A book containing complete spectrometry reports for each product will be available at the service counter and on our website for those patients who desire more detailed analytical results. Testing services will commence with the initial launch period to develop and refine the logistics of sample collection and results identification. After these issues are fully addressed, the testing service results will be made widely available to doctors, dispensaries, individual patients and to our research partners.

Measure 4: **Community Benefits Plan:** Provide the Department with a detailed description of any plans you have to give back to the community either at a state or local level if awarded a producer license.

Breakwater Production Facility Community Benefits Plan

The Breakwater PF business plan states our clear intention to contribute to local community causes and needs ranging, for example, from developing D.A.R.E. programs, improving community recreational areas, supporting adult education, donating to the local Boy Scouts, Girl Scouts, Red Cross and Salvation Army. Our community development funds will be donated directly to the City of Waterbury, other communities in the state and to other non-profit entities and charities. We would rather donate smaller amounts to several recipients than a large amount to just one.

We envision meeting regularly, perhaps quarterly, with local officials and community representatives to assess their immediate needs and our ability to contribute to their requests for funding. We expect that our total donations will escalate over time as our business and associated revenue expands. Our plan is to form a "Community Committee" comprised of members of the community to serve as a liaison to our company to guide us toward those local organizations or causes that are most in need of financial assistance. Entities involved in public welfare, public health, public safety, and public recreation are examples of local groups that we can and will support.

We will employ local citizens for various positions in our organization. At the production site there will be security personnel and workers in the grow rooms and all other positions as well.

Security employees and drivers will be drawn from local retired or off duty police officers, if permitted. We especially want to fund the needs of the local police and fire departments, perhaps with new vehicles, if funds allow. BPF will coordinate a day or two each year when employees can volunteer together, perhaps to build a Habitat for Humanity house or cook for a homeless shelter. We will keep a collection box near the security guard at the front door for your a local charity. Employees can drop in their spare change to effect change locally. BPF will offer our business expertise to a local nonprofit by sitting on their board.

Measure 5: **Substance Abuse Prevention Plan:** Provide a detailed description of any plans you will undertake, if awarded a producer license, to combat substance abuse in Connecticut, including the extent to which you will partner, or otherwise work, with existing substance abuse programs.

“Abuse of drugs” means the use of controlled substances solely for their stimulant, depressant or hallucinogenic effect upon the higher functions of the central nervous system and not as a therapeutic agent prescribed in the course of medical treatment or in a program of research operated under the direction of a physician or pharmacologist;

In many ways, we believe our advertising/marketing plan co-exists with our substance-abuse plan. Substance abuse has a social impact on the health of the entire community as well as economic repercussions. We believe substance abuse is a disease and a public health issue, not a criminal justice, moral, or social issue. Recently, Gil Kerlikowske, President Obama’s top adviser on drug policy and director of the Office of National Drug Control Policy, said “Drug addiction is not a moral failing on the part of the individual, but a chronic disease of the brain that can be treated,” He also said about 23 million Americans have a substance abuse disorder, but only about 1 in 10 receive the treatment they need. Organizations like LEAP and Drug Policy Alliance (DPA) are on the front lines targeting policies and laws that fail to address and treat prevention, treatment and recovery.

We plan on funding organizations similar to LEAP and DPA as well as state and local community prevention programs. On a local city level, we intend to support the Connecticut Junior Republic’s community based programs in Waterbury for instance. Programs like the Substance Abuse Assessment and Treatment Program as well as Family Substance Abuse Treatment Services (F-SATS) which seek to identify risk factors and provide strength-based practices to develop and initiate protocols and strategies to offset and eliminate both substance abuse and anti-social patterns of behavior among the youngsters being served and the family unit.

After the Newtown school massacre last December, the current administration has completed or made significant progress on executive actions in order to issue a final mental health parity rule as part of an effort to reduce gun violence. “Access to drug treatment shouldn’t be a privilege to a few who can afford it. It should be provided to everyone who needs it,” Kerlikowske also said.

In a similar vein, the American Psychiatric Association, which produces the Diagnostic and Statistical Manual of Mental Disorders, or D.S.M., announced last month that it would “expand the list of recognized symptoms for drug and alcohol addiction, while also reducing the list of symptoms required for a diagnosis.”

Our team has personal experience of loved ones and friends who have struggled with drug abuse and have witnessed the impact of abusing pharmaceutical and illegal drugs can have on communities. We will be cognizant and proactive of who and where our marketing material will reach, directly or indirectly. Our audience is the medical marijuana community in need of care. We understand the power and impact Medicinal Marijuana can have on non-intended users, and will be careful not to intentionally or unintentionally market to groups that could be easily influenced, such as teenagers. We will steer clear of any injury content, overconsumption content, addiction content, sex-related content and violation of industry regulations set forth. Breakwater PF finds it obscene when these tactics are used to promote alcohol, pharmaceutical drugs and in particular marijuana products that have existed in certain states where marijuana and/or medical marijuana is legal. The industry requires professionalism as well as experience and that's what Breakwater PF embodies. We believe we share this same understanding with the State of Connecticut, given the history and experience the State, as well as the current Commissioner of the Department of Consumer Protection, have had in fighting marketing tactics by tobacco companies employed in the late 1990s. Furthermore, our team has a connection with non-profit organizations such as the Drug Policy Alliance (DPA). In no way will we add to or exacerbate the problems that exist with substance abuse. We will however, donate to causes and organizations with the messages and programs that we believe target the real problems and help the substance-abuse community, both locally and at large.

Prevention Methods

- **Collaborate with and support local communities-** Strategic prevention enhancement program to help assess their current prevention infrastructure to identify gaps in capacity and develop a long-term, data driven plan to restructure, enhance, and/or further strengthen their prevention systems to better meet the needs of their communities.
- **Spread Prevention at the workplace-** support interactive multi-session drug prevention workshops and promote on-line programs that encourage healthy drug-free lifestyles.
- Mobilize Parents to Educate their Youth to Reject Drug Use.
- Support screening for substances and mental health in all healthcare settings.
- Needle Exchange Programs
- Community-Based Recovery and Addiction Treatment support groups and awareness in all healthcare settings. Recovery Schools, Mutual Aid Groups, and Recovery Community Organizations.
- Drug and other problem solving courts (Drug Courts)
- Intensive Case Management by judges and courts

References

1. Guest Blogger (6/12/2012). White House Official Says Drug Addiction Is A Public Health Issue, Not A Crime. powered by: Patriot News- Penn Live, 6(3) Retrieved 11/9/2013, from

http://www.pennlive.com/midstate/index.ssf/2013/11/health_insurance_companies_mus.html

2. <http://connect.pennlive.com/staff/pennap/index.html> By The Associated Press
on November 08, 2013 at 4:20 PM, updated November 08, 2013 at 4:47 PM

Measure 6: **Environmental Plan:** Describe any efforts you will take to reduce the ecological footprint of your production facility and other business operations such as plans to use renewable energy sources.

Sealed Grow Rooms

Breakwater PF will cultivate cannabis in rooms that utilize recirculating air conditioners, and also a separate intake and exhaust system for air-exchange. Using recirculating AC units will make our rooms what are known as sealed grow rooms. This ‘sealed’ system allows carbon dioxide to be injected into the rooms very efficiently, since very little is ever exhausted from the rooms. This is cost-effective, and prevents CO₂ pollution of Earth’s atmosphere. Carbon dioxide supplementation to above atmospheric conditions can drastically improve crop yields. Therefore, we will use electricity for lighting much more efficiently by using CO₂ supplementation. Please see the **HVAC Security & Environmental Plan** at the end of this section for further details.

Breakwater PF’s grow room layout also ensures that more than 80% of the room is growing area, thereby reducing wasted light. When more area is dedicated to walkways, more light is wasted because it is used to light the walkways.

Hydroponics

Our hydroponic systems will save water by re-circulating an organic nutrient solution. Re-circulating hydroponic systems save water by reducing evaporative water loss, which occurs significantly in potting media growing systems. The organic nutrients (fertilizers) that we will be using are derived from organic, renewable resources such as bat guano and bird guano. Although the fertilizers we will use are not OMRI (Organic Materials Review Institute) certified, they are 100% organic and are produced in Canada specifically for cultivating medical cannabis. Our hydroponic systems will also utilize a reusable growing media. Utilizing a reusable growing media will result in a limited impact on the environment, as opposed to using disposable growing media such as peat moss (a non-renewable resource). The plastic pots we’ll grow our plants in will also be reusable for many years.

On-site composting

Breakwater PF will use a chipper/ shredder to turn fan leaves and stems into mulch. We’ll store the mulch in a composting room, in composting barrels. The composting process will further break down the material to make it unusable except as a compost, which will ready it for disposal or use within the facility for growing plants.

Reusable packaging

Breakwater PF will sell raw marijuana and other marijuana products in glass containers that are reusable. We will instruct dispensaries to collect empty jars from patients, which we will then collect from the dispensaries. Breakwater PF will provide a discount to dispensaries on

marijuana products, which will be based on how many jars they return. The dispensaries can then pass on all of, or a portion of, that discount to patients who return jars.

Discounts for ounces

Breakwater PF will give discounts to dispensaries on one-ounce packages of marijuana, and on the relatively large packages of other marijuana products. This will allow dispensaries to provide ounces to patients at a discount, which will encourage patients to buy ounces, instead of smaller quantities. This will reduce the packaging-to-product ratio. It will also encourage patients to drive to the dispensary less often, which will help reduce gasoline usage.

Large CO2 storage tanks

CO2 for use in indoor growing is typically sold in twenty pound and fifty-pound capacity tanks. Instead of using 50 pound capacity tanks, we'll use large, 300+ pound capacity carbon dioxide tanks for CO2 supplementation in our grow rooms. By doing so, we'll avoid having to frequently transport CO2, thereby reducing our usage of gasoline. We'll keep the tanks on carts that we can roll outside of the production facility, to be filled by a CO2 delivery service.

Lamp Recycling

Our grow rooms will use many high pressure sodium and metal halide lamps, which will need to be replaced about once every six to eight months. We will take our used lamps to an HID lamp recycling company such as AERC Recycling Solutions in Allentown, PA, to be recycled.

HVAC Security & Environmental Plan

We will be using an environmental control system called Argus which we'll install throughout our entire growing and production facility. The Argus system will easily and conveniently manage the environmental conditions of our facility, using programmed settings, and in response to manual inputs.

The type of HVAC system we are employing is a constant recirculation system or a "sealed system". The HVAC ventilation systems will contain integrated carbon filters within the units to remove odor from the grow rooms and production areas. However, we will place additional recirculating carbon filtration systems within the rooms to help combat smell (Can Fan or similar). We also have a separate exhaust system with carbon filters, to give us the option to bring fresh air from the hallway into the grow rooms, to prevent oxygen depletion, to prevent ethylene accumulation, and to provide a safe and comfortable working environment for employees.

HVAC System Design

- The supply air diffusers and returns are in the ceiling and there will be multiple diffusers down the length of the room.
- *Units*
 - Each unit will be equipped with carbon filters to reduce odors.
 - Each unit will be capable of trapping any mold, spores, bacteria, dust mite debris, pollen, and even virus, carbon dust, etc. using MERV 17 filters (used in pharmaceutical manufacturing cleanrooms) at a minimum.

With efficiency ratings of over 10 EER the HVAC systems we are using are extremely efficient and green. We are using double wall rooftop condensing units which provide the cleanest, safest

and most efficient system. The difference between double wall and single wall units is staggering. Many will opt for the single wall as it is a less expensive unit up front. However, single wall units are not for this application. The insulation and any debris caught in the unit will circulate into the production facility and worst of all this issue cannot be rectified unless you replace the unit. These units are standard for clean rooms and hospitals. There are two separate side load filter racks in the units. The first rack holds pre-filters and the second holds thick high efficiency filters (MERV 17, 18, 19 or 20). For our application we use a 2" thick MERV 8 which is 30% efficient as a pre-filter and 4" thick MERV 17-20 which is 95% efficient. This is not a special application for our highly efficient units; the unit is designed and fabricated to handle these two types of filters in conjunction.

- *Separate Exhaust Systems:*
 - A small separate exhaust system (not exhausting through our HVAC units) will be provided in the grow rooms with carbon filtration (Can Fan or similar). The separate exhaust system will exhaust air directly out of the rooms and through the roof of the facility into the atmosphere.
 - We will program our Argus control system and also have a manual switch on the wall which when flipped will turn on the separate exhaust system and tell the hallway fresh air system unit to bring in a small amount of additional fresh air.

ATTACHMENTS

Attachment 1 – “Articles of Organization”



SECRETARY OF THE STATE OF CONNECTICUT

MAILING ADDRESS: COMMERCIAL RECORDING DIVISION, CONNECTICUT SECRETARY OF THE STATE, P.O. BOX 150470, HARTFORD, CT 06115-0470

DELIVERY ADDRESS: COMMERCIAL RECORDING DIVISION, CONNECTICUT SECRETARY OF THE STATE, 30 TRINITY STREET, HARTFORD, CT 06106

PHONE: 860-509-6003

WEBSITE: www.concord-sots.ct.gov

ARTICLES OF ORGANIZATION

LIMITED LIABILITY COMPANY - DC

C.G.S. §§34-120; 34-121

USE INK. COMPLETE ALL SECTIONS. PRINT OR TYPE. ATT.

FILING # [REDACTED] PG 01 OF 02 VOL B-01867
FILED 11/08/2013 12:00 PM PAGE 02821
SECRETARY OF THE STATE
CONNECTICUT SECRETARY OF THE STATE

FILING PARTY (CONFIRMATION WILL BE SENT TO THIS ADDRESS):		FILING FEE: \$120
NAME:		MAKE CHECKS PAYABLE TO "SECRETARY OF THE STATE"
ADDRESS:		
CITY:		
STATE:		ZIP:
1. NAME OF LIMITED LIABILITY COMPANY - REQUIRED: (MUST INCLUDE BUSINESS DESIGNATION I.E. LLC, L.L.C., ETC.) BREAKWATER PRODUCTION FACILITY, LLC		
2. DESCRIPTION OF BUSINESS TO BE TRANSACTED OR PURPOSE TO BE PROMOTED - REQUIRED: ATTACH 8 1/2 X 11 SHEETS IF NECESSARY. TO ENGAGE IN ANY LAWFUL ACT OR ACTIVITY FOR WHICH A LIMITED LIABILITY COMPANY MAY BE FORMED UNDER THE CONNECTICUT LIMITED LIABILITY COMPANY ACT.		
3. LLC'S PRINCIPAL OFFICE ADDRESS - REQUIRED: (NO P.O. BOX) PROVIDE FULL ADDRESS. "SAME AS ABOVE" NOT ACCEPTABLE. ADDRESS: 400 CAPTAIN NEVILLE DRIVE		
CITY: WATERBURY		
STATE: CT		ZIP: 06705
4. MAILING ADDRESS, IF DIFFERENT THAN #3: PROVIDE FULL ADDRESS. "SAME AS ABOVE" NOT ACCEPTABLE. ADDRESS: 400 CAPTAIN NEVILLE DRIVE		
CITY: WATERBURY		
STATE: CT		ZIP: 06705
5. APPOINTMENT OF STATUTORY AGENT FOR SERVICE OF PROCESS - REQUIRED: (COMPLETE A OR B NOT BOTH) <input checked="" type="checkbox"/> A. IF AGENT IS AN INDIVIDUAL. PRINT OR TYPE FULL LEGAL NAME:		
ALEX ZALESKI		
BUSINESS ADDRESS (P.O. BOX NOT ACCEPTABLE) IF NONE, MUST STATE "NONE"		CONNECTICUT RESIDENCE ADDRESS (P.O. BOX NOT ACCEPTABLE)
ADDRESS: 400 CAPTAIN NEVILLE DRIVE		ADDRESS: 400 CAPTAIN NEVILLE DRIVE
CITY: WATERBURY		CITY: WATERBURY
STATE: CT		STATE: CT
ZIP: 06705		ZIP: 06705
SIGNATURE ACCEPTING APPOINTMENT:		
<i>Alex Zaleski</i>		

B. IF AGENT IS A BUSINESS:

PRINT OR TYPE NAME OF BUSINESS AS IT APPEARS ON OUR RECORDS:

CT BUSINESS ADDRESS (P.O.BOX UNACCEPTABLE)

ADDRESS:

CITY:

STATE:

ZIP:

SIGNATURE ACCEPTING APPOINTMENT ON BEHALF OF AGENT:

PRINT NAME & TITLE OF PERSON SIGNING:

6. MANAGER OR MEMBER INFORMATION-REQUIRED: (MUST LIST AT LEAST ONE MANAGER OR MEMBER OF THE LLC,
ATTACH 8 1/2 X 11 SHEETS IF NECESSARY.

NAME	TITLE	BUSINESS ADDRESS (No. P.O Box) IF NONE, MUST STATE "NONE"	RESIDENCE ADDRESS: (No. P.O Box)
ALEX ZALESKI	MEMBER	400 CAPTAIN NEVILLE DRIVE WATERBURY, CT 06705	400 CAPTAIN NEVILLE DRIVE WATERBURY, CT 06705

7. MANAGEMENT - PLACE A CHECK NEXT TO THE FOLLOWING STATEMENT ONLY IF IT APPLIES

MANAGEMENT OF THE LIMITED LIABILITY COMPANY SHALL BE VESTED IN A MANAGER OR MANAGERS

8. EXECUTION: (SUBJECT TO PENALTY OF FALSE STATEMENT)

DATED THIS 6th DAY OF November , 2013

NAME OF ORGANIZER (PRINT OR TYPE)	SIGNATURE
ALEX ZALESKI	X <i>Alex Zaleski</i>

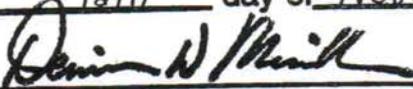
AN ANNUAL REPORT WILL BE DUE YEARLY IN THE ANNIVERSARY MONTH THAT THE ENTITY WAS FORMED/REGISTERED AND CAN BE EASILY FILED ONLINE @ www.concord-sots.ct.gov

CONTACT YOUR TAX ADVISOR OR THE TAXPAYER SERVICE CENTER AT THE DEPARTMENT OF REVENUE SERVICES AS TO ANY POTENTIAL TAX LIABILITY RELATING TO YOUR BUSINESS, INCLUDING QUESTIONS ABOUT THE BUSINESS ENTITY TAX.
TAX PAYER SERVICE CENTER: (800) 382-9463 OR (860) 297-5962 OR GO TO www.ct.gov/drs

Attachment 2 – “Certificate of Good Standing”

STATE OF CONNECTICUT }
OFFICE OF THE SECRETARY OF THE STATE } SS. HARTFORD

I hereby certify that this is a true copy of record
in this Office
In Testimony whereof, I have hereunto set my hand,
and affixed the Seal of said State, at Hartford,
this 12th day of November A.D. 20 13



SECRETARY OF THE STATE

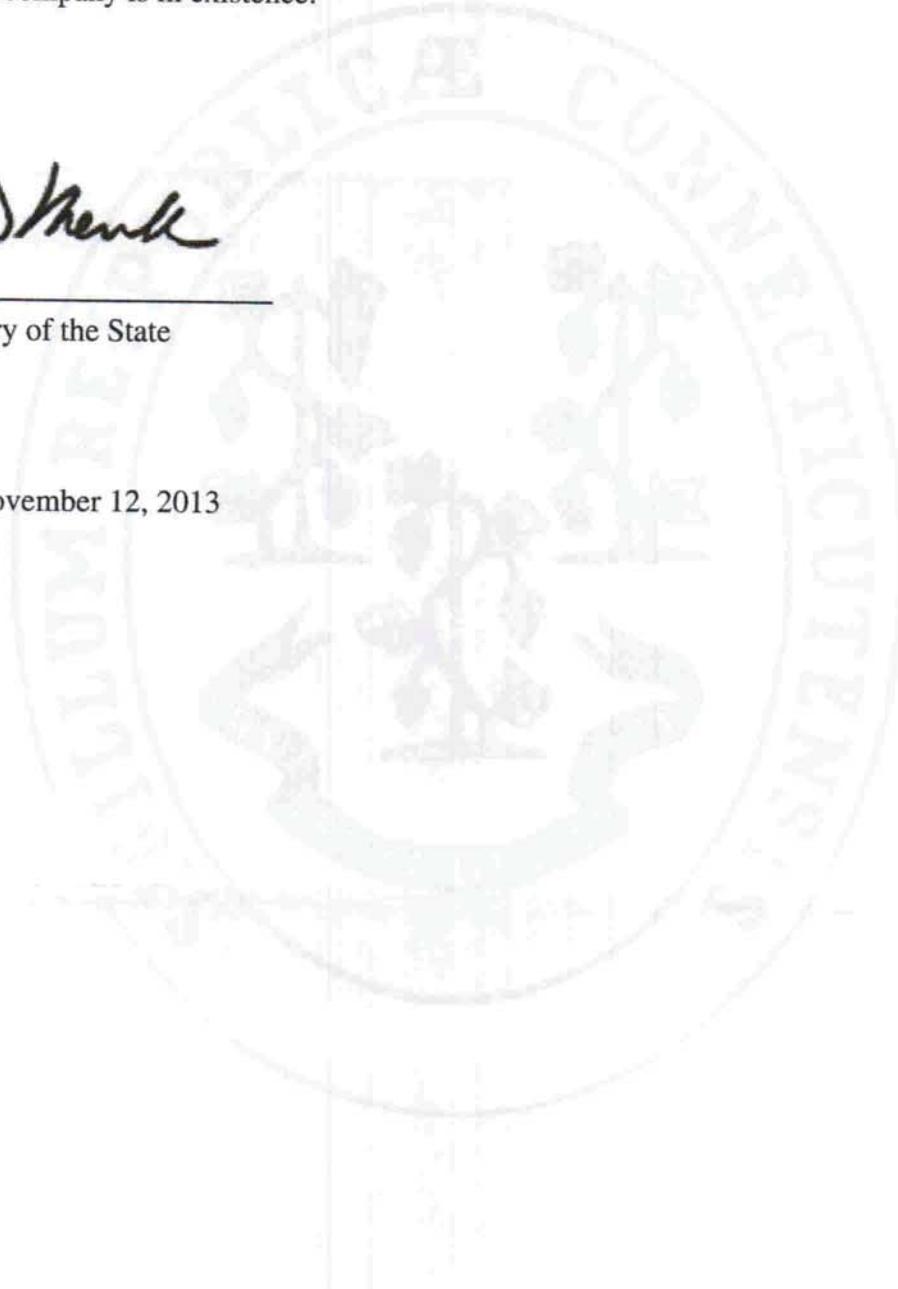
Office of the Secretary of the State of Connecticut

I, the Connecticut Secretary of the State, and keeper of the seal thereof,
DO HEREBY CERTIFY, that articles of organization for

BREAKWATER PRODUCTION FACILITY, LLC

a domestic limited liability company, were filed in this office on November 08, 2013.

Articles of dissolution have not been filed, and so far as indicated by the records of this office such limited liability company is in existence.



Dennis Kenne

Secretary of the State

Date Issued: November 12, 2013

Business ID: 1123577

Standard

Certificate Number: 2013328126001

Note: To verify this certificate, visit the web site <http://www.concord.sots.ct.gov>

Attachment 3 – “Sale and Use Tax Permit”

Form REG-1
Business Taxes Registration Application

1. Reason for Filing Form REG-1 Check the applicable box:

Opening a new business including but not limited to:
a. An existing out-of-state business opening a location in Connecticut;
b. Selling at a craft show, flea market, fair, or other venue in Connecticut or selling over the Internet; or
c. An existing out-of-state business having employees in Connecticut (including nonresident contractors and loan-out companies).
 Opening a new location. Enter your Connecticut Tax Registration No.: _____
 Registering for additional taxes. Enter your Connecticut Tax Registration No.: _____
 Reopening a closed business.
Enter Connecticut Tax Registration No. of the closed business: _____
 Purchasing an ongoing business. The buyer of an existing business may be responsible for tax liabilities of the previous owner. See the Informational Publication on Successor Liability for Sales and Use Taxes, Admissions and Dues Tax, and Connecticut Income Tax Withholding, on the DRS website.
Enter Connecticut Tax Registration No. of the previous owner: _____
 Forming a business entity under Connecticut law or a non-Connecticut entity required to register with or to obtain a certificate of authority from the Connecticut Secretary of the State before transacting business in Connecticut.
 Establishing a passive investment company (PIC).
 Changing organization type. Enter your current Connecticut Tax Registration No.: _____
 Hiring household employees and intend to withhold Connecticut income tax.
 Other (explain); see *Who Needs to Complete REG-1*. _____

2. Business Information: Type of organization

Sole proprietorship Single member LLC (SMLLC) Corporation
 General partnership Single member LLC taxed as a corporation S Corporation
 Single member LLC taxed as an S corporation Qualified subchapter S subsidiary (QSSS)
 Limited liability partnership (LLP) Limited liability company (LLC) taxed as a partnership
 Limited liability company (LLC) taxed as a corporation
 Limited partnership (LP) Limited liability company (LLC) taxed as an S corporation
 Limited partnership taxed as a corporation Other (explain): _____

3. Nature of Business Activity

Check the box(es) that best describe your business:

Retailer Wholesaler Manufacturer Service provider Other (explain): _____

4. Major Business Activity

Describe your major business activities: Production and Manufacturing of Medical Marijuana

5. Business Name and Address

Organization name: Enter the name of the sole proprietor, partnership, corporation, or LLC.

Breakwater Production Facility, LLC.

Federal Employer Identification Number, if applicable

Applied for - Not Yet Received

Business trade name

CT Secretary of the State Business ID No., if applicable

1123577

Business Location: Enter the physical address of the business. A post office box or rural route number is not acceptable. Home-based businesses and flea market or craft show vendors must enter a home address.

Address line 1
400 Captain Neville Drive

Address line 2

City
Waterbury

State
Connecticut

ZIP code
06705

Mailing address line 1 (Street or PO Box)
444 Madison Avenue

Address line 2
Suite 1805

City
New York

State
NY

ZIP code
10022

Business telephone number
(212) 759-1200

Email address
BreakwaterPF@gmail.com

Bank name
Bank of America

6. List All Owners, Partners, Corporate Officers, or LLC Members Attach a separate sheet if needed.

Name (last, first, middle initial) Edelstein, Walter			Title Chief Executive Officer
Home address line 1 (street) 115 Central Park West, Apt.3H		Home address line 2	
City New York	State NY	ZIP code 10023	Home telephone number (212) 724-7228
SSN [REDACTED]	Date of birth [REDACTED]	Bank name Sterling National Bank	
Name (last, first, middle initial) Zaleski, H. Alexander			Title Chief Operating Officer
Home address line 1 (street) 427 Main Street		Home address line 2 PO Box 1649	
City Westhampton Beach	State NY	ZIP code 11978	Home telephone number (631) 288-6131
SSN [REDACTED]	Date of birth [REDACTED]	Bank name Suffolk Federal Credit Union	
Name (last, first, middle initial) Fisher, Jonathan B.			Title Treasurer
Home address line 1 (street) 315 Lincoln Blvd..		Home address line 2	
City Merrick	State NY	ZIP code 11566	Home telephone number (516) 316-8330
SSN [REDACTED]	Date of birth [REDACTED]	Bank name TD Bank	
Name (last, first, middle initial)			Title
Home address line 1 (street)		Home address line 2	
City	State	ZIP code	Home telephone number
SSN	Date of birth	Bank name	

7. Income Tax Withholding

Are you an employer that transacts business or maintains an office in Connecticut and intends to pay wages to resident employees or nonresident employees who work in Connecticut? Yes No

If you have a Connecticut tax registration number for withholding for another location and intend to file withholding for this new location under that number, enter that number here: _____ and skip to Section 8; otherwise continue.

Are you an out-of-state company voluntarily registering to withhold Connecticut income tax for your Connecticut resident employees who work outside of Connecticut? Yes No

Do you intend to withhold Connecticut income tax from pension plans, annuity plans, retirement distributions, or gambling distributions? Yes No

Do you pay nonresident athletes or entertainers for services they render in Connecticut? Yes No

Do you only have household employees and wish to withhold Connecticut income tax? Yes No

Do you only have agricultural employees and wish to withhold Connecticut income tax? Yes No

If Yes, do you file federal Form 943, Employer's Annual Tax Return for Agricultural Employees, and wish to file Form CT-941, Connecticut Quarterly Reconciliation of Withholding, annually? Yes No

If you answered Yes to any of the income tax withholding questions, enter the date you will start withholding Connecticut income tax. *5/1/14*, *09/01/14*
PLP/PZ *m m d d y y*

If you use a payroll service, enter the name of the payroll company: _____

8. Sales and Use Taxes

Do you sell, or will you be selling, goods in Connecticut (either wholesale or retail)? Yes No

Do you rent equipment or other tangible personal property to individuals or businesses in Connecticut? Yes No

Do you serve meals or beverages in Connecticut? Yes No

Do you provide a taxable service in Connecticut? See the Informational Publication, *Getting Started in Business, and the Special Notice on Legislative Changes Affecting the Sales and Use Taxes*, on the DRS website, for a list of taxable services. Yes No

If you answered Yes to any of the sales and use taxes questions, enter the date you will start selling or leasing goods or taxable services. *5/1/14* *09/01/14*
m m d d y y

8a Prepaid Wireless Service E 9-1-1

Do you sell prepaid wireless service in Connecticut? Yes No

If you answered Yes, enter the date you will start to sell these in Connecticut. *m m d d y y*

9. Room Occupancy Tax

Do you provide lodging rooms for rent in a hotel, motel, or rooming house in Connecticut for 30 consecutive days or less? Yes No

If you answered Yes, enter the date you will start to provide rooms for rent for lodging purposes in Connecticut. *m m d d y y*

10. Business Entity Tax Do not complete this section if the entity is liable for the corporation business tax.

The business entity tax applies to all of the following business types formed under Connecticut law and to those non-Connecticut entities required to register with or obtain a certificate of authority from the Connecticut Secretary of the State before transacting business in the state, whether or not the business has registered or filed a certificate of authority, as the case may be, with the Connecticut Secretary of the State.

- S corporations (Qualified subchapter S subsidiaries (QSSS) are not liable for the business entity tax.);
- Limited liability companies (LLCs or SMLLCs) — any limited liability company that is, for federal income tax purposes, either:
- Treated as a partnership if it has two or more members; or
- Disregarded as an entity separate from its owner if it has a single member;
- Limited liability partnerships (LLPs); and
- Limited partnership (LPs).

Are you a business entity as described above? Yes No
 Enter state you are organized under: Connecticut Enter date of organization. *11/18/13*
m m d d y y

If not organized in Connecticut, enter the earlier of the date you started business in Connecticut or the date you registered with the Connecticut Secretary of the State. *m m d d y y*

Enter the month your tax year closes: December *m m d d y y*

11. Corporation and Unrelated Business Income Taxes

Corporation Business Tax Do not complete this section if the entity is liable for the business entity tax.

Are you a corporation? Yes No

Are you an LLC, SMLLC, or other association taxed as a corporation? Yes No

Is this corporation exempt from federal income tax? Yes No

Have you received a determination from the Internal Revenue Services (IRS) that this corporation is exempt from federal income tax? Yes No

If Yes, enclose a copy of your IRS letter of determination.

Enter state you are organized under: Enter date of organization. *m m d d y y*

If not a Connecticut corporation, enter the earlier of the date you started business in Connecticut or the date you registered with the Connecticut Secretary of the State. *m m d d y y*

Enter the month the corporate year closes: *m m d d y y*

Unrelated Business Income Tax
 Are you a federally exempt organization that has unrelated business income attributable to a trade or business in Connecticut? Yes No

If you answered Yes, enter the date the unrelated business income tax liability started. *m m d d y y*

Passive Investment Company (PIC)
 Is this corporation a passive investment company as defined in Conn. Gen. Stat. §12-213(a)(27)? Yes No

Enter the date the PIC was organized. *m m d d y y*

Enter Connecticut tax registration number of the PIC's related financial service or insurance company: *m m d d y y*

12. Business Use Tax

If you are registered for or are registering for sales and use taxes, you do not need to complete this section.

Business use tax is due when a business purchases taxable goods or services including the purchase or lease of assets, consumable goods, and promotional items, for use in Connecticut without paying Connecticut sales tax.

Will you be purchasing taxable goods or services for use in Connecticut without paying Connecticut sales tax? Yes No

If you answered Yes to the business use tax question, enter the tax liability start date. mm dd yy

If you answered No, you must complete the *Business Use Tax Declaration* section below.

Business Use Tax Declaration: By registering for any of the taxes listed in this application, you have indicated to the Department of Revenue Services (DRS) that you may have a business use tax liability. Therefore, based on your application, you will be automatically registered for the business use tax unless you complete the following declaration.

I, H. Alexander Zaleski (name of taxpayer or authorized representative of taxpayer), acknowledge I have read and understand the information concerning the business use tax and declare I will not be liable for business use tax. Please initial here. H. A. Z.

13. Registration Fee Schedule

Enter the registration fee amount indicated. If you are liable for either sales and use taxes or room occupancy tax, or both, as indicated in Sections 8 or 9, you must pay a \$100 registration fee. Enter the appropriate registration fee(s) from Addendum A if you are registering for the cigarette tax. You must include the total registration fee due with Form REG-1 or your registration application will not be processed and will be returned.

Make your check payable to: **Commissioner of Revenue Services**. If you register by mail, send Form REG-1 with your payment to: Department of Revenue Services, PO Box 2937, Hartford CT 06104-2937

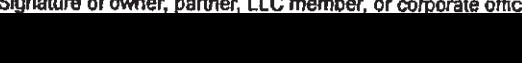
Registration Fee

a. If registering for sales and use taxes or room occupancy tax, enter \$100.*	a. 100.00
b. If registering for cigarette tax, see Addendum A.	b.
c. Total registration fee due: Add Line a and Line b.	c. 100.00

* No fee is required for room occupancy tax if you are registered or are registering for sales and use taxes.

14. All Applicants Must Sign the Following Declaration

I declare under penalty of law that I have examined this application and, to the best of my knowledge and belief, it is true, complete, and correct. I understand the penalty for willfully delivering a false application to DRS is a fine of not more than \$5,000, or imprisonment for not more than five years, or both.

Sign here and keep a copy for your records.	Signature of owner, partner, LLC member, or corporate officer 	Date 11/8/13	Telephone number (631) 288-6131
	Title H. Alexander Zaleski	Title Chief Operating Officer	

**OFFICIAL RECEIPT**

CO-99 REV. 8/90
(Stock. No. 6938-118-01)
Printed on Recycled or Recovered Paper

B 1835466**STATE OF CONNECTICUT**

RECEIVED FROM	DATE OF RECEIPT
<u>Breakwater Production Facility LLC</u>	<u>11/18/13</u>
FOR	THE SUM OF
<u>Sales Tax Permit</u> <u># 60346616 - 001</u>	<input type="checkbox"/> Cash <input checked="" type="checkbox"/> Check <u>\$ 100 00</u>
AGENCY NAME	RECEIVED BY
DEPARTMENT OF REVENUE SERVICES TEMPORARY PERMIT	<u>hll</u>

TAXPAYER SERVICE CENTER (TSC) ELECTRONIC FILING AND PAYMENT INSTRUCTIONS



www.ct.gov/DRS/TSC

ELECTRONICALLY FILE YOUR:

- **ADMISSIONS AND DUES TAX RETURN**
- **ATTORNEY OCCUPATIONAL TAX RETURN**
- **BUSINESS ENTITY TAX RETURN**
- **CORPORATION BUSINESS TAX**
- **COMPOSITE INCOME TAX RETURN**
- **INCOME TAX RETURN FOR TRUSTS AND ESTATES**

- **ROOM OCCUPANCY RETURN**
- **SALES AND USE TAX RETURN**
- **WITHHOLDING COUPON PAYMENTS (PAYROLL AND NONPAYROLL)**
- **WITHHOLDING RECONCILIATIONS (PAYROLL AND NONPAYROLL)**

Log On • Prepare • Validate • Payment • Submit • Confirmation

Step 1: Log On

Enter your Connecticut tax registration number. When accessing the **TSC** for the first time, you will be prompted to use your preassigned Personal Identification Number assigned by the Department of Revenue Services (DRS) ending in 000 or 001 or to provide information from a previously-filed return.

Remember, you may have different tax registration numbers for your business. As an example, your Sales and Use Tax registration number may end in -001 while your Withholding Tax registration number may end in -000.

The first time you log on, you will be asked to become the administrator for this account. You will be prompted to create a user ID and a password. The password is case sensitive and must be between six and ten characters long. The password must have at least two of the following character types: letters, numbers, or special characters.

On subsequent visits, you will simply enter your tax registration number on the **TSC Welcome Page** and enter the user ID and password you created.

As the **TSC** administrator you have the authority to change passwords, file tax returns, and monitor the account. You also have the ability to provide other users with certain limited access rights. For example, you could designate one user to file returns for one tax type and another user to file returns for other tax types.

Step 2: Prepare

From the **TSC Main Menu**, choose the type of transaction or inquiry you want to perform. Follow the instructions for that return or transaction. The **TSC** prompts you to enter required information and performs some calculations for you.

Step 3: Validate

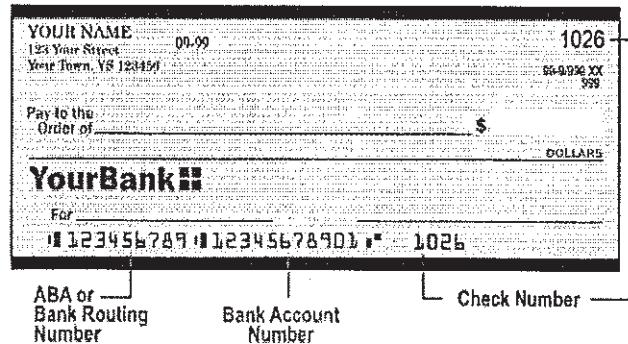
The **TSC** will validate all entries you make and allow you to edit any entries if necessary.

Step 4: Payment

If you owe tax, you may pay electronically by Electronic Funds Transfer (EFT) using the Automated Clearing House (ACH) Debit method through the **TSC**, the ACH Credit method through your financial institution, or by credit card.

ACH Debit

The first time you pay by ACH Debit using the **TSC**, you will be asked to provide the bank routing transit number, your bank account number, and indicate the type of account. See the sample check below.



You may elect to have the amount due withdrawn from your bank account at a future date, but no later than the due date of the return. You may enter a payment date other than the displayed default date. Unless it is a late filed return and payment.

Your transaction must be initiated on or before Midnight of the day the tax is due.

ACH Credit

To use this method you must pre-register by submitting **Form EFT-1, Authorization Agreement for Electronic Funds Transfer**, to the Department of Revenue Services (DRS). If you are already registered for ACH Credit transactions with DRS you may continue to use that payment option to pay all taxes for which you are registered.

Credit Card

Follow the payment options link on the TSC to enter your credit card information.

Step 5: Submit

When you complete a return or payment, you will be asked to agree to the terms and conditions. This becomes the legal signature.

Step 6: Confirmation

The **TSC** then provides you with a confirmation number. This confirmation number verifies your return or payment has been successfully filed.

You are given the option to print a copy of your return which includes your confirmation number. Keep your completed Connecticut business tax return(s) and any worksheets or other documentation with your records. **Do not mail the return or any attachments to DRS.**

Payment-Only Transactions

The **TSC** also allows payment-only transactions for taxpayers making payment for an existing bill or for tax due reported on a business tax return that cannot be filed electronically.

Follow these steps for a payment-only transaction:

1. On the **TSC Main Menu** under *Select a Payment Option*, choose *Make Payment Only*.
2. Select the tax type from the drop down box for the payment you are making.
3. Select the period ending date from the drop down box.
4. Enter the dollar amount of the payment and follow the prompts to initiate the payment.

Visit the DRS website at www.ct.gov/DRS to access the **TSC**. For additional tax assistance, call DRS at **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) or **860-297-5962** (from anywhere).

Reminders

- After you receive a confirmation number for your tax return, you can return to the **TSC Main Menu** for more options.
- If your **TSC** session is idle for 20 minutes or more, the program will time out and you will lose all your information.
- Use the navigation buttons at the bottom of the **TSC** application to navigate. Do not use the *Back* or *Forward* buttons on your Web browser toolbar. If you use either of these buttons, your information will be lost and you will have to begin again.

Connecticut Department of Revenue Services

Filing Timely Returns

In general, when you register, you will be set up to file sales tax returns on the quarterly basis. **Remember:** even if you did not make any sales for the period or if all your sales were exempt from sales tax, you must file the return.

For **quarterly filers**, the reporting periods and due dates of the return are:

Reporting Periods	Due Dates
January 1 - March 31	April 30
April 1 - June 30	July 31
July 1 - September 30	October 31
October 1 - December 31	January 31

If your sales tax liability is less than \$1,000 for the prior 12-month period, beginning July 1 and ending June 30, the Department will notify you in writing that you are being changed to annual filing status. The due date for annual filers is January 31 for the previous calendar year's sales.

If your sales tax liability is more than \$4,000 for the prior 12-month period, beginning July 1 and ending June 30, the Department will notify you in writing that you are being changed to monthly filing status. The due date for monthly returns is the last day of the following month. For example, the return for March will be due on or before the last day of April.

If the due date falls on a Saturday, Sunday or Legal Holiday, the return is due on the next business day.

We encourage you to file your return online using the **Taxpayer Service Center (TSC)**, our simple, secure and free, Internet filing system for most Connecticut business tax returns. Visit our **TSC** webpage for more information. (Taxpayers who are required to remit sales tax by Electronic Funds Transfer are also required to electronically file their sales and use tax returns.)

For a calendar with all the due dates, please visit [Business Tax Return and Payment Due Dates](#).

Information on Filing the [Disaggregated Sales Tax Report -IP 2007\(23\)](#).

KYLE A. ROBERTS
22 COPPER BEECH DRIVE
ROCKY HILL, CT 06067

1573

11/8/2013

Pay To The Order Of DRS

One hundred 00/100

\$ 100.00

Dollars

WELLS FARGO Bank, N.A.
Connecticut
wellsfargo.com

For _____

1573

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Attachment 4 – “By-Laws”

Breakwater Production Facility, LLC.

BY-LAWS

Effective as of November 1, 2013

PREAMBLE

The Board of Managers (the “Board of Managers”) is the governing body of Breakwater Production Facility, LLC. (“BPF”), a Limited Liability Company organized under the laws of the State of Connecticut (the “Company”) for the purposes of owning, managing and operating a medicinal marijuana grow site and dispensary located in the State of Connecticut, Town of Waterbury, County of New Haven (the “Business”). The members of the Board of Directors shall be called Managers (collectively, referred to herein as the “Managers”). The President and officers of the Company are jointly designated by the Board of Managers to carry out the policies as approved by it and is thereby the direct representative of the Board of Managers.

ARTICLE I NAME, OFFICES AND PURPOSE

Section 1. Name. The name of this Company is Breakwater Production Facility, LLC, with its principal facilities located in Waterbury, Connecticut.

Section 2. Purpose. The purposes, among others, for which the Company is formed are to produce and distribute Medicinal Marijuana pursuant to the laws of the State of Connecticut and such other activities permitted under the laws of the State of Connecticut.

Section 3. Profit. All of the purposes and all activities of the Company shall be undertaken and conducted for profit and any net profits shall be distributed to the members of the Company.

Section 4. Distribution of Assets on Winding Up. Upon dissolution or winding up of the affairs of the Company, the assets of the Company, after all debts have been satisfied, shall be distributed, at the direction of the Board of Managers or its appointed designee for liquidation.

ARTICLE II BOARD OF MANAGERS

Section 1. General Powers. The property, affairs and funds of the Company shall be governed, managed and conducted by the Board of Managers which shall have the power and authority to do and perform all acts and functions not inconsistent with these By-laws.

Section 2. Number, Tenure and Qualifications. The Board of Managers shall consist of such number of persons, not less than three (3) nor more than twenty-five (25), as may be fixed from time to time by the Board of Managers and may be divided into such classes as the Board of Managers may determine from time to time. Subject to the classes established by the Board of

Managers, the Managers shall have annual meetings and shall serve for life or until such time as a Director may be dismissed for cause as defined herein. Each Director shall hold office for the term of their natural life, until they elect to retire from the board or until such time that they are dismissed for cause pursuant to the terms herein. until the annual meeting immediately following the expiration of such Director's term of office and until a successor shall have been duly qualified and elected or until such Director's death, resignation or removal in accordance with these By-laws. There shall be no limit to the number of consecutive terms a Director may serve on the Board of Managers.

Section 3. Vacancies. Any vacancy occurring on the Board of Managers, including vacancies resulting from the removal of Managers for cause, and any Manager to be filled by reason of an increase in the number of Managers may be filled by a unanimous vote of the surviving members of the originally certified board of Managers consisting of Walter Edelstein, Jonathan Fisher, Steven Kraus, and H. Alexander Zaleski ("hereinafter the "Originally Certified Board"). The Originally Certified Board of Managers majority vote of the Managers then remaining in office, even though less than a quorum of the Board of Managers is present at the time of such vote, or by a sole remaining Director. A Director elected by the Board of Managers by the Originally Certified Board of Managers to fill a vacancy or serve as an additional Director shall hold office for renewable one year terms. The Originally Certified Board Members shall re-elect or appoint any additional Board Members on an annual basis.

Section 4. Responsibilities of the Board of Managers. It shall be the responsibility of the Board of Managers to:

- (a) elect officers of the Company;
- (b) set goals and objectives and establish policies and procedures to affect such goals and objectives;
- (c) engage in continuous planning;
- (d) maintain the physical plant, equipment and staffing of the Company and services;
- (e) approve the overall organization, budgets, functions, and services of the Company;
- (f) engage a president and other officers of the Company who are qualified to effectively discharge the obligations to the Company; and
- (g) establish financial controls and manage the financial affairs for the Company.
- (h) establish any advisory boards and add or remove any advisory board members.

- (i) hire or fire all employees and/or Consultants of the company at will, with or without cause.

ARTICLE III MEETINGS

Section 1. Annual Meetings. An annual meeting of the Board of Managers shall be held at the offices of the Company on the First Monday of February of each calendar year, preceding the regular meeting of the Board of Managers, for the purpose of electing Managers and Officers (as hereinafter defined) of the Company; and for the transaction of such other business as may properly come before the Board of Managers at the annual meeting. At such meeting, the Chair of the Board of Managers and, at the Board of Director's discretion, the President shall submit a report of the activities of the Company for the previous fiscal year, advise on the current state of the Company and address such other matters relating to the business and affairs of the Company as may be necessary or appropriate for management of the Company or as may be directed by the Managers. At such annual meeting, the Treasurer of the Company shall submit a report regarding the Company's financial position.

Section 2. Regular Meetings. Regular meetings of the Board of Managers shall be held at the offices of the Company on the 5th business day of each calendar month except January.

Section 3. Special Meetings. Special meetings of the Board of Managers may be convened by the Chair of the Board of Managers, Vice Chair, President, or by two-thirds of the Managers upon sufficient notice.

Section 4. Notice and Waiver. No notice shall be required for regular meetings of the Board of Managers for which the time and place have been fixed in advance. Sufficient notice of a meeting shall be the delivery of notice via postal mail, electronic mail, or facsimile transmission to each Director to the address shown on the books of the Company no less than seven (7) days and not more than sixty (60) days prior to the meeting. The notice shall set forth the date, time and place of the meeting. In the case of a special meeting, the notice shall contain a statement of the business to be transacted, and at such meeting no business other than that stated in the notice shall be transacted. Any requirements of furnishing a notice shall be waived by any Director who signs a waiver of notice before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Director. Such waiver(s) shall be filed with the minutes of the Board of Managers. Any one or more members of the Board of Managers or any Committee thereof may participate in a meeting of the Board of Managers or Committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

Section 5. Quorum. A quorum at any annual, regular, or special meeting of the Board of Managers shall be the five Originally Certified Managers or all of the then remaining or surviving Originally Certified Managers. If there are less than a majority of the Managers present at any meeting of the Board of Managers, a majority of the Managers present may adjourn the meeting

without further notice and from time to time until a quorum shall have been obtained. Alternatively, should the Managers present choose to conduct a meeting, they may do so and prepare a report of the matters discussed, which report shall be circulated among all Managers for further consideration, if required, at the next meeting of the Board of Managers at which a quorum is present.

Section 6. Minutes. Minutes of the Board of Managers meetings shall be signed by the Secretary of the Company and retained by the Company as a permanent record and must include at least the following:

- (a) Date and location of the meeting;
- (b) Names of Managers who attended;
- (c) Topics discussed;
- (d) Decisions reached and actions taken;
- (e) Dates of implementation of recommendations;
- (f) Committee Reports; and
- (g) Any other requirements of applicable law.

In the absence of the Secretary, the Chairman shall appoint a Secretary of the meeting for the purposes of the recording the minutes of such meeting in the corporate minute book of the Company.

ARTICLE IV **NOMINATIONS AND ELECTIONS**

Section 1. Nominations of Officers. At the April meeting of the Board of Managers, prior to any annual meeting at which Managers and/or Officers of the Company are to be elected, a nominating committee, appointed by the Chair of the Board of Managers and approved by the Managers, shall submit nominations for action at the annual meeting, and the names of qualified persons to continue in or succeed to the Managers and/or Officers of the Company of those whose terms shall then expire.

Section 2. Election of Managers and Officers. At the annual meeting of the Board of Managers, election shall take place by majority vote to fill the offices of those Officers and Managers whose terms then expire or whose terms have theretofore expired or been otherwise terminated and for whom no successors shall have yet been elected and qualified.

Section 3. Election by Ballot. Election shall be by ballot, but upon unanimous consent, the Secretary of the meeting may be directed to cast the ballot.

ARTICLE V OFFICERS

Section 1. Election and Qualification. The officers of the Company (individually, an “Officer” and, collectively, the “Officers”) shall be a Chair of the Board of Managers, a Vice Chair of the Board of Managers, a President, a Secretary, a Treasurer, and an Assistant Secretary. Thereafter, the Managers may elect or appoint such other officers and assistant officers as they may determine necessary or appropriate. Any two or more offices may be held by the same person except the offices of Chair of the Board of Managers and Secretary. Unless otherwise provided in the resolution of election or appointment, each Officer shall be elected at the annual meeting and shall hold office for a term of four (4) consecutive years, except that the Chair and Vice Chair shall hold office for a term contemporaneous with their then current terms as Managers of the Board of Managers, and until such Officer’s successor has been elected and qualified or until such officer’s death, resignation or removal. There shall be no limit to the number of consecutive terms an Officer may serve in office. Officers shall be Managers in order to qualify for elective office, except for the Assistant Secretary, who need not be a Director. The officers of the Company shall each have such powers and duties as are set forth herein and as generally pertain to their respective offices and such powers and duties as from time to time may be conferred upon them by the Board of Managers.

Section 2. Chair of the Board of Managers. The Chair of the Board of Managers shall be interested in all affairs of the Company, shall be Chair of the Executive Committee of the Board of Managers, and shall perform such other duties as may be prescribed by the Board of Managers from time to time. The Chair of the Board of Managers shall appoint the Committee chairs and Committee members and shall be an ex-officio voting member of all Committees. The Chairman of the Board of Managers shall also serve as the President and CEO of the Company. This Person shall be a Director.

Section 3. Vice Chair. The Vice Chair shall be a member of the Board of Managers, shall act as Chair of the Board of Managers in the absence of the Chair of the Board of Managers, and shall have such other powers and authority as may be prescribed by the Board of Managers. The Vice Chair shall be Chair of the Planning Committee. The Vice Chair shall also serve as the COO and Vice-president of the Company. This person shall be a Director.

Section 4. President. The President of the Company shall be an ex-officio voting Director and the chief executive officer of the Company and shall, subject to the authority conferred upon the President by the Board of Managers, in general supervise all of the business affairs of the Company. This person shall be a Director.

Section 5. Treasurer. The Treasurer shall have general supervision over the care and custody of the funds and securities of the Company, shall keep or cause to be kept full and accurate accounts of all receipts and disbursements of the Company, shall deposit or cause to be deposited all funds and securities of the Company in the name and to the credit of the Company in such depositories as may be designated by the Board of Managers, shall disburse the funds of the Company as may be ordered by the Board of Managers and shall present periodic financial statements to the Board of Managers at its regular meetings. The Treasurer shall act as the Chair of the Finance Committee. This person shall be a Director.

Section 6. Secretary. The Secretary shall attend all meetings of the Board of Managers and record all the proceedings of such meetings in a book to be kept for that purpose, shall give or cause to be given notice of all special meetings of the Board of Managers, shall have custody of the corporate seal of the Company with authority to affix the same to any instrument or document requiring it and, when so affixed, it may be attested by the Secretary's signature, and may sign contracts and other instruments on behalf of the Company which have been authorized by the Board of Managers.

Section 7. Assistant Secretary. The Assistant Secretary, who need not be a Director in order to qualify for such office, shall perform such duties as shall be assigned by the Secretary or by the Chair or the Board of Managers.

Section 8. Absence. In the absence or incapacity of any Officer other than the Chair, another member of the Board of Managers may be designated by the Chair to act temporarily in such Officer's stead.

Section 9. Removal. Any officer elected or appointed by the Board of Managers may be removed by the Board of Managers with or without cause upon the affirmative vote of a majority of the Managers present at a meeting at which a quorum is present.

Section 10. Resignation. Any Officer may resign by written notice to the Board of Managers. The resignation shall be effective upon receipt thereof by the Board of Managers or at a subsequent time with the written approval of the Board of Managers and shall be specified in the notice of resignation.

ARTICLE VI COMMITTEES

Section 1. Standing Committees. The standing committees of the Board of Managers of the Company (collectively, the "Committees") shall include the Executive/Compensation Committee, a Finance Committee, a Planning Committee, a Nominating Committee, a Pension Committee, and a Development Committee. Committee members shall serve until their successors are appointed. All Committees of the Board of Managers shall be limited as to membership and have power to act only as stated in these By-laws or as conferred by the Board of Managers in specific matters. Committee assignments not specified in these By-laws shall be appointed by the Chair of the Board of Managers within two weeks after election, subject to confirmation by the Board of Managers.

Section 2. Quorum. A quorum for any Committee meeting shall be the chairperson of the Committee and at least one other Committee member.

Section 3. Executive/Compensation Committee. The Executive/Compensation Committee shall consist of five (5) members, including the Chair of the Board of Managers, Vice Chair, President, Treasurer and the Secretary. The Executive/Compensation Committee during intervals

between meetings of the Board of Managers shall have and may exercise all of the powers of the Board of Managers over the government, control and management of the property, affairs and funds of the Company, except the power to amend the By-laws. The Executive/Compensation Committee shall, upon recommendation of the President, review and approve Table of Organization changes, job, grades and salary ranges for all non-union staff; salary recommendations for Assistant Directors and Department Directors; hiring of Assistant Administrator and Department Directors; and conduct exit interviews with terminating Department Directors, except for termination for cause, which shall be pre-approved by the Executive/Compensation Committee. The Executive/Compensation Committee shall review and approve union contract negotiations, and shall make recommendations to the full Board of Managers regarding hiring and salary administration for the officer positions. The Executive Committee shall meet when meetings are called by the Chair of the Board of Managers or, in the Chair of the Board of Managers' absence, by the Vice Chair.

Section 4. Finance Committee. The Finance Committee shall consist of up to four (4) members, including the Treasurer, as its chairperson. The Finance Committee shall be empowered to maintain control and management of the capital funds, real estate and investments of the Company including, without limitation, the power to sell, exchange and buy securities, and to exercise privileges and voting rights with respect thereof. The Finance Committee shall meet at such times as the chairperson may determine and shall report all actions and recommendations to the Board of Managers.

Section 5. Planning Committee. The Planning Committee shall consist of up to four (4) members, including the Vice Chair, as its Chairperson. The Planning Committee shall be responsible for investigating, developing and recommending to the Board of Managers appropriate one-year and five-year plans for the addition, renovation, and/or expansion of existing or future facilities, including estimates of costs. It shall also make recommendations on retaining competent consultants to assist in carrying out its responsibilities. The Planning Committee shall meet at such times as the chairperson may determine and report all actions and recommendations to the Board of Managers.

Section 6. Nominating Committee. The Nominating Committee shall nominate candidates for election as members of the Board of Managers and as officers at the annual meeting of the Board of Managers and at other meetings when vacancies are to be filled; however, nothing shall prevent nominations from the floor. The Nominating Committee shall file with the Secretary and the Board of Managers, in accordance with the procedures set forth in Article IV above, a written statement signed by a majority of the Nominating Committee designating candidates for election.

Section 7. Pension Committee. The Pension Committee shall consist of up to five (5) members, including the Director of Finance, and a Director to be selected by the Board of Managers as its chairperson. The Pension Committee shall be responsible for approving pensions, approving expenditures of pension plans, hiring outside experts to administer pension plans and invest plan assets, and reviewing investment performance and actuarial valuations to determine appropriate funding levels of any pension plans. The Pension Committee shall meet at such times

as the chairperson may determine and shall report all actions and recommendations to the Board of Managers.

Section 8. Development Committee. The Development Committee shall consist of up to four (4) members, and a Director to be selected by the Board of Managers as its Chairperson. The Development Committee shall be responsible for administering fundraising activities to finance various projects of the Company. The Development Committee shall meet at such times as the chairperson may determine and shall report all actions and recommendations to the Board of Managers.

Section 9. Special Committees. Special committees may be appointed by the Chair of the Board of Managers, with the concurrence of the Board of Managers only when necessary and when such special committee is needed for a definite purpose, the accomplishment of that purpose shall terminate the existence of such special committee.

ARTICLE VII **CONFLICTS OF INTEREST**

Section 1. Statement of Purpose. The Board of Managers has determined that the personal interest of Staff Members, Officers and Managers shall not interfere with the performance of their duties to the Company or result in personal financial, professional and/or political gain on the part of such persons at the expense of the Company or the Managers.

Section 2. Definitions. For the purposes of this Article VII, the terms set forth below shall have the meanings ascribed to such terms as follows:

(a) “Conflict of interest” (also referred to as “conflict”) means a conflict, or the appearance of a conflict, between the private interests and official responsibilities of a person in a position of trust to the Company. Persons in a position of trust include Managers, Officers and Staff Members. Conflicts of interest shall include, but not be limited to, the following situations:

- (i) a Director is related to another Director;
- (ii) a Director is related to a Staff Member;
- (iii) a Director is also a Staff Member;
- (iv) a Staff Member in a supervisory capacity is related to another Staff Member;
- (v) a Director or a Staff Member receives payment from the Company for any sub-contract, goods or services;
- (vi) a Director or Staff Member is a member of the governing body of a contributor to the Company; and
- (vii) a Director or Staff Member may have personal financial, professional

and/or political gain at the expense of the Company or the Managers.

(b) "Staff Member" means a person who receives all or part of his or her income from the payroll of the Company.

Section 3. Disclosure. The Secretary of the Board of Managers shall mail a conflict of interest questionnaire form to each person subject to this Article VII within the first twenty (20) days of each calendar year. Such questionnaire shall cover the activities of the calendar year immediately preceding the mailing. Each Director shall complete the form to the best of his or her ability and return it not less than thirty (30) days after the date of mailing. The Executive Committee shall review the forms and determine whether a conflict, or potential for conflict, exists. If a conflict or a potential for conflict exists, then the matter will be presented to the Board of Managers at its next regularly scheduled meeting after the return date for the form, and the Board of Managers shall resolve the question by a majority vote of the Managers without counting the votes of such interested Director or Managers and even though the disinterested Managers are less than a quorum. At the request of the Board of Managers, a Director, Officer or Staff Member whose potential conflict is the subject of the vote may be present at a meeting at which such vote is taken to aid the Board of Managers in its discussion of the issues, but no interested Director shall participate in such vote. The minutes of the meeting of the Board of Managers shall reflect that disclosure of the conflict or potential conflict has been made and that the Director whose conflict or potential conflict is the subject of a vote has abstained from such vote.

Section 4. Approval of Matter. No Transaction, conduct, policy, relationship or contact involving a conflict or potential conflict shall be approved by the Board of Managers unless: (i) it is determined by the Board of Managers that it is fair, reasonable and beneficial to the Company and (ii) the material facts as to such conflict are disclosed in good faith or are known to the Board of Managers, and the Board of Managers authorizes such action by a majority vote of the Managers present at such meeting, without counting the votes of such interested Director or Managers and even though the disinterested Managers at such meeting are less than a quorum, or by unanimous written consent of the Managers; provided that at least one consenting Director is disinterested. The action taken shall be recorded in the minutes of the meeting at which it is considered.

Section 5. Request for Determination. Any person affected by this Article VII who is uncertain whether he or she has a possible conflict of interest at any time during the calendar year may request in writing that the Executive Committee determine whether a conflict exists. Such consideration and the resolution of the request shall be reported by the Executive Committee at and made a part of the minutes of the next regular meeting of the Board of Managers and, if necessary, the Board of Managers will resolve the matter by a majority vote of the Managers present at such meeting, without counting the interested Director or Managers and even though the disinterested Managers are less than a quorum, or by unanimous written consent; provided that at least one consenting Director is disinterested.

Section 6. No Participation in Discussion or Debate. An interested Director or Officer shall not participate in any discussion or debate of the Board of Managers concerning a conflict or a transaction, contract, or relationship in which a conflict exists but may be present at the request of the Board of Managers to aid in its discussion of the issues.

Section 7. Failure to Disclose Interest. Should any Interested Director, Officer or Staff Member fail to disclose in good faith the material facts as to his or her conflict or potential interest in any such action, or the material facts are not otherwise known to the Board of Managers, such action may be deemed voidable by the Company.

Section 8. Other Sanctions. Any other sanctions against a Director, Officer or Staff Member for failure to disclose a conflict of interest may be authorized by a majority vote of disinterested Managers, providing that such sanctions conform with applicable Federal and state laws, rules and regulations.

Section 9. Appeal. Appeal from sanctions imposed pursuant to this Article VII shall be as prescribed by law in those Courts of the State of Connecticut with jurisdiction over both the parties and the subject matter of the appeal.

Section 10. Legal Fees. In the event that the Company has incurred costs or expenses as a result of a legal action, litigation or appeal brought by or on behalf of an interested Director, Officer or Staff Member due to a conflict of interest and consequent sanctions and in the event that the Company prevails in such legal action, litigation or appeal, the Company shall be entitled to recover all such costs and the expenses including, without limitation, attorneys' fees, from such interested Director, Officer or Staff Member.

ARTICLE VIII **INDEMNIFICATION**

Section 1. Definitions. For purposes of this Article VIII, the terms set forth below shall have the meanings ascribed to such terms as follows:

(a) "Affiliate" or "Associate" shall mean a Company, partnership, joint venture, trust or other entity, an employee benefit plan or other enterprise directly or indirectly controlling or controlled by the subject person or entity, or under direct or indirect common control with such entity.

(b) "Corporate Agent" is a person who is or was a Director, Officer, employee or agent of the Company or of any Affiliate which such person is or was serving at the request of the Company.

(c) "Disinterested Director" means for the purpose of this Article VIII, a Director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by an Indemnitee.

(d) "Expenses" shall mean all reasonable costs, disbursements and attorneys' fees.

(e) "Indemnitee" includes any person who is, or is threatened to be made, a witness in or a party to any Proceeding as described in Sections 3, 4, 5 or 6 of this Article VIII by

reason of such person being or having been a Corporate Agent.

(f) "Independent Counsel" means an attorney, a law firm, or a member of a law firm, that is experienced in matters of Limited Liability Company law and neither presently is, nor in the past five (5) years has been, retained to represent: (i) the Company or the Indemnitee or, following a Change of Control (as hereinafter defined), any entity acquiring an ownership or other interest in the Company by virtue of such Change of Control, or any Affiliate of any such entity, in any matter material to any such entity, or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. For purposes of this Section 1(f), a Change of Control shall be deemed to have occurred upon: (i) the sale of all or substantially all of the assets of the Company; (ii) the merger or consolidation of the Company; or (iii) any other sale or transfer of the right to control the management and business of the Company. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the

Company or the Indemnitee in an action to determine the Indemnitee's rights under this Article VIII.

(g) "Liabilities" shall mean amounts paid or incurred in satisfaction of settlements, judgments, awards, fines and penalties.

(h) "Proceeding" includes any action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding whether civil, criminal, administrative or investigative, except one initiated by an Indemnitee pursuant to Section 11 of this Article VIII to enforce such Indemnitee's rights under this Article VIII.

Section 2. General. The Company shall indemnify against Liabilities and advance Expenses to Indemnitees to the fullest extent permitted by applicable Federal, state and local laws, rules and regulations and as provided in this Article VIII.

Section 3. Proceedings Other Than Proceedings by or in the Right of the Company. An Indemnitee shall be entitled to the indemnification provided in this Article VIII, Section 3 if, by reason of being or having been a Corporate Agent, such Indemnitee is, or is threatened to be made, a party to any threatened, pending, or completed Proceeding, other than a Proceeding by or in the right of the Company. Pursuant to this Section 3, an Indemnitee shall be indemnified against Expenses and Liabilities actually and reasonably incurred by, on behalf of, or in connection with such Proceeding or any claim, issue or matter therein, if such Indemnitee acted in good faith and in a manner such Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal Proceeding, had no reasonable cause to believe such Indemnitee's conduct was unlawful.

Section 4. Proceedings by or in the Right of the Company. An Indemnitee shall be entitled to the indemnification provided in this Section 4 if, by reason of being or having been a Corporate Agent, such Indemnitee is, or is threatened to be made, a party to any threatened, pending or completed Proceeding brought by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, an Indemnitee shall be indemnified against Expenses actually and reasonably incurred by such Indemnitee or on such Indemnitee's behalf in connection with such

Proceeding and against any amount paid in settlement of such Proceeding if such Indemnitee acted in good faith and in a manner such Indemnitee reasonably believed to be in or not opposed to the best interests of the Company. Notwithstanding the foregoing, no indemnification against such Expenses shall be made with respect to any claim, issue or matter in such Proceedings as to which the Indemnitee shall have been adjudged to be liable to the Company, unless and only to the extent that the Superior Court of the State of Connecticut or the court in which such Proceeding was brought shall decide that, despite such adjudication of liability, the Indemnitee is fairly and reasonably entitled to indemnification for such Expenses in view of all of the circumstances of the case; provided further, that, with respect to indemnification for settlement of any such Proceeding, the Company shall provide such indemnification only if either the amount paid in settlement is reasonable under all the facts and circumstances, including its relationship to the estimated expense of litigating the Proceeding to conclusion, or the Superior Court of the State of Connecticut, or the court in which such Proceeding was brought or is pending, shall determine, upon application, that in view of all of the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnification for such settlement. No indemnification for amounts paid in settlement of any such Proceeding shall be required unless the Company has given its prior consent to such settlement.

Section 5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful.

Notwithstanding any other provision of this Article VIII, to the extent that an Indemnitee is, by reason of being or having been a Corporate Agent, a party to any Proceeding and is successful, on the merits or otherwise, in such Proceeding, such Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by such Indemnitee or on such Indemnitee's behalf in connection therewith. If an Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify such Indemnitee against all Expenses actually and reasonably incurred by such Indemnitee or on such Indemnitee's behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section 5, and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Article VIII, to the extent that an Indemnitee is, by reason of being or having been a Corporate Agent, a witness in any Proceeding, such Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by such Indemnitee or on such Indemnitee's behalf in connection therewith.

Section 7. Advancement of Expenses. The Company shall advance all reasonable Expenses incurred by or on behalf of an Indemnitee in connection with any Proceeding upon the receipt by the Company of a statement or statements in writing from the Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by the Indemnitee or refer to invoices or bills for Expenses furnished or to be furnished directly to the Company, and shall include or be preceded or accompanied by an undertaking by or on behalf of the Indemnitee to repay any Expenses advanced unless it shall ultimately be determined pursuant to Section 8 of this Article VIII that the Indemnitee is entitled to be indemnified against such Expenses.

Section 8. Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Article VIII, an Indemnitee shall submit to the Secretary of the Company a written request for indemnification, and provide for the furnishing to the Company of such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Managers in writing that the Indemnitee has requested indemnification.

(b) Upon written request by an Indemnitee for indemnification pursuant to Section 8(a) hereof, a written determination with respect to the Indemnitee's entitlement thereto under the provisions of this Article VIII shall be made: (i) by the Board of Managers by a majority vote of a quorum consisting of Disinterested Managers, (ii) by a majority vote of a quorum of Disinterested Managers on a Committee of the Board of Managers, or (iii) by Independent Counsel in a written, reasoned legal opinion and, if it is so determined that the Indemnitee is entitled to indemnification, payment to the Indemnitee shall be made in a timely fashion. An Indemnitee shall cooperate with the person, persons or entity making such determination with respect to the Indemnitee's entitlement to indemnification including, without limitation, providing to such person, persons or entity, upon reasonable advance request, any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to the Indemnitee and reasonably necessary to such determination. Any costs or expenses (including, without limitation, attorneys' fees and disbursements) incurred by an Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company, irrespective of the determination as to an Indemnitee's entitlement to indemnification.

(c) In the event the determination of entitlement is to be made by Independent Counsel pursuant to Section 8(b) of this Article VIII, the Independent Counsel shall be selected by the Board of Managers or a designated Committee thereof, and the Company shall give written notice to the Indemnitee advising such Indemnitee of the identity of the Independent Counsel so selected. The Company shall pay any and all reasonable fees and expenses incurred by such Independent Counsel in connection with acting pursuant to Section 8(b).

Section 9. Presumptions and Effect of Certain Proceedings.

(a) If the person, persons, or entity empowered or selected under Section 8 to determine whether an Indemnitee is entitled to indemnification shall not have made such determination within a reasonable time period after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and the Indemnitee shall be entitled to such indemnification, absent: (i) a misstatement by the Indemnitee of a material fact, or an omission by the Indemnitee of a material fact necessary to make the Indemnitee's statement not materially misleading, in connection with the request for indemnification; (ii) the entry of a judgment or other final adjudication as described in Section 9(c) below; or (iii) a prohibition of such indemnification under applicable law.

(b) Except as otherwise expressly provided in this Article VIII, the termination of any Proceeding or of any claim, issue or matter therein by judgment, order, settlement or

conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, in and of itself, adversely affect the right of an Indemnitee to indemnification under this Article VIII or create a presumption (i) that an Indemnitee did not act in good faith and in a manner which such Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, (ii) with respect to any criminal Proceeding, that an Indemnitee had reasonable cause to believe that such Indemnitee's conduct was unlawful.

(c) No indemnification shall be made to or on behalf of an Indemnitee if a judgment or other final adjudication adverse to the Indemnitee establishes that such Indemnitee's acts or omissions (i) were in breach of a duty of loyalty to the Company, (ii) were not in good faith or involved a knowing violation of law, or (iii) resulted in receipt by the Indemnitee of an improper personal benefit.

(d) Every Indemnitee shall be presumed to have relied upon this Article VIII in serving or continuing to serve as a Corporate Agent.

Section 10. Indemnification of Estate; Standards for Determination. If an Indemnitee is deceased and would have been entitled to indemnification under any provision of this Article VIII the Company shall indemnify the Indemnitee's estate and such Indemnitee's spouse, heirs, administrators and executors. When the Board of Managers, Committee thereof, or Independent Counsel, acting in accordance with Section 8 under this Article VIII, is determining the availability of indemnification under Sections 3, 4, 5 or 6 of this Article VIII, and when an Indemnitee is unable to testify on such Indemnitee's own behalf by reason of death or mental or physical incapacity, the Board of Managers, Committee thereof or Independent Counsel (as the case may be) shall deem the Indemnitee to have satisfied applicable standards set forth in Sections 3, 4, 5 or 6 of this Article VIII unless it is affirmatively demonstrated by clear and convincing evidence that indemnification is not available under Sections 3, 4, 5 or 6 of this Article VIII. When requested in writing by the spouse of an Indemnitee or the heirs, executors or administrators of the Indemnitee's estate, the Company shall provide appropriate evidence of this Section 10.

Section 11. Other Rights and Remedies of Indemnitee.

(a) The Company may, at its sole discretion, purchase and maintain on behalf of Indemnitees, insurance covering such Liabilities and Expenses arising from actions or omissions of an Indemnitee in such Indemnitee's capacity as a Corporate Agent as is obtainable and is reasonable and appropriate in cost and amount.

(b) In the event that (i) a determination is made pursuant to Section 8 of this Article VIII that an Indemnitee is not entitled to indemnification, (ii) advancement of Expenses is not timely made pursuant to Section 7 of this Article VIII, (iii) the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 8(b) of this Article VIII and such determination shall not have been made and delivered in a written reasoned opinion after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 6 of this Article VIII in a timely fashion after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made in a timely fashion after a determination has been made that an Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 9 of this Article VIII, then, in each

event, the Indemnitee shall be entitled to an adjudication in the Superior Court of the State of Connecticut, or in any other court of competent jurisdiction, of such Indemnitee's entitlement to such indemnification or advancement of Expenses. Alternatively, the Indemnitee, at such Indemnitee's option, may seek an award in arbitration, which shall be conducted in Connecticut by a single arbitrator pursuant to the rules of the American Arbitration Association. The Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration in a timely manner following the date on which the Indemnitee first has the right to commence such Proceeding pursuant to this Section 11(b). The Company shall not oppose the Indemnitee's right to seek any such adjudication or award in arbitration; however, the Company shall have the right to oppose such adjudication or award in arbitration on the merits thereof.

(c) Subject to applicable law, in the event that a determination shall have been made pursuant to Section 8 of this Article VIII that an Indemnitee is not entitled to indemnification, any judicial Proceeding or arbitration commenced pursuant to this Section 11 shall be conducted in all respects as a *de novo* trial or arbitration on the merits, and the Indemnitee shall not be prejudiced by reason of that adverse determination.

(d) If a determination shall have been made or deemed to have been made pursuant to Section 8 or 9 of this Article VIII that an Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 11, absent: (i) a misstatement by the Indemnitee of a material fact, or an omission by the Indemnitee of a material fact necessary to make the Indemnitee's statement not materially misleading, in connection with the request for indemnification; (ii) the entry of a judgment or other final adjudication as described in Section 9(c) hereto; or (iii) a prohibition of such indemnification under applicable law.

(e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 11 that the procedures and presumptions of this Article VIII are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all of the provisions of this Article VIII.

(f) In the event that an Indemnitee, pursuant to this Section 11, seeks judicial adjudication of or an award in arbitration to enforce his or her rights under, or to recover damages for breach of, this Article VIII, the Indemnitee shall be entitled to recover from the Company and shall be indemnified by the Company against any and all expenses (of the types described in the definition of Expenses in Section 1 of this Article VIII) actually and reasonably incurred by such Indemnitee in such judicial adjudication or arbitration, but only if such Indemnitee prevails therein. If it shall be determined in said judicial adjudication or arbitration that the Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Expenses incurred by the Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

Section 12. Non-Exclusivity; Survival of Rights; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Article VIII shall not be deemed exclusive of any other rights to which an Indemnitee may at any time be entitled under applicable law, the Articles of Organization or any

Affiliate, the By-laws of the Company or any Affiliate, any agreement, any insurance policy maintained if issued directly or indirectly by the Company or any Affiliate, a vote of Managers or resolution of Disinterested Managers, or otherwise. No amendment, alteration or repeal of this Article VIII or of any provision hereof shall be effective as to any Indemnitee with respect to any action taken or omitted by such Indemnitee as a Corporate Agent prior to such amendment, alteration or repeal. The provisions of this Article VIII shall continue as to an Indemnitee whose status as a Corporate Agent has ceased and shall inure to the benefit of such Indemnitee's heirs, executors and administrators.

(b) In the event of any payment under this Article VIII, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and take all action necessary to secure such rights including, without limitation, execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(c) The Company shall not be liable under this Article VIII to make any payments of amounts otherwise indemnifiable hereunder if and to the extent that the Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 13. Severability. If any provision or provisions of this Article VIII shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Article VIII (including, without limitation, each portion of any section of this Article VIII containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Article VIII (including, without limitation, each portion of any section of this Article VIII containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

Section 14. Certain Persons Not Entitled to Indemnification or Advancement of Expenses. Except as expressly provided in Section 11(b) and (f) of this Article VIII, no person shall be entitled to indemnification or advancement of Expenses under this Article VIII with respect to any Proceeding, or any claim therein, brought or made by such Indemnitee against the Company.

Section 15. Notices. Any notice, request or other communication required or permitted to be given to the Company under this Article VIII shall be in writing and either delivered in person or sent by telecopier, telegram or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the Company and shall be effective only upon receipt by such Secretary.

Section 16. Amendments. This Article VIII may be amended or repealed by the Board of Managers, provided that such amendment or repeal may not substantively affect the rights of an Indemnitee hereunder that have accrued as of the date of such amendment or repeal.

ARTICLE IX MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Company shall begin on the first day of May of each calendar year.

Section 2. Parliamentary Procedure. If, at any time, questions arise as to procedure, the rules contained in the current edition of Robert's Rules of Order, as revised, shall govern the Board of Managers in all cases to which they are applicable and in which they are not consistent with applicable law, these By-laws and any special rules of order that may be duly adopted by the Board of Managers.

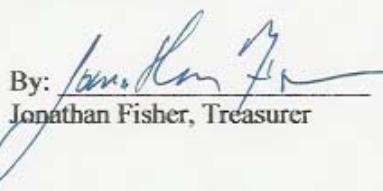
Section 3. Gender Neutral. Use of the masculine reference herein shall be deemed to include usage of the feminine reference where appropriate.

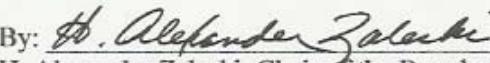
ARTICLE X AMENDMENTS

These By-laws may be amended by an affirmative vote of at least two thirds of the Managers present in person, or by proxy, at the annual meeting or a special meeting of the Board of Managers; provided, however, that a full presentation of such proposed amendments shall have been written in the notice calling such special meeting.

Bylaws Adopted by the Board of Managers of
Breakwater Production Facility, LLC.
effective as of the 11th day of November, 2013
As certified,

ATTESTED TO:

By: 
Jonathan Fisher, Treasurer

By: 
H. Alexander Zaleski, Chair of the Board of Managers

CORPORATE CHARTER
OF
Breakwater Production Facility, LLC

A Connecticut Limited Liability Company

Corporate Charter

OF

Breakwater Production Facility, LLC

A Connecticut Limited Liability Company, hereinafter named, sets forth the following statements:

FIRST: The name of the Company is Breakwater Production Facility, LLC (the "Company")

SECOND: The Company shall be perpetual and shall dissolve upon a majority vote of the members.

THIRD: The office of the Company is to be located in within the State of Connecticut, Town of Waterbury.

FOURTH: H. Alexander Zaleski is the registered Agent of the Company. His registered office for service shall be c/o Lefkowitz & Edelstein, 444 Madison Avenue, ste 1805, NY, NY 10022. H. Alexander Zaleski shall be the Agent of the Company upon whom process against the Company might be served.

FIFTH: The Company shall be managed by a duly appoint Board of Managers.

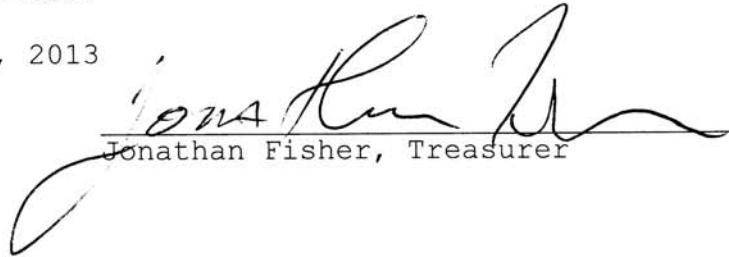
SIXTH: The Company is organized exclusively for Health and scientific purposes and the making of distributions by the Company shall be to the members pursuant to the Company's operating Agreement.

SEVENTH: The net earnings of the Company shall inure to the benefit of, or be distributed to its members and the Company shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in the article Sixth hereof, including but not limited to donations that promote education, scientific advancement, health and fitness, public safety, and a clean environment.

EIGHTH: Upon the dissolution of the Company, assets shall be distributed first to creditors to pay any then outstanding debts and then to the members.

IN WITNESS WHEREOF, I have signed this document on the date set forth below and do hereby affirm, under penalties of perjury, that the statements contained therein have been examined by me and are true and correct.

Dated: November 12, 2013



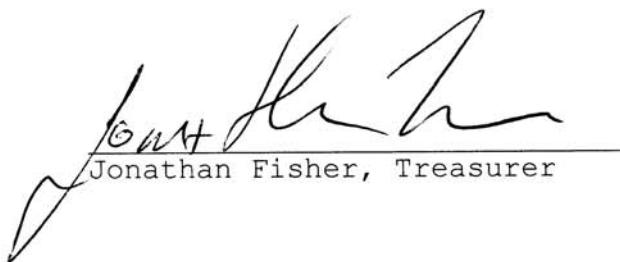
Jonathan Fisher, Treasurer

Verification

STATE OF NEW YORK)
COUNTY OF NEW YORK)

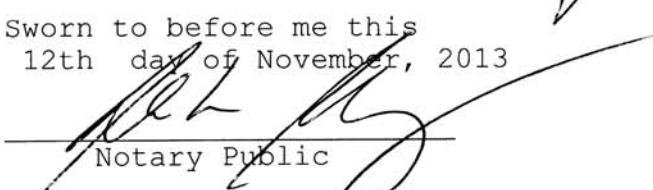
Jonathan Fisher being duly sworn, deposes and says that he is the person who signed the foregoing Corporate Charter; that he signed the said Charter in the capacity set opposite or beneath his signature thereon; that he has read the said Charter and knows the contents thereof; and that the statements contained therein are true to his own knowledge.

Dated: November 12, 2013



Jonathan Fisher, Treasurer

Sworn to before me this
12th day of November, 2013


Notary Public

ALAN M. ROSENBERG
Notary Public, State of New York
No. 01RC6133539
Qualified in New York County
Commission Expires September 19, 2012
17

CORPORATE CHARTER
OF
Breakwater Production Facility, LLC

A Connecticut Limited Liability Company

Corporate Charter

OF

Breakwater Production Facility, LLC

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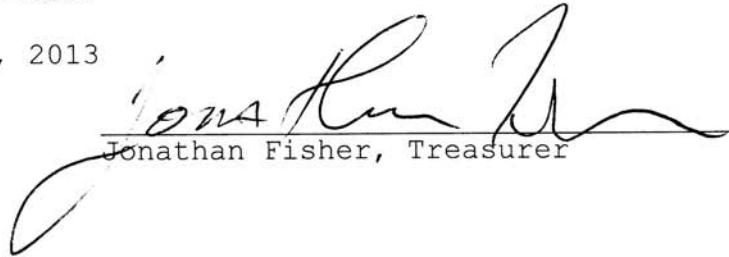
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Dated: November 12, 2013



Jonathan Fisher, Treasurer

Verification

STATE OF NEW YORK)
COUNTY OF NEW YORK)

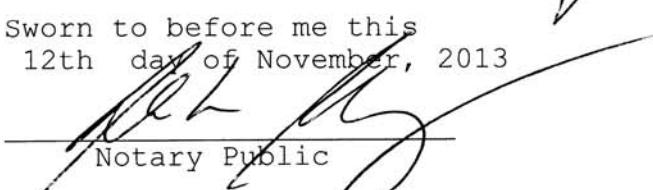
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Dated: November 12, 2013



Jonathan Fisher, Treasurer

Sworn to before me this
12th day of November, 2013


Notary Public

ALAN M. ROSENBERG
Notary Public, State of New York
No. 01RC6133539
Qualified in New York County
Commission Expires September 19, 2012
17

Attachment 6 – “Operating Agreement”

OPERATING AGREEMENT
FOR
BREAKWATER PRODUCTION FACILITY, LLC
A CONNECTICUT LIMITED LIABILITY COMPANY

THE SECURITY WHICH IS THE SUBJECT OF THIS AGREEMENT HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), IN RELIANCE UPON THE EXEMPTIONS FROM REGISTRATION PROVIDED BY REGULATIONS S AND RULE 506 PROMULGATED UNDER THE ACT, AND THIS SECURITY HAS NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY RELEVANT STATE OR FOREIGN COUNTRY IN WHICH THIS SECURITY HAS BEEN OFFERED AND SOLD PURSUANT TO APPLICABLE EXEMPTIONS THEREFROM. IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY WITHOUT PROVIDING THE MANAGER WITH AN OPINION OF COUNSEL TO THE EFFECT THAT A PROPOSED TRANSFER OR SALE OF THIS SECURITY (i) DOES NOT AFFECT THE ORIGINAL ISSUANCE AND SALE OF SECURITIES IN THE COMPANY PURSUANT TO THE EXEMPTIONS FROM REGISTRATION PROVIDED BY REGULATION S AND/OR RULE 506 UNDER THE ACT AND PURSUANT TO ANY APPLICABLE EXEMPTION FROM REGISTRATION AND QUALIFICATION OF ANY STATE OR FOREIGN COUNTRY RELIED UPON BY THE MANAGER AND (ii) IS IN COMPLIANCE WITH ALL APPLICABLE STATE OR FEDERAL SECURITIES LAWS.

THE SALE, TRANSFER OR OTHER DISPOSITION OF THE SECURITY WHICH IS THE SUBJECT OF THIS AGREEMENT OR ANY INTEREST THEREIN IS SUBJECT TO CERTAIN RESTRICTIONS SET FORTH IN ARTICLE VII OF THIS AGREEMENT.

PERSONS WHO ACQUIRE THE SECURITY WHICH IS THE SUBJECT OF THIS AGREEMENT PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY REGULATION S (A) MAY ONLY RESELL SUCH SECURITY IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S, PURSUANT TO REGISTRATION UNDER THE ACT AND QUALIFICATION UNDER APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN AVAILABLE EXEMPTION FROM REGISTRATION AND QUALIFICATION; AND (B) ARE PROHIBITED FROM ENGAGING IN HEDGING TRANSACTIONS INVOLVING THIS SECURITY UNLESS SUCH HEDGING TRANSACTIONS COMPLY WITH THE ACT.

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**OPERATING AGREEMENT FOR
BREAKWATER PRODUCTION FACILITY, LLC
A CONNECTICUT LIMITED LIABILITY COMPANY**

This Operating Agreement is made as of November 1, 2013, by and among BREAKWATER PRODUCTION FACILITY, LLC and those persons who, themselves or by attorney-in-fact, have executed this Agreement and been admitted as Members in accordance with the provisions hereof. The parties by this Agreement set forth the operating agreement for the limited liability company being organized by them under the laws of the State of Connecticut upon the terms and subject to the conditions of this Agreement.

ARTICLE I

DEFINITIONS

When used in this Agreement, the following terms shall have the meanings set forth below (all terms used in this Agreement that are not defined in this Article I shall have the meanings set forth elsewhere in this Agreement):

I.1 “Act” shall mean the Connecticut Limited Liability Company Act, as the same may be amended from time to time.

I.2 “Affiliate” of a Member or Manager shall mean any Person, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with a Member or Manager, as applicable. The term “control,” as used in the immediately preceding sentence, shall mean with respect to a corporation or limited liability company the right to exercise, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the controlled corporation or limited liability company, and, with respect to any individual, partnership, trust, other entity or association, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled entity.

I.3 “Agreement” shall mean this Operating Agreement, dated November 1, 2013, and as amended from time to time.

I.4 “Breakwater Production Facility, LLC” shall mean a Connecticut Limited Liability Company located in Waterbury, Connecticut formed to construct and operate a facility designed to cultivate and distribute medicinal marijuana pursuant to Connecticut State Law.

I.5 “Articles” shall mean the Certificate of Formation for the Company originally filed with the Connecticut Secretary of State and as amended from time to time.

I.6 “Assignee” shall mean the owner of an Economic Interest who has not been admitted as a substitute Member in accordance with Article VII.

I.7 “Bankruptcy” shall mean: (a) the filing of an application by a Manager for, or its consent to, the appointment of a trustee, receiver, or custodian of the Manager’s other assets; (b) the entry of an order for relief with respect to a Manager in proceedings under the United States Bankruptcy Code, as amended or superseded from time to time; (c) the making by a Manager of a general assignment for the benefit of creditors; (d) the entry of an order, judgment, or decree by any court of competent jurisdiction appointing a trustee, receiver, or custodian of the assets of a Manager unless the proceedings and the person appointed are dismissed within ninety (90) days; or (e) the failure by a Manager generally to pay its debts as they become due within the meaning of Section 303(h)(1) of the United States Bankruptcy Code, as determined by the Bankruptcy Court, or the admission in writing of the Manager’s inability to pay its debts as they become due.

I.8 “Capital Account” shall mean with respect to any Member the individual Capital Account that shall be established and maintained for each Member and for each Capital Contribution of each Member in accordance with the following provisions:

(a) To each Capital Account of a Member there shall be credited such Member's related Capital Contribution, such Member's share of Profit with respect thereto, any items in the nature of income or gain that are specifically allocated thereto pursuant to this Agreement and the amount of any Company liabilities that are personally assumed by such Member or that are secured by any Company property distributed to such Member with respect thereto;

(b) To each Capital Account of a Member, there shall be debited the amount of cash and the Gross Asset Value of any Company property distributed to such Member pursuant to any provision of this Agreement with respect thereto, such Member's share of Loss with respect thereto, any items in the nature of expenses or loss that are specifically allocated thereto pursuant to this Agreement and the amount of any liabilities of such Member that are assumed by the Company or that are secured by any property contributed by such Member to the Company with respect thereto;

(c) In determining the amount of any liability, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

(d) If any interest in the Company is transferred in accordance with this Agreement, the transferee shall succeed to the Capital Accounts of the transferor to the extent that they relate to the transferred interest.

(e) If the Gross Asset Values of Company assets are adjusted pursuant to this Agreement, the respective Capital Accounts of all Members shall be adjusted simultaneously to reflect the aggregate net adjustment as if the Company were to have recognized gain or loss equal to the amount of such aggregate net adjustment.

(f) The foregoing provisions and other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent therewith. If the Manager determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto, are computed in order to comply with Regulations Section 1.704-1(b), the Manager may make such modification if it is not likely to have a material adverse effect on amounts distributable to any Member pursuant hereto on the dissolution of the Company. The Manager shall adjust the amounts debited or credited to Capital Accounts with respect to any property contributed to the Company or distributed to a Member and any liabilities secured by such contributed or distributed property or assumed by the Company or Member in connection with such contribution or distribution if the Manager determines that such adjustments are necessary or appropriate under Regulations Section 1.704-1(b)(2)(iv). The Manager shall also make any appropriate modifications if unanticipated events might cause this Agreement not to comply with Regulations Section 1.704-1(b), and the Manager shall make all elections provided for under such Regulations.

I.9 “Capital Contribution” of a Member shall mean the total amount of cash and the initial Gross Asset Value of property contributed to the capital of the Company by such Member.

I.10 “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time, the provisions of succeeding law, and to the extent applicable, the Regulations.

I.11 “Company” shall mean Breakwater Production Facility, LLC, a Connecticut limited liability company.

I.12 “Company Minimum Gain” shall have the meaning ascribed to the term “Partnership Minimum Gain” in the Regulations Section 1.704-2(d).

I.13 OMIT

I.14 “Depreciation” shall mean, for each Fiscal Year or other Fiscal Period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such Year or other Period, except that if the Gross Asset Value of an asset differs from its adjusted basis for Federal income tax purposes at the beginning of such Year or other Period, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the Federal income tax depreciation, amortization or other cost recovery deduction for such Year or other Period bears to such beginning adjusted tax basis.

I.15 “Determination Date” shall mean the date as of which the value or amount of Company assets and/or liabilities is to be determined.

I.16 “Dissolution Event” shall mean with respect to any Manager, one or more of the following: the death, insanity, withdrawal, resignation, retirement, removal, expulsion, Bankruptcy or dissolution of any such Manager.

I.17 “Economic Interest” shall mean the right to receive distributions of the Company's assets and allocations of Profit and Loss and similar items from the Company pursuant to this Agreement and the Act, but shall not include any other rights of a Member, including, without limitation, the right to vote or participate in the management of the Company, or except as provided in the Act, any right to information concerning the business and affairs of the Company.

I.18 “Fiscal Period” shall mean each period commencing (i) on the first day of each calendar quarter, (ii) on the date of any Capital Contribution, (iii) on each date next following the date of any withdrawal from a Capital Account, and (iv) on the Initial Funding Date (as such term is defined in the Memorandum), and the prior Fiscal Period, if any, shall terminate on the day immediately preceding the day on which a new Fiscal Period commences.

I.19 “Fiscal Year” shall mean the period from January 1 through the succeeding December 31 or, if earlier, the date of dissolution and termination of the Company.

I.20 “Gross Asset Value” shall mean, with respect to any asset, the asset's adjusted basis for Federal income tax purposes, except as follows:

(a) The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset, determined as provided in Paragraph I.20(f) below;

(b) The Gross Asset Value of all Company assets shall be adjusted to equal their respective gross fair market values, determined as provided in Paragraph I.20(f) below, as of the following times: (i) on the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution; (ii) on the distribution by the Company to a Member of more than a de minimis amount of Company property, unless all Members receive simultaneous distributions of undivided interests in the distributed property in proportion to their respective Percentage Interests; (iii) on the last day of each Fiscal Period; and (iv) on a liquidation within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g);

(c) The Gross Asset Value of any Company property distributed to any Member shall be the gross fair market value of such Company property, determined as provided in Paragraph I.20(f) below;

(d) The Gross Asset Value of any Company property shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such Company property pursuant to Code Section 734(b) or 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m); provided that Gross Asset Values shall not be so adjusted to the extent that the Manager determines that an adjustment pursuant to Paragraph I.20(b) is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this Paragraph I.20(d); and

(e) If the Gross Asset Value of an asset has been determined or adjusted pursuant hereto, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profit and Loss, and Capital Accounts shall be adjusted in accordance with Regulations Section 1.704-1(b)(2)(iv)(g) and the Members' distributive shares of depreciation, depletion, amortization, gains and net loss for tax purposes with respect to such property shall be determined to take account of the variation between the adjusted tax basis and the Gross Asset Value of such property in the same manner as under Code Section 704(c).

(f) Whenever the "value," "fair value" or "fair market value" of Company property is to be determined, such "value" shall be determined, and the assets and liabilities of the Company shall be valued, on the following basis:

(i) The fair market value of any equipment or merchandise then owned and operated by the company.

(ii) All other assets and liabilities of the Company will be valued at the fair value thereof as determined in good faith by the Manager.

(iii) If the Determination Date is not a business day, values as of the close of business on the last business day preceding such Date may be used. All determinations of values will be accomplished by the Managers, whose determination thereof shall be conclusive and binding.

I.21 "Interest" shall mean any membership interest in the Company which was offered and sold pursuant to the Offering.

I.22 "Majority Interest" shall mean those Members who hold a majority of the Percentage Interests which all Members hold.

I.23 "Manager" shall mean and refer to Walter Edelstein, Jonathan Fisher, and H. Alexander Zaleski, as well as to any other person that succeeds it as a manager of the Company.

I.24 "Member" shall mean each Person who is an initial signatory to this Agreement or has been admitted to the Company as a Member in accordance with the Articles or this Agreement (including an Assignee who has become a Member in accordance with Article VII), and (a) has not ceased to be a Member for other reason, and the term includes the Manager.

I.25 "Membership Interest" shall mean a Member's entire interest in the Company including the Member's Economic Interest, any right to vote, and the right to receive information concerning the business and affairs of the Company.

I.26 "Memorandum" shall mean the Amended and Restated Placement Memorandum of the Company dated November 1, 2013, together with any amendments or supplements thereto.

I.27 "Nonmanager Member" shall mean any Member that is not also a Manager.

I.28 “Offering” shall mean the Company's offering of Interests pursuant to the Memorandum.

I.29 “Percentage Interest” shall mean for each Member or Economic Interest Owner as of a given date, the ratio of such Member's Capital Account to the Capital Accounts of all Members as of such date.

I.30 “Person” shall mean an individual, partnership, limited partnership, limited liability company, corporation, trust, estate, association or any other entity.

I.31 “Profits” and “Losses” shall mean, for each Fiscal Year or Fiscal Period, an amount equal to the Company's taxable income or loss for such Fiscal Year or Fiscal Period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(a) Any income of the Company that is exempt from Federal income tax and not otherwise taken into account in computing Profit or Loss pursuant to this Section I.31 shall be added to such taxable income or loss;

(b) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profit and Loss pursuant to this Section I.31 shall be subtracted from such taxable income or loss;

(c) If the Gross Asset Value of any company asset is adjusted pursuant to Paragraphs I.20(b) or I.20(d), the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Profit and Loss;

(d) Gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for Federal income tax purposes shall be computed by reference to the Gross Asset Value of the Company property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

(e) In lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year or Fiscal Period, computed in accordance with Section I.14; and

(f) Notwithstanding any other provision of this Section I.32, any items that are specially allocated pursuant to Paragraphs VI.3A, VI.3B or VI.3D shall not be taken into account in computing Profit and Loss.

I.32 “Purchase Date” shall mean the Initial Funding Date (as such term is defined in the Memorandum), the first day of any calendar quarter prior to dissolution and the commencement of the winding up of the Company, and any other date on which the Manager shall, in its sole and absolute discretion, permit purchasers of Interests to make Capital Contributions.

I.33 “Redemption Date” shall mean the last day of any calendar quarter, and any other date on which the Manager shall, in its sole and absolute discretion, permit withdrawals pursuant to Section VI.5 hereof.

I.34 “Regulations” shall, unless the context clearly indicates otherwise, mean the regulations in force as final or temporary that have been issued by the U.S. Department of Treasury pursuant to its authority under the Code, and any successor regulations.

I.35 “Remaining Members” shall have the meaning ascribed to it in Article VIII.

I.36 “Restricted Security” means any security which is not readily marketable.

I.37 “Special Allocation” shall mean the special performance allocation which is provided for in Section VI.2 hereof.

I.38 “Subscription” shall mean the form of Subscription Agreement signed by investors under the Offering and attached as Exhibit “B” to the Memorandum.

I.39 “Tax Matters Partner” (as defined in Code Section 6231) shall be Leigh Pilkington or his successor as designated pursuant to Section IX.6.

I.40 “Unrecouped Losses” of a Member shall mean all Losses allocated to such Member reduced (but not below zero) by all Profits allocated to that member in the same Fiscal Year that the Losses are so allocated or allocated to such member in any subsequent Fiscal Year, provided, however, that if a Member withdraws capital from the Company, such Member's Unrecouped Losses shall be reduced by multiplying those Unrecouped Losses by a Fraction, the numerator of which is the balance of the withdrawing Member's Capital Account immediately after the withdrawal and the denominator of which is the balance of the withdrawing Member's Capital Account immediately before the withdrawal.

ARTICLE II

ORGANIZATIONAL MATTERS

II.1 Formation. The Members have formed a Connecticut limited liability company under the laws of the State of Connecticut by filing the Articles with the Connecticut Secretary of State and entering into this Agreement. The rights and liabilities of the Members shall be determined pursuant to the Act and this Agreement. To the extent that the rights or obligations of any Member are different by reason of any provision of this Agreement than they would be in the absence of such provision, this Agreement shall, to the extent permitted by the Act, control.

II.2 Name. The name of the Company shall be “Breakwater Production Facility, LLC” The business of the Company may be conducted under that name or, upon compliance with applicable laws, any other name that the Manager deems appropriate or advisable. The Manager shall file any fictitious name certificates and similar filings, and any amendments thereto, that the Manager considers appropriate or advisable.

II.3 Term. The term of this Agreement commenced on the filing of the Articles and shall continue until terminated as hereinafter provided.

II.4 Office and Agent.

A. Principal Office. The principal office of the Company shall be located at 400 Captain Neville Drive, Waterbury, CT 06708, unless and until the Manager shall determine otherwise so long as such location complies with the applicable laws of the State of Connecticut.

B. Registered Office. The Registered Office of the Company in the State of Connecticut is located at 400 Captain Neville Drive, Waterbury, CT. The registered agent of the Company for service of process at such address is H. Alexander Zaleski.

C. Other Jurisdictions. The Company shall be limited by the applicable laws of the State of Connecticut.

II.5 Purpose and Business of the Company. The Company was formed for the purpose and business of being a growth, production, and delivery facility for Medical Marijuana pursuant to the laws of the State of Connecticut.

ARTICLE III

CAPITAL CONTRIBUTIONS

III.1 Capital Contributions of the Manager. The Manager shall not be required to contribute to the capital of the Company.

III.2 Capital Contributions of Nonmanager Members. A person whose Subscription has been accepted by the Manager and who has signed, or whose attorney-in-fact has signed, this Agreement shall, on the Purchase Date immediately following acceptance of such person's most recent Subscription, contribute to the capital of the Company cash (or such other property as may be accepted by the Manager in its sole and absolute discretion) in an amount equal to the amount as to which such person's Subscription has been accepted in respect of such Purchase Date, and thereupon such person shall become a Member or, if already a Member, such person's interest in the Company shall be increased accordingly. In either case, a new Capital Account shall be established for such person in respect of the new Capital Contribution. Interest, if any, earned on such person's Subscription shall be used to purchase additional Interests.

III.3 Other Contributions. No person shall be permitted to make any Capital Contribution except as permitted pursuant to the provisions of this Agreement.

III.4 Certain Restrictions upon Interest Sales. The Company shall not issue or sell an Interest in any case where that issuance or sale would cause the Company to fail to qualify for the exemption from the definition of "investment company" provided by Section III(c)(1) of the Investment Company Act of 1940, as amended or where such issuance or sale would violate the relevant laws of the State of Connecticut with regard to the production of Medicinal Marijuana.

III.5 No Interest. No Member shall be entitled to receive any interest on his or her Capital Contributions.

ARTICLE IV

MEMBERS

IV.1 Limitations on Liability of Members. The debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Member of the Company shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member or by reason of such Member's acts or omissions in connection with the conduct of the business of the Company.

IV.2 Liability of Members to the Company.

A. Liability of Members to the Company. A Member is liable to the Company:

(i) for the difference between his or its contribution to capital as actually made and that is stated in the Articles, this Agreement, Subscription or other document executed by the Member as having been made by the Member; and (ii) for any unpaid Capital Contribution which he or it agreed in the Articles, this Agreement, or any Subscription or other document executed by the Member to make in the future at the time and on the conditions stated in the Articles, Agreement, Subscription or other document evidencing such agreement. No Member shall be excused from an obligation to the Company to perform any promise to contribute money, property or to perform services because of death, disability, dissolution or any other reason.

B. Member as Trustee for the Company. A Member holds as trustee for the Company (i) specific property stated in the Articles, Agreement, Subscription or other document executed by the Member as contributed by such Member, but which was not contributed or which has been wrongfully or erroneously returned; and (ii) money or other property wrongfully paid or conveyed to such Member on account of his or its Capital Contribution.

C. Waiver of Liability of Member. The liabilities of a Member as set out in this Section IV.2 can be waived or compromised only by the consent of all Members; but a waiver or compromise shall only affect the right of a creditor of the Company to the extent permitted by applicable law.

IV.3 Admission of Additional Members. The Manager may admit to the Company additional Members, from time to time, only as expressly provided in this Agreement, including pursuant to Section III.2 and Article VII hereof, and the Members shall not be permitted to admit new Members, except as otherwise expressly provided in this Agreement and only with full compliance of the laws of the State of Connecticut as they pertain to the production of Medicinal Marijuana.

IV.4 Withdrawals or Resignations. No Member may withdraw or resign from the Company, except as otherwise provided in Section IV.5 hereof.

IV.5 Transactions With The Company. Subject to any limitations set forth in this Agreement and with the prior approval of the Manager, a Member may lend money to and transact other business with the Company. Subject to other applicable law, such Member has the same rights and obligations with respect thereto as a Person who is not a Member.

IV.6 Remuneration To Members. Except as otherwise specifically provided in this Agreement, no Member is entitled to remuneration for acting in the Company business.

IV.7 Members Are Not Agents. Pursuant to Section V.1, the management of the Company is vested in the Manager. The Members shall have no power to participate in the management of the Company except as expressly authorized by this Agreement or the Articles and except as expressly required by the Act. No Member, acting solely in the capacity of a Member, is an agent of the Company nor does any Member, unless expressly and duly authorized in writing to do so by the Manager, have any power or authority to bind or act on behalf of the Company in any way, to pledge its credit, to execute any instrument on its behalf or to render it liable for any purpose.

IV.8 Voting Rights. Except as expressly provided in this Agreement or the Articles, Members shall have no voting, approval or consent rights.

IV.9 Meetings of Members.

A. Date, Time and Place of Meetings of Members; Secretary. Meetings of Members may be held at such date, time and place within or without the State of Connecticut as the Manager may fix from time to time. No annual or regular meetings of Members are required. At any Members' meeting, the Manager shall appoint a person to preside at the meeting and a person to act as secretary of the meeting. The secretary of the meeting shall prepare minutes of the meeting which shall be placed in the minute books of the Company.

B. Power to Call Meetings. Meetings of the Members may be called by the Manager, or upon written demand of Members holding more than thirty percent (40%) of the Percentage Interests, for the purpose of addressing any matters on which the Members may vote.

C. Notice of Meeting. Written notice of a meeting of Members shall be sent or otherwise given to each Member not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and the general nature of the business to be transacted. No other business may be transacted at this meeting. Upon written request to the Manager by any person entitled to call a meeting of Members, the Manager shall immediately cause notice to be given to the Members entitled to vote that a meeting will be held at a time requested by the person calling the meeting, not less than ten (10) days nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after the receipt of the request, the person entitled to call the meeting may give the notice.

D. Manner of Giving Notice; Affidavit of Notice. Notice of any meeting of Members shall be given either personally or by first-class mail or telegraphic or other written communication, charges prepaid, addressed to the Member at the address of that Member appearing on the books of the Company or given by the Member to the Company for the purpose of notice. If no such address appears on the Company's books or is given, notice shall be deemed to have been given if sent to that Member by first-class mail or telegraphic or other written communication to the Company's principal executive office, or if published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

If any notice addressed to a Member at the address of that Member appearing on the books of the Company is returned to the Company by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the Member at that address, all future notices or reports shall be deemed to have been duly given without further mailing if these shall be available to the Member on written demand of the Member at the principal executive office of the Company for a period of one year from the date of the giving of the notice.

An affidavit of the mailing or other means of giving any notice of any meeting shall be executed by the Manager and shall be filed and maintained in the minute book of the Company.

E. Validity of Action. Any action approved at a meeting, other than by unanimous approval of those entitled to vote, shall be valid only if the general nature of the proposal so approved was stated in the notice of meeting or in any written waiver of notice.

F. Quorum. The presence in person or by proxy of a Majority Interest shall constitute a quorum at a meeting of Members.

G. Adjourned Meeting; Notice. Any Members' meeting, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the Membership Interests represented at that meeting, either in person or by proxy, but in the absence of a quorum, no other business may be transacted at that meeting. When any meeting of Members is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced

at a meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is subsequently fixed, or unless the adjournment is for more than forty-five (45) days from the date set for the original meeting, in which case the Manager shall set a new record date. At any adjourned meeting the Company may transact any business which might have been transacted at the original meeting.

H. Waiver of Notice or Consent. The actions taken at any meeting of Members however called and noticed, and wherever held, have the same validity as if taken at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of the Members entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or consents to the holding of the meeting or approves the minutes of the meeting. All such waivers, consents or approvals shall be filed with the Company records or made a part of the minutes of the meeting.

Attendance of a person at a meeting shall constitute a waiver of notice of that meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting if that objection is expressly made at the meeting. Neither the business to be transacted nor the purpose of any meeting of Members need be specified in any written waiver of notice except as provided in Paragraph IV.10E.

I. Action by Written Consent without a Meeting. Any action that may be taken at a meeting of Members may be taken without a meeting, if a consent in writing setting forth the action so taken, is signed and delivered to the Company within sixty (60) days of the record date for that action by Members having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all Members entitled to vote on that action at a meeting were present and voted. All such consents shall be filed with the Manager or the secretary, if any, of the Company and shall be maintained in the Company records. Any Member giving a written consent, or the Member's proxy holders, may revoke the consent by a writing received by the Manager or secretary, if any, of the Company before written consents of the number of votes required to authorize the proposed action have been filed.

Unless the consents of all Members entitled to vote have been solicited in writing, (i) notice of any Member approval of an amendment to the Articles or this Agreement, a dissolution of the Company, or a merger of the Company, without a meeting by less than unanimous written consent, shall be given at least ten (10) days before the consummation of the action authorized by such approval, and (ii) prompt notice shall be given of the taking of any other action approved by Members without a meeting by less than unanimous written consent, to those Members entitled to vote who have not consented in writing.

J. Telephonic Participation by Member at Meetings. Members may participate in any Members' meeting through the use of any means of conference telephones or similar communications equipment as long as all Members participating can hear one another. A Member so participating is deemed to be present in person at the meeting.

K. Record Date. In order that the Company may determine the Members of record entitled to notices of any meeting or to vote, or entitled to receive any distribution or to exercise any rights in respect of any distribution or to exercise any rights in respect of any other lawful action, the Manager, or Members representing more than ten percent (10%) of the Percentage Interests may fix, in advance, a record date, that is not more than sixty (60) days nor less than ten (10) days prior to the date of the meeting and not more than sixty (60) days prior to any other action. If no record date is fixed:

(i) The record date for determining Members entitled to notice of or to vote at a meeting of Members shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(ii) The record date for determining Members entitled to give consent to Company action in writing without a meeting shall be the day on which the first written consent is given.

(iii) The record date for determining Members for any other purpose shall be at the close of business on the day on which the Manager adopts the resolution relating thereto, or the sixtieth (60th) day prior to the date of the other action, whichever is later.

(iv) The determination of Members of record entitled to notice of or to vote at a meeting of Members shall apply to any adjournment of the meeting unless the Manager or the Members who called the meeting fix a new record date for the adjourned meeting, but the Manager or the Members who called the meeting shall fix a new record date if the meeting is adjourned for more than forty-five (45) days from the date set for the original meeting.

L. **Proxies.** Every Member entitled to vote on any matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the Manager or secretary, if any, of the Company. A proxy shall be deemed signed if the Member's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, electronic transmission or otherwise) by the Member or the Member's attorney in fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the Company stating that the proxy is revoked, or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy; or (ii) written notice of the death or incapacity of the maker of that proxy is received by the Company before the vote pursuant to that proxy is counted.

IV.10 **Certificate of Membership Interest.** Unless the Manager otherwise elects, a Membership Interest shall not be represented by a certificate of membership.

ARTICLE V

MANAGEMENT AND CONTROL OF THE COMPANY

V.1 **Management of the Company by Manager.** The business, property and affairs of the Company shall be managed exclusively by the Manager. Except for situations in which the approval of the Members is expressly required by the Articles or this Agreement, the Manager shall have full, complete and exclusive authority, power, and discretion to manage and control the business, property and affairs of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business, property and affairs. The number of Managers shall be Three (3).

V.2 **Resignation and Removal of Managers.** No Manager may resign as Manager at any time without the consent of a Majority Interest of the Members other than the departing Manager. A Manager may be removed at any time, with Cause (but may not be removed without Cause), by the unanimous vote of all of the Members (other than the Member who is to be removed as Manager) at a meeting called expressly for that purpose, or by the written consent of all of the Members (other than the Member who is to be removed as Manager). Removal as Manager shall not affect the Manager's rights as a Member or constitute a withdrawal of a Manager as a Member. For purpose of this Section,

“Cause” shall mean fraud, gross negligence, willful misconduct, embezzlement or a breach of such Manager’s obligations under this Agreement.

V.3 Powers of Manager.

A. Powers of Manager. Without limiting the generality of Section V.1, but subject to Paragraph V.3B and to the express limitations set forth elsewhere in this Agreement, the Manager shall have all necessary powers to manage and carry out the purposes, business, property and affairs of the Company, including the power and authority to delegate to employees of the Company.

B. Limitations on Power of Manager. Notwithstanding any other provisions of this Agreement, the Manager shall not have authority hereunder to cause the Company to engage in the following transactions without first obtaining the affirmative vote or written consent of a disinterested Majority Interest and, in the case of any amendment to this Agreement requiring Member approval, the concurrence of any Member materially and adversely affected by the proposed amendment:

- (i) The sale, exchange or other disposition of all, or substantially all, of the Company's assets occurring as part of a single transaction or plan or as part of related transactions or plans, except in the ordinary course of business or in the orderly liquidation and winding up of the business of the Company upon its duly authorized dissolution;
- (ii) The merger of the Company with another limited liability company or limited partnership or corporation, general partnership or other Person;
- (iii) The establishment of different classes of Members;
- (iv) An alteration of the primary purpose or business of the Company as set forth in Section II.5;
- (v) Except as expressly provided in this Agreement, transactions between the Company and the Manager or one or more of any Manager's Affiliates and transactions in which the Manager or one or more of any Manager's Affiliates has a material financial interest, excluding any and all youth soccer clubs or organizations managed, formed, or operated by the Manager;
- (vi) Any act which would make it impossible to carry on the ordinary business of the Company;
- (vii) OMIT;
- (viii) OMIT;
- (ix) To engage in any other transaction described in this Agreement that requires the vote, consent, or approval of the Members.

V.4 Performance of Duties; Liability of Manager. The Manager shall not be liable to the Company or to any Member for any loss or damage sustained by the Company or any Member, unless the loss or damage shall have been the result of fraud, deceit, gross negligence, reckless or intentional misconduct, or a knowing violation of law by the Manager. The Manager shall perform its managerial duties in good faith, in a manner it reasonably believes to be in the best interests of the Company and its Members, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. A Manager who so performs the duties of Manager shall not have any liability by reason of being or having been a Manager of the Company. Notwithstanding the foregoing, it is understood and agreed that the Federal securities laws impose liabilities under certain circumstances on persons who act in good faith, and, therefore,

nothing herein shall in any way be deemed to constitute a waiver or limitation of any rights which a Member may have under any Federal securities laws.

In performing its duties, the Manager shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, of the following persons or groups unless they have knowledge concerning the matter in question that would cause such reliance to be unwarranted and provided that the Manager acts in good faith and after reasonable inquiry when the need therefor is indicated by the circumstances:

(a) One or more employees or other agents of the Company, including Construction advisers, whom the Manager reasonably believes to be reliable and competent in the matters presented; or

(b) Any attorney, independent accountant, or other person as to matters which the Manager reasonably believes to be within such person's professional or expert competence.

V.5 Payments to Manager. A Manager of the Company is not entitled to remuneration for services as a Manager rendered to the Company. However, any Manager maintains the right to serve as an employ and may be compensated pursuant to any employment agreement made between said Manager and the Company. A Manager may also own a membership interest in the Company and share in the net profits.

V.6 Other Commitments and Arrangements. The Members hereby affirm and approve that the Manager will be under no obligation to deal with any particular vendor or group of vendors in conducting the Company's business. The Manager will have authority to determine what vendors will be used and what fees are to be paid to said vendors.

V.7 Limited Liability. No person who is a Manager of the Company shall be personally liable under any judgment of a court, or in any other manner, for any debt, obligation, or liability of the Company, whether that liability or obligation arises in contract, tort, or otherwise, solely by reason of being a Manager.

V.8 Membership Interests of Manager. Except as otherwise provided in this Agreement, Interests held by the Manager shall entitle the Manager to all the rights of a Member, including without limitation the economic, voting, information and inspection rights of a Member.

ARTICLE VI

ALLOCATIONS OF PROFITS AND LOSSES; DISTRIBUTIONS

VI.1 Capital Accounts. Individual Capital Accounts shall be maintained in accordance with Section I.8.

VI.2 Allocations. Profits and Losses shall be allocated to the Members for each period described as follows:

A.ix Profits and Losses. Subject to the provisions below regarding the Special Allocation and the special allocations in Section VI.3, all Profits and Losses for each Fiscal Period shall be allocated to the Members in proportion to their respective Percentage Interests as of the first day of such Fiscal Period.

B.ix Net Profit Allocation. The Net Profits of the Company shall be distributed to the Members based upon their percent interest in the following manner:

- 100% of the Net Profits to the Members until they receive 30% of their initial subscription payment.
- 90% of the Net Profits to the Members until they receive 60% of their initial subscription payment.
- 80% of the Net Profits to the Members until they receive are 90% of their initial subscription payment.
- 70% of the Net Profits to the Members until they receive are 100% of their initial subscription payment. (“Breakeven Point”)
- 48.25% of the Net Profits to the Members Following the Breakeven Point.
- All portions of the Net Profits not issued to the Members shall be paid to the Managers or to any party the Managers determine is entitled to remuneration.

C.ix Allocation to Manager. The Special Allocation shall be debited as of the end of each Fiscal Period from the Capital Account of each Nonmanager Member. The total amount so debited shall be credited as of the end of that Fiscal Period to the Capital Account of the Manager. The Special Allocation shall also be debited and credited as provided in Section VI.5 hereof.

D.ix Waiver. The Manager, in its discretion, may waive all or any portion of the Special Allocation with respect to any Nonmanager Member in any Fiscal Period. Anything herein to the contrary notwithstanding, any recapture under applicable tax laws shall be allocated to the Members in the same proportions as the item generating the recapture shall have been allocated.

VI.3 Other Special Capital Account Allocations. Notwithstanding the allocation provisions of Section VI.2, the following additional special allocations shall be made in allocating Profits and Losses:

A.ix Section 704 Allocations. Any special allocations necessary to comply with the requirements set forth in Section 704 of the Code and the corresponding Regulations, including the qualified income offset and minimum gain chargeback provisions contained therein, shall be made.

B.ix Tax Allocations.

(x) Subject to clause 6.3B(ii) below, in each Fiscal Year, items of income, deduction, gain, loss or credit that are recognized for income tax purposes shall be allocated among the Members in such manner as to reflect equitably amounts credited to or debited against the Capital Account of each member, whether in such Fiscal Year or in prior Fiscal Years. To this end, the Company shall establish and maintain records that shall show the extent to which the Capital Account of each member shall, as of the last day of each Fiscal Year, be comprised of amounts that have not been reflected in the taxable income of such Member. To the extent deemed by the Manager to be feasible and equitable, taxable income and gains in each Fiscal Year shall be allocated among the Members who have enjoyed the related credits, and items of deduction, loss and credit in each Fiscal Year shall be allocated among the Members who have borne the burden of the related debits.

(xi) Notwithstanding any of the foregoing provisions to the contrary, if a Member withdraws capital during a Fiscal Year, allocations of taxable income and loss may, in the exclusive discretion of the Manager, be made as follows:

(a) Taxable income may be allocated first, to each Member who shall have withdrawn all or part of such Member's Capital Account in that Fiscal Year, to the extent that such withdrawal exceeds such member's adjusted tax basis in such Member's interest in the Company immediately prior to such withdrawal. If more than one Capital Account shall have been so withdrawn in full or in part, such allocations, if made, shall be made to the extent of and in proportion to such differences;

(b) Taxable loss may first be allocated to each member who shall have withdrawn all of such Member's Capital Account in that Fiscal Year, to the extent that such Member's adjusted tax basis in such Member's interest in the Company exceeds that Capital Account immediately prior to such withdrawal. If more than one Capital Account has been so withdrawn, such allocations of taxable loss, if made, shall be made to the extent of and in proportion to such differences; and

(c) Thereafter, taxable income and loss shall be allocated as provided in clause 6.3B(i) above.

The Manager, in its exclusive discretion, may cause the Company to make the election to adjust the basis of the Company property under Code Section 754. In any year in which the Code Section 754 election is in effect, this clause 6.3B(ii) shall be null and void.

(xii) Any elections or other decisions relating to such allocations shall be made by the Manager in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Paragraph VI.3B are solely for purposes of Federal, state and local taxes and shall not affect, or in any way be taken into account in computing, any Capital Account or share of Profits, Losses or other items of any Member, or distributions to any Member, pursuant to any provision of this Agreement.

C. Other Allocation Rules.

(i) Generally, all Profits and Losses shall be allocated among the Members as provided in Section VI.2 and this Section VI.3. If Members are admitted to the Company on different dates during any Fiscal Year, the Profits or Losses allocated among the Members for each such Fiscal Year shall be allocated in proportion to their respective Capital Accounts from time to time during such Fiscal Year in accordance with Code Section 706, using any convention permitted by law and selected by the Manager.

(ii) For purposes of determining the Profits, Losses or any other items allocable to any period, Profits, Losses and any such other items shall be determined on a daily, monthly or other basis, as determined by the Manager using any permissible method under Code Section 706 and the Regulations thereunder.

(iii) Notwithstanding any of the foregoing provisions to the contrary, if taxable gain to be allocated includes income resulting from the sale or disposition of Company property or property of a limited partnership or joint venture in which the Company owns an interest that is treated as ordinary income, such gain so treated as ordinary income shall be allocated to and reported by each Member in proportion to allocations to that Member of the items that gave rise to such ordinary income, and the Company shall keep records of such allocations. In the event of the subsequent admission of any new Member, any item that would constitute "unrealized receivables" under Code Section 751 and the Regulations thereunder shall not be shared by the newly admitted Members, but rather shall remain allocated to existing Members.

D. Provisional Allocation. If any amount claimed by the Company to constitute a deductible expense in any Fiscal Year is treated by any Federal, state or local taxing authority as a

payment made to a Member in such Member's capacity as a member of the Company for income tax purposes, with regard to such authority, items of income and gain of the Company for such Fiscal Year shall first be allocated to such member to the extent of such payment.

VI.4 OMIT

VI.5 Withdrawals from Capital Accounts. Subject to such provision for the payment and discharge when due of all Company liabilities and the establishment of such reserves for contingencies as the Manager may determine, a Member may, as of any Redemption Date, withdraw all or any portion of any Capital Account which has been maintained for that Member and thereby cause all or a portion of its Membership Interest to be redeemed, in amounts per Capital Account of not less than One Hundred Thousand Dollars (\$100,000.00) per Redemption Date, by giving not less than thirty (30) days' prior written notice to the Manager, which Notice shall specify the amount to be withdrawn, provided however, that a Member may not withdraw any part of his or her Capital Account until the Capital Account to be withdrawn has been in existence for six full months. In the event that notice of redemption is given, the Company will pay the withdrawing Member, within sixty (60) days after the Redemption Date as to which the redemption is being made, an amount equal to the lesser of the amount to be withdrawn and ninety percent (90%) of the Manager's estimate of the withdrawing Member's Capital Account balance as of the Redemption Date. Then, within one-hundred and twenty (120) days after the end of the Fiscal Year in which the Redemption Date occurs, the Company will pay the balance, if any, of the amount to be withdrawn (with the Member being required to repay any excess which the Member might have received, as determined by the Company's regularly engaged outside accountants from Fiscal Year end financial information of the Company, with interest payable on the amount to be returned by the Member if not returned within thirty (30) days of the date upon which demand therefor is made by the Manager, with such interest to accrue and be payable at the rate of ten percent (10%) per annum). As provided in Section VI.2 hereof, the Special Allocation will be made as to the amounts withdrawn. Subject to maintaining the minimum Capital Account balance required by Section III.1 hereof and notwithstanding the foregoing provisions of this Section VI.5, the Manager may make withdrawals from its Capital Account at any time, and from time to time, as it deems appropriate.

VI.6 Other Distributions. From time to time, as the Manager in its sole and absolute discretion shall determine, the Manager may distribute cash or other property to the Members in proportion to their respective Capital Accounts; with it being understood, however, that the Manager shall have the absolute right to cause the Company to retain, invest and reinvest any and all cash or other assets, including the proceeds from sale or other disposition of Company investments, that no such discretionary distributions shall be required and that the Manager does not intend generally, if ever, to make such distributions.

VI.7 Form of Distribution. A Member, regardless of the nature of the Member's Capital Contribution, has no right to demand and receive any distribution from the Company in any form other than money. Except as otherwise expressly provided herein, Company distributions and redemptions may be made in cash or in kind, in the discretion of the Manager, and the decision to effect distributions in kind or in cash may be made independently of the tax consequences of that decision on the Member receiving the distribution. Distributions may be made to some Members in kind, notwithstanding that others are simultaneously receiving cash.

VI.8 Restriction on Distributions.

A. Limitation. No Distribution shall be made if, after giving effect to the Distribution, all liabilities of the Company, other than liabilities to Members on account of their Membership Interests and liabilities for which the recourse of creditors is limited to specified property of the Company, exceed the fair value of the assets of the Company, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in the assets of the Company only to the extent that the fair value of that property exceeds that liability.

B. Liability for Return. A Member who receives a distribution in violation of Paragraph VI.8A and who knew at the time of the distribution that the distribution violated Paragraph VI.8A shall be liable to the Company for the amount of the distribution. A Member who receives a distribution in violation of Paragraph VI.8A and who did not know at the time of the distribution that the distribution violated Paragraph VI.8A shall not be liable for the amount of the distribution. Subject to Paragraph VI.8C, this Paragraph VI.8B shall not affect any obligation or liability of a Member under this Agreement or applicable law for the amount of a distribution.

C. Limitation on Liability. A Member who receives a distribution from the Company shall have no liability for the amount of the distribution after the expiration of three (3) years from the date of the distribution unless an action to recover the distribution from such Member is commenced prior to the expiration of the said 3-year period and an adjudication of liability against such Member is made in the said action.

VI.9 Returned Distributions. The amount of any distribution returned to the Company by a Member or Economic Interest owner or paid by a Member or Economic Interest owner for the account of the Company or to a creditor of the Company shall be added to the account or accounts from which it was subtracted when it was distributed to the Member or Economic Interest owner.

VI.10 Obligations of Members to Report Allocations. The Members are aware of the income tax consequences of the allocations made by this Article VI and hereby agree to be bound by the provisions of this Article VI in reporting their shares of Company income and loss for income tax purposes.

ARTICLE VII

TRANSFER AND ASSIGNMENT OF INTERESTS

VII.1 Transfer and Assignment of Interests. No Member shall be entitled to transfer, assign, convey, sell, encumber or in any way alienate all or any part of his or her Membership Interest (collectively, "transfer") except with the prior written consent of the Manager, which consent may be given or withheld, conditioned or delayed (as allowed by this Agreement or the Act), as the Manager may determine in its sole and absolute discretion and only if said assignment is in full compliance with the laws of the State of Connecticut as they apply to the production of Medicinal Marijuana. Transfers in violation of this Article VII shall only be effective to the extent set forth in Section VII.7. After the consummation of any transfer of any part of a Membership Interest, the Membership Interest so transferred shall continue to be subject to the terms and provisions of this Agreement and any further transfers shall be required to comply with all the terms and provisions of this Agreement.

VII.2 OMIT.

VII.3 Substitution of Members. An Assignee of a Membership Interest shall have the right to become a substitute Member only if (i) the requirements of Sections VII.1 relating to consent of the Manager and securities and tax requirements hereof are met, (ii) the Assignee executes an instrument satisfactory to the Manager accepting and adopting the terms and provisions of this Agreement, and

(iii) the Assignee pays any reasonable expenses in connection with his or her admission as a new Member, (iv) the admission of said Assignee complies with the Laws of the State of Connecticut as the apply to the production of Medicinal Marijuana. The admission of an Assignee as a substitute Member shall not result in the release of the Member who assigned the Membership Interest from any liability that such Member may have to the Company.

VII.4 Permitted Transfers. The Economic Interest of any Member may be transferred subject to compliance with Sections VII.2 and VII.3, but only with the prior written consent of the Manager as required by Section VII.1 and in compliance with applicable Connecticut State Law, by the Member by inter vivos gift or by testamentary transfer to any spouse, parent, sibling, in-law, child or grandchild of the Member, or to a trust for the benefit of the Member or such spouse, parent, sibling, in-law, child or grandchild of the Member.

VII.5 Effective Date of Permitted Transfers. Any permitted transfer of all or any portion of a Membership Interest or an Economic Interest shall be effective as of the date provided in Section VI.3 following the date upon which the requirements of Sections VII.1 and VII.3 have been met. Any transferee of a Membership Interest shall take subject to the restrictions on transfer imposed by this Agreement.

VII.6 Rights of Legal Representatives. If a Member who is an individual dies or is adjudged by a court of competent jurisdiction to be incompetent to manage the Member's person or property, the Member's executor, administrator, guardian, conservator, or other legal representative may exercise all of the Member's rights for the purpose of settling the Member's estate or administering the Member's property, including any power the Member has under the Articles or this Agreement to give an assignee the right to become a Member. If a Member is a corporation, trust, or other entity and is dissolved or terminated, the powers of that Member may be exercised by his or her legal representative or successor.

VII.7 No Effect to Transfers in Violation of Agreement. Upon any transfer of a Membership Interest in violation of this Article VII, the transferee shall have no right to vote or participate in the management of the business, property and affairs of the Company or to exercise any rights of a Member. Such transferee shall only be entitled to become an Assignee and thereafter shall only receive the share of one or more of the Company's Profits, Losses and distributions of the Company's assets to which the transferor of such Economic Interest would otherwise be entitled. Notwithstanding the immediately preceding sentences, if, in the determination of the Manager, a transfer in violation of this Article VII would cause the tax termination of the Company under Code Section 708(b)(1)(B), the transfer shall be null and void and the purported transferee shall not become either a Member or an Assignee.

ARTICLE VIII

CONSEQUENCES OF DISSOLUTION EVENTS

Upon the occurrence of a Dissolution Event as to the Manager, the Company shall dissolve unless the remaining Members ("Remaining Members") holding a majority of the Percentage Interests which all Remaining Members hold consent within ninety (90) days of the Dissolution Event to the continuation of the business of the Company and to the election of a new Manager.

ARTICLE IX

ACCOUNTING, RECORDS, REPORTING BY MEMBERS

IX.1 Books and Records. The books and records of the Company shall be kept, and the financial position and the results of its operations recorded, in accordance with the accounting methods followed for Federal income tax purposes. The books and records of the Company shall reflect all the Company transactions and shall be appropriate and adequate for the Company's business. The Company shall maintain at its principal office in all of the following:

- (a) A current list of the full name and last known business or residence address of each Member and Assignee set forth in alphabetical order, together with the Capital Contributions, Capital Account and Percentage Interest of each Member and Assignee;
- (b) A current list of the full name and business or residence address of each Manager;
- (c) A copy of the Articles and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which the Articles or any amendments thereto have been executed;
- (d) Copies of the Company's Federal, state, and local income tax or information returns and reports, if any, for the six (6) most recent taxable years;
- (e) A copy of this Agreement and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which this Agreement or any amendments thereto have been executed;
- (f) Copies of the financial statements of the Company, if any, for the six (6) most recent Fiscal Years; and
- (g) The Company's books and records as they relate to the internal affairs of the Company for at least the current and past four (4) Fiscal Years.

IX.2 Delivery to Members and Inspection.

A. Delivery of Information. Upon the request of any Member or Assignee for purposes reasonably related to the interest of that Person as a Member or Assignee, within ten business days the Manager shall deliver to the requesting Member or Assignee, at the expense of the Company, a copy of the information required to be maintained under Paragraphs IX.1(a), (b) and (d), and a copy of this Agreement.

B. Inspection and Copying. Each Member, Manager and Assignee has the right, upon reasonable request for purposes reasonably related to the interest of the Person as Member, Manager or Assignee, to:

- (i) inspect and copy during normal business hours any of the Company records described in Paragraphs IX.1(a) through IX.1(g); and
- (ii) obtain from the Manager, promptly after their becoming available, a copy of the Company's Federal, state, and local income tax or information returns for each Fiscal Year.

C. Right to Request. Any request, inspection or copying by a Member or Assignee under this Section IX.2 may be made by that Person or that Person's agent or attorney.

D. Copies of Amendments. The Manager shall promptly furnish to a Member a copy of any amendment to the Articles or this Agreement executed by the Manager pursuant to a power of attorney from the Member.

IX.3 Annual and Quarterly Statements.

A. Delivery of Statements. Within one-hundred and twenty (120) days after the end of each Fiscal Year, the Manager shall prepare, and each Member shall be furnished with, an audited balance sheet, statements of income and expense, Members' equity and changes in financial position, and Members will also receive a report from the Manager as to its determination of the value of the Company's net asset value. For the first three quarters of each year, the Nonmanager Members will also be furnished with unaudited financial statements and information concerning the valuation of the Company.

B. Tax Information. The Manager shall provide the Members with all tax information necessary for the preparation of their Federal, state and local income tax returns within 90 days after the close of each Fiscal Year.

IX.4 Company Accounts. The Manager shall maintain the funds of the Company with the Custodian.

IX.5 Accounting Decisions and Reliance on Others. All decisions as to accounting matters, except as otherwise specifically set forth herein, shall be made by the Manager. The Manager may rely upon the advice of their accountants as to whether such decisions are in accordance with accounting methods followed for Federal income tax purposes.

IX.6 Tax Matters for the Company Handled by Manager and Tax Matters Partner. The Manager shall from time to time cause the Company to make such tax elections as they deem to be in the best interests of the Company and the Members. The Tax Matters Partner shall represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including resulting judicial and administrative proceedings, and shall expend the Company funds for professional services and costs associated therewith. The Tax Matters Partner shall oversee the Company tax affairs in the overall best interests of the Company. If for any reason the Tax Matters Partner can no longer serve in that capacity or ceases to be a Member or Manager, as the case may be, the Manager may designate another to be Tax Matters Partner.

ARTICLE X

DISSOLUTION AND WINDING UP

X.1 Dissolution. The Company shall be dissolved, its assets shall be disposed of, and its affairs wound up on the first to occur of the following:

- (a) The entry of a decree of judicial dissolution;
- (b) The vote of the Manager; or
- (c) The occurrence of a Dissolution Event and the failure of the Remaining Members to consent in accordance with Article VIII to continue the business of the Company within ninety (90) days after the occurrence of such event.

X.2 Certificate of Dissolution. As soon as possible following the occurrence of any of the events specified in Section X.1, the Manager who has not wrongfully dissolved the Company or, if none, the Members, shall execute a Certificate of Dissolution in such form, if any, as shall be prescribed by the Connecticut Secretary of State and file the Certificate as required by the Act.

X.3 Winding Up. Upon the occurrence of any event specified in Section X.1, the Company shall continue solely for the purpose of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors. The Manager who has not wrongfully dissolved the Company or, if none, the Members, shall be responsible for overseeing the winding up and liquidation of Company, shall take full account of the liabilities of Company and assets, shall either cause its assets to be sold or distributed, and if sold shall cause the proceeds therefrom, to the extent sufficient therefor, to be applied and distributed as provided in Section X.5. The Persons winding up the affairs of the Company shall give written notice of the commencement of winding up by mail to all known creditors and claimants whose addresses appear on the records of the Company. The Manager or Members winding up the affairs of the Company shall not be entitled to any compensation for such services.

X.4 Distributions in Kind. Any non-cash asset distributed to one or more Members shall first be valued to determine the Profit or Loss that would have resulted if such asset were sold for such value, such Profit or Loss shall then be allocated pursuant to Article VI, and the Members' Capital Accounts shall be adjusted to reflect such allocations. The amount distributed and charged to the Capital Account of each Member receiving an interest in such distributed asset shall be the value of such interest (net of any liability secured by such asset that such Member assumes or takes subject to).

X.5 Order of Payment Upon Dissolution. After determining that all known debts and liabilities of the Company, including, without limitation, debts and liabilities to Members who are creditors of the Company, have been paid or adequately provided for, the remaining assets shall be distributed to the Members in accordance with their positive Capital Account balances, after taking into account allocations for the Company's taxable year during which liquidation occurs. Such liquidating distributions shall be made by the end of the Company's taxable year in which the Company is liquidated, or, if later, within ninety (90) days after the date of such liquidation.

X.6 Limitations on Payments Made in Dissolution. Except as otherwise specifically provided in this Agreement, each Member shall only be entitled to look solely at the assets of the Company for the return of his or her positive Capital Account balance and shall have no recourse for his or her Capital Contribution and/or share of Profits (upon dissolution or otherwise) against the Manager or any other Member.

X.7 Certificate of Cancellation. The Manager or Members who filed the Certificate of Dissolution shall, if required by the Act, cause to be filed in the office of, and on a form prescribed by, the Connecticut Secretary of State, a Certificate of Cancellation of the Articles upon the completion of the winding up of the affairs of the Company.

ARTICLE XI

INDEMNIFICATION

XI.1 Indemnification. The Manager may authorize the Company to pay expenses incurred by, or to satisfy a judgment or fine rendered or levied against, a present or former Manager, an employee of a Manager or a former or present employee of the Company in an action brought by a third party against such person (whether or not this Company is joined as a party defendant) to impose a liability or penalty on such person for an act alleged to have been committed by such person while a Manager, employee of such Manager or former or present employee of the Company, provided that (i) the person to be indemnified was acting in good faith within what he reasonably believed to be the scope of his employment or authority and for a purpose which he reasonably believed to be in the furtherance of the purpose and best interests of the Company or the Members, and (ii) the action or failure to act in which respect of which indemnification is sought does not constitute negligence, willful misconduct or violation of applicable law. Payments authorized hereunder include amounts paid and expenses incurred in settling any such action or threatened action. This provision does not apply to any action instituted or maintained in the right of this Company or by a Member. The indemnification authorized by this Article XI shall be made from assets of the Company and no Member shall be personally liable to an indemnitee.

XI.2 Successors and Assigns; Limitations. This Article XI shall inure to the benefit of the Manager, its shareholders, partners, employees and agents, the employees and agents of the Company, and their respective heirs, executors, administrators, successors and assigns. The Federal securities laws impose liabilities under certain circumstances on persons who act in good faith, and, therefore, nothing herein shall in any way constitute a waiver or limitation of any rights which a Member may have under any Federal securities laws.

ARTICLE XII

COMPETING ACTIVITIES

The Manager need not devote all of its business time to the affairs of the Company, but shall devote only so much of its time and attention as it shall deem necessary and advisable. Each of the parties hereto acknowledges and agrees that any of the Members may engage in or possess an interest in other business ventures of any nature and description independently or with others, and neither the Company nor the Members shall have any right by virtue of this Agreement in or to such independent ventures or to the income or profits derived therefrom. No Member shall be accountable to the Company for any investment or business opportunity which a Member hereafter becomes aware of by reason of the affairs of the Company. The Members and each of them hereby waive any and all rights which they or any of them have now or may have in the future by reason of the doctrine of partnership or corporate opportunity in connection with the affairs of the Company. The fact that any Member, or any Affiliate of any Member, or a member of his or her family, is employed by, or is directly or indirectly interested in or connected with, any person, firm or corporation employed or engaged by the Company to render or perform a service, or from whom the Company may make any purchase, or to whom the Company may make any sale, or from or to whom the Company may obtain or make any loan or enter into any lease or other arrangement, shall not prohibit the Company from engaging in any transaction with such person, firm or corporation, or create any additional duty of legal justification by such Member or such person, firm or corporation beyond that of an unrelated party, and neither the Company nor any other Member shall have any right in or to any revenues or profits derived from such transaction by such Partner, Affiliate, person, firm or corporation. Neither the Company nor any Member shall have any right in or to any such independent venture or investment or the revenues or profits derived therefrom. The above references to Members include Members who are Managers.

ARTICLE XIII

MISCELLANEOUS

XIII.1 Counsel to the Company. Counsel to the Company may also be counsel to any Manager or Investment adviser or any Affiliate of a Manager. The Manager and the Investment adviser may execute on behalf of the Company and the Members any consent to the representation of the Company that counsel may request pursuant to the Connecticut Rules of Professional Conduct or similar rules in any other jurisdiction ("Rules"). The Company has initially selected

, Esq. ("Company Counsel") as legal counsel to the Company. Each Member acknowledges that Company Counsel does not represent any Nonmanager Member in the absence of a clear and explicit written agreement to such effect between the Nonmanager Member and Company Counsel, and that in the absence of any such agreement Company Counsel shall owe no duties directly to a Nonmanager Member. Notwithstanding any adversity that may develop, in the event any dispute or controversy arises between any Members and the Company, or between any Members or the Company, on the one hand, and a Manager or Investment adviser that Company Counsel represents, on the other hand, then each Member agrees that Company Counsel may represent either the Company or such Manager (or their respective Affiliate), or both, in any such dispute or controversy to the extent permitted by the Rules, and each Member hereby consents to such representation. Each Member further acknowledges that: (a) Company Counsel has represented the interests of Breakwater Production Facility, LLC in connection with the formation of the Company and the preparation and negotiation of this Agreement; (b) while communications with Company Counsel concerning the formation of the Company, its Members and Managers may be confidential with respect to third parties, no Member has any expectation that such communications are confidential with respect to Breakwater Production Facility, LLC.

XIII.2 Complete Agreement. This Agreement, the Placement Memorandum, the Subscription Agreement and the Articles constitute the complete and exclusive statement of agreement among the Members and Manager with respect to the subject matter herein and therein and replace and supersede all prior written and oral agreements or statements by and among the Members and Manager or any of them. No representation, statement, condition or warranty not contained in this Agreement or the Articles will be binding on the Members or Manager or have any force or effect whatsoever. To the extent that any provision of the Articles conflict with any provision of this Agreement, the Articles shall control.

XIII.3 Binding Effect. Subject to the provisions of this Agreement relating to transferability, this Agreement will be binding upon and inure to the benefit of the Members, and their respective successors and assigns.

XIII.4 Parties in Interest. Except as expressly provided in the Act, nothing in this Agreement shall confer any rights or remedies under or by reason of this Agreement on any Persons other than the Members and Managers and their respective successors and assigns nor shall anything in this Agreement relieve or discharge the obligation or liability of any third person to any party to this Agreement, nor shall any provision give any third person any right of subrogation or action over or against any party to this Agreement.

XIII.5 Pronouns; Statutory References. All pronouns and all variations thereof shall be deemed to refer to the masculine, feminine, or neuter, singular or plural, as the context in which they are used may require. Any reference to the Code, the Regulations, the Act or other statutes or laws will include all amendments, modifications, or replacements of the specific sections and provisions concerned.

XIII.6 Headings. All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

XIII.7 Interpretation. In the event any claim is made by any Member relating to any conflict, omission or ambiguity in this Agreement, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Agreement was prepared by or at the request of a particular Member or his or her counsel.

XIII.8 References to this Agreement. Numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement unless otherwise expressly stated.

XIII.9 Jurisdiction. Each Member hereby consents to the exclusive jurisdiction of the state and Federal courts sitting in the State of Connecticut in any action on a claim arising out of, under or in connection with this Agreement or the transactions contemplated by this Agreement. Each Member further agrees that personal jurisdiction over him or her may be effected by service of process by registered or certified mail addressed as provided in Section XIII.13 of this Agreement, and that when so made shall be as if served upon him or her personally within the State of Connecticut.

XIII.10 Exhibits. All Exhibits attached to this Agreement are incorporated and shall be treated as if set forth herein.

XIII.11 Severability. If any provision of this Agreement or the application of such provision to any person or circumstance shall be held invalid, the remainder of this Agreement or the application of such provision to persons or circumstances other than those to which it is held invalid shall not be affected thereby.

XIII.12 Additional Documents and Acts. Each Member agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions, and conditions of this Agreement and the transactions contemplated hereby.

XIII.13 Notices. Any notice to be given or to be served upon the Company or any party hereto in connection with this Agreement must be in writing (which may include facsimile) and will be deemed to have been given and received when delivered to the address specified by the party to receive the notice. Such notices will be given to a Member or Manager at the address specified in Exhibit A hereto. Any party may, at any time by giving five (5) days' prior written notice to the other parties, designate any other address in substitution of the foregoing address to which such notice will be given.

XIII.14 Amendments. This Agreement may be amended only upon the written consent thereto of the Manager and a Majority Interest of the Nonmember Manager, except that the Manager may amend this Agreement without the consent of or notice to any of the Members to (a) cure any ambiguity, correct or supplement any provision in the Agreement which may be inconsistent with any other provision in this Agreement, or make any other provisions with respect to matters or questions arising under the Agreement which will not be inconsistent with the intent of the Agreement; (b) delete or add any provision of the Agreement required to be so deleted or added by the Securities and Exchange Commission or by a state securities law administrator or similar such official, which addition or deletion is deemed by such agency or official to be for the benefit or protection of the Members; (c) reflect the withdrawal, expulsion, addition or substitution of Members; (d) reflect the proposal, promulgation or amendment of Regulations under Code Section 704, if, in the opinion of the Manager, the amendment does not have a material adverse effect on the Members; (e) elect for the Company to be bound by any successor statute to the Act if, in the opinion of the Manager, the amendment does not have a material adverse effect on the Members; (f) conform the Agreement to changes in the Act or interpretations thereof which, in the discretion of the Manager, it believes appropriate, necessary or desirable, if, in its reasonable opinion, such amendment does not have a materially adverse effect on the Members or the Company; (g) change the name of the Company; (h) conform the Special Allocation to applicable law in a manner that the Manager believes will not have a material adverse effect on the Members or the Company; and (i) make any change which, in the discretion of the Manager, is advisable to qualify or to continue the qualification of the Company as a limited liability company or that is necessary or advisable, in the discretion of the Manager, so that the Company will not be treated as an association taxable as a corporation for Federal income tax purposes. Any amendments made pursuant to this Section XIII.14 may by its terms be made effective as of the date of this Agreement.

XIII.15 Reliance on Authority of Person Signing Agreement. If a Member is not a natural person, neither the Company nor any Member will (a) be required to determine the authority of the individual signing this Agreement to make any commitment or undertaking on behalf of such entity or to determine any fact or circumstance bearing upon the existence of the authority of such individual or (b) be responsible for the application or distribution of proceeds paid or credited to individuals signing this Agreement on behalf of such entity.

XIII.16 No Interest in Company Property; Waiver of Action for Partition. No Member or Assignee has any interest in specific property of the Company. Without limiting the foregoing, each Member and Assignee irrevocably waives during the term of the Company any right that he or she may have to maintain any action for partition with respect to the property of the Company.

XIII.17 Multiple Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

XIII.18 Attorney Fees. In the event that any dispute between the Company and the Members or among the Members should result in litigation, the prevailing party in such dispute shall be entitled to recover from the other party all reasonable fees, costs and expenses of enforcing any right of the prevailing party, including without limitation, reasonable attorneys' fees and expenses, all of which shall be deemed to have accrued upon the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Any judgment or order entered in such action shall contain a specific provision providing for the recovery of attorney fees and costs incurred in enforcing such judgment and an award of pre-judgment interest from the date of the breach at the maximum rate of interest allowed by law. For the purposes of this Section: (a) attorney fees shall include, without limitation, fees incurred in the following: (1) post-judgment motions; (2) contempt proceedings; (3) garnishment, levy, and debtor and third party examinations; (4) discovery; and (5) bankruptcy litigation and (b) prevailing party shall mean the party who is determined in the proceeding to have prevailed or who prevails by dismissal, default or otherwise.

XIII.19 Remedies Cumulative. The remedies under this Agreement are cumulative and shall not exclude any other remedies to which any person may be lawfully entitled.

IN WITNESS WHEREOF, this Operating Agreement has been executed on the date first above written.

MANAGER MEMBER

Breakwater Production Facility, LLC
a Connecticut limited liability corporation

By: H. Alexander Zaleski
H. Alexander Zaleski, President

Schedule 1

Names, Addresses, and
Percentage Interests of Members

<u>Name and Address of Member</u>	<u>Percentage Interest</u>
Members	48.25%
Steven Kraus	
Managing Members	51.75%
H. Alexander Zaleski -20.50%	
Walter Edelstein – 20.50%	
Jonathan Fisher – 10.25%	
<hr/>	
TOTAL:	100%

Attachment 7 – “Employer Identification Number”

 IRS DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
CINCINNATI OH 45999-0023

Date of this notice: 11-12-2013

Employer Identification Number:
[REDACTED]

Form: SS-4

Number of this notice: CP 575 B

BREAKWATER PRODUCTION FACILITY LLC
JONATHAN B FISHER MBR
444 MADISON AVE STE 1805
NEW YORK, NY 10022

For assistance you may call us at:
1-800-829-4933

IF YOU WRITE, ATTACH THE
STUB AT THE END OF THIS NOTICE.

WE ASSIGNED YOU AN EMPLOYER IDENTIFICATION NUMBER

Thank you for applying for an Employer Identification Number (EIN). We assigned you EIN [REDACTED]. This EIN will identify you, your business accounts, tax returns, and documents, even if you have no employees. Please keep this notice in your permanent records.

When filing tax documents, payments, and related correspondence, it is very important that you use your EIN and complete name and address exactly as shown above. Any variation may cause a delay in processing, result in incorrect information in your account, or even cause you to be assigned more than one EIN. If the information is not correct as shown above, please make the correction using the attached tear off stub and return it to us.

Based on the information received from you or your representative, you must file the following form(s) by the date(s) shown.

Form 1065

04/15/2014

If you have questions about the form(s) or the due date(s) shown, you can call us at the phone number or write to us at the address shown at the top of this notice. If you need help in determining your annual accounting period (tax year), see Publication 538, *Accounting Periods and Methods*.

We assigned you a tax classification based on information obtained from you or your representative. It is not a legal determination of your tax classification, and is not binding on the IRS. If you want a legal determination of your tax classification, you may request a private letter ruling from the IRS under the guidelines in Revenue Procedure 2004-1, 2004-1 I.R.B. 1 (or superseding Revenue Procedure for the year at issue). Note: Certain tax classification elections can be requested by filing Form 8832, *Entity Classification Election*. See Form 8832 and its instructions for additional information.

A limited liability company (LLC) may file Form 8832, *Entity Classification Election*, and elect to be classified as an association taxable as a corporation. If the LLC is eligible to be treated as a corporation that meets certain tests and it will be electing S corporation status, it must timely file Form 2553, *Election by a Small Business Corporation*. The LLC will be treated as a corporation as of the effective date of the S corporation election and does not need to file Form 8832.

To obtain tax forms and publications, including those referenced in this notice, visit our Web site at www.irs.gov. If you do not have access to the Internet, call 1-800-829-3676 (TTY/TDD 1-800-829-4059) or visit your local IRS office.

IMPORTANT REMINDERS:

- * Keep a copy of this notice in your permanent records. **This notice is issued only one time and the IRS will not be able to generate a duplicate copy for you.** You may give a copy of this document to anyone asking for proof of your EIN.
- * Use this EIN and your name exactly as they appear at the top of this notice on all your federal tax forms.
- * Refer to this EIN on your tax-related correspondence and documents.

If you have questions about your EIN, you can call us at the phone number or write to us at the address shown at the top of this notice. If you write, please tear off the stub at the bottom of this notice and send it along with your letter. If you do not need to write us, do not complete and return the stub.

Your name control associated with this EIN is BREA. You will need to provide this information, along with your EIN, if you file your returns electronically.

Thank you for your cooperation.

Keep this part for your records.

CP 575 B (Rev. 7-2007)

Return this part with any correspondence
so we may identify your account. Please
correct any errors in your name or address.

CP 575 B

9999999999

Your Telephone Number Best Time to Call DATE OF THIS NOTICE: 11-12-2013
() - _____ EMPLOYER IDENTIFICATION NUMBER: [REDACTED]

FORM: SS-4 NOBOD

INTERNAL REVENUE SERVICE
CINCINNATI OH 45999-0023
[REDACTED]

BREAKWATER PRODUCTION FACILITY LLC
JONATHAN B FISHER MBR
444 MADISON AVE STE 1805
NEW YORK, NY 10022

Attachment 8 – “Verification of Steven Kraus Ability to Obtain a ‘Letter of Credit’ from Merrill Lynch”



Bank of America Corporation

Anthony W. Luppino
Senior Vice President
Managing Director Investments

November 14, 2013

Connecticut Department of Consumer Protection
165 Capital Ave
Hartford, CT 06106

To whom it may concern:

Merrill Lynch/BofA has offices in the state of Connecticut and pending review and final approval by Merrill Lynch/BofA, Steven Kraus should be able to establish a \$2,000,000 Letter of Credit.

See attached verification of deposit letter signed by Merrill Lynch management

Sincerely,

A handwritten signature in black ink, appearing to read 'Anthony W. Luppino'.

Anthony W. Luppino

717 Fifth Avenue, 5th Floor • New York, NY 10022 • Tel: 212.415-7570 • Fax: 646-651-4500 • Anthony_w_luppino@ml.com

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Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
Are Not Deposits	Are Not Insured by Any Federal Government Agency	Are Not a Condition to Any Banking Service or Activity

MLPF&S is a registered broker-dealer, member Securities Investor Protection Corporation (SIPC) and a wholly owned subsidiary of Bank of America Corporation. Merrill Lynch Life Agency Inc. is a licensed agency and wholly owned subsidiary of Bank of America Corporation.

Attachment 9 – “Steve Kraus Ability to Finance \$4,000,000 Membership Interest”



Bank of America Corporation

November 14, 2013

**Connecticut department of consumer protection
165 Capital Ave
Hartford, CT 06106**

RE: Verification of Deposit

Important Notice

This is in response to the Verification of Deposit (VOD) request for the Merrill Lynch account of Steven Kraus. Details appear below.

Comments

Steven Kraus has assets in excess of \$4,000,000 on deposit at Merrill Lynch. Should it be requested /required Mr. Kraus currently has the ability to access these funds which are liquid and can be distributed to use as he see fit.

A handwritten signature in black ink, appearing to read "Anthony Falconieri".

Signature of Merrill Lynch Branch Office Management Team (OMT)

**Anthony Falconieri
Vice-President Administrative Manager**

Printed Name

Date

A handwritten date in black ink, appearing to read "11/17/2013".

*Please be advised, our CMA program permits account holders to access the assets in the account by Visa card and checks, which are drawn and processed against a Merrill Lynch account maintained for the customer at Bank of America, N.A. or JPMorgan Chase, N.A. of Columbus, Ohio. However, the account holder does not maintain a depository balance at that bank. The information provided above may change daily due to activity in the account and/or changes in market value of assets held in the account. This information is provided as a courtesy and Merrill Lynch is not liable or responsible for any decisions made, in whole or in part, on reliance upon this information.

This information is furnished to you in strict confidence in response to your request and is solely for your use for the purposes described in the Verification of Deposit request. If you have any questions, please contact the person whose signature appears above at 212-415-7376.



Bank of America Corporation

L-03-11

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Merrill Lynch makes available products and services offered by MLPF&S and other subsidiaries of Bank of America Corporation ("BAC").

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Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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Attachment 10 – “Breakwater PF Balance Sheet”

Breakwater Production Facility, LLC

Balance Sheet
November 13, 2013

Assets		Liabilities	
Cash and Cash Equivalents	<u>4,000,000</u>	Total Liabilities	<u>0</u>
		Membership Participation	4,000,000
Total Assets	<u>\$4,000,000</u>	Total Liabilities and Membership Participation	<u>\$4,000,000</u>

Attachment 11 – “Breakwater PF Journal Entries”

Breakwater Production Facility**Journal Entries****November, 2013**Debits Credits

Cash	33,000
Membership Participation	33,000

11/1/13: Cash contribution in return for equity from H. Alexander Zaleski, Walter Edelstein, Jonathan Fisher

Application Fee	25,000
Expenses for application production	8,000
Cash	35,000

11/13/13: Application fee and related expenses for application production paid for in cash

Cash equivalents	4,000,000
Membership Participation	4,000,000

11/13/13: Cash equivalent from Steven Kraus for Membership Participation in Breakwater PF, should license be awarded

Attachment 12 – “LOI”



CORNERSTONE REALTY, INC.
YOUR FOUNDATION FOR BUILDING SUCCESS™

225 East Aurora St.
P.O. Box 151
Waterbury, CT 06708
p (203) 597-0400
f (203) 753-9617

November 8, 2013

Mr. Walter Edelstein
Breakwater Production Facility LLC
444 Madison Avenue
Suite 1805
NY NY 10022

re: 400 Captain Neville Drive Lease Proposal – Breakwater Production Facility LLC

Dear Mr. Edelstein:

On behalf of 400 Connecticut LLC, we would like to make the following letter of intent proposal to Breakwater Production Facility LLC for the leasing of a portion of the facility at 400 Captain Neville Drive, Waterbury, CT and would welcome their tenancy in the building. The Premises description and business terms are summarized below.

Location: 400 Captain Neville Drive
Waterbury, CT. Located in an IP Zone.
Located just off I-84, Exit 25A in the Capt. Neville Industrial Park
on the Cheshire/Waterbury line.

Ownership: 400 Connecticut LLC, acquired the building in 2012 and it is locally owned and managed through an affiliate based in Waterbury. The owners have several buildings in this industrial park and a full time maintenance person overseeing the buildings. The property was acquired for investment purposes with a long term hold strategy. With local ownership and management and a simple ownership structure, we are able to make lease decisions immediately.

Management: The property is managed by Cornerstone Realty, Inc., an entity affiliated with the ownership. The management team is located in Waterbury - less than 10 minutes from the building.

Term of Letter of Intent: This letter of intent shall be valid and Landlord shall "reserve" 30,000 s.f. of space in the facility until either Tenant is informed of the outcome of its application to receive a Connecticut State license to produce medical marijuana from the Premises or

February 15, 2014, whichever first occurs. In the event Tenant has not heard the result of its application on or before February 15, 2014, Landlord and Tenant will discuss the terms of an extension. If mutually acceptable terms are able to be reached, then a written amendment to this letter of intent must be executed by both parties. If an agreement on the terms of an extension are not achieved within the sole discretion of Landlord, Landlord shall have the right to elect not to extend the terms of this letter of intent, and this letter shall expire on February 15, 2014 and there shall be no further rights or responsibilities between the parties.

LEASE TERMS:

Initial Lease term:

10 years commencing upon lease execution. Tenant shall be able to occupy the Premises any time after substantial completion of the tenant improvements, which could be completed within approximately 2 months of lease execution. The Tenant shall only pay for CAM and utility expenses during any early occupancy period. Base Rent shall commence three months following lease execution ("Rent Commencement Date"). Notwithstanding the above, this agreement and all rights and responsibilities related thereto shall terminate immediately upon (1) the Tenant receiving notice from the State that the issuance of licenses has been completed and Tenant was not chosen to receive a license; or (2) the issuance of the licenses by the State have been delayed beyond February 15, 2014 and Landlord elects in its sole discretion not to extend the time in which it shall reserve space in the building for the Tenant. Further, in the event Tenant misses any deadline or requirement for the license application and is no longer in consideration for the license, this agreement shall terminate.

One Five Year Renewal:

Tenant shall have one 5 year renewal option to be exercised with 12 months prior written notice to Landlord.

Proposed Premises:

Approximately 30,000 s.f., expected to be situated on the southern half of the vacant portion of the building. The space will be measured and the actual square footage agreed to prior to lease execution. Landlord reserves the right to determine the final location of the 30,000 s.f. block in its sole discretion as long as it has the access and loading capability as contemplated herein.

Base Rent:

year

In year one, the Base Rent shall be \$3.75 NNN per s.f. The Base Rent shall increase in year two to \$4.00 NNN per s.f. Each lease thereafter, the base rent shall increase by 3%.

Tenant is also responsible for all operating expenses, insurance and

real estate taxes. (“CAM”) Current budgeted operating expenses are approximately \$.90 cents per s.f. per year. Real estate taxes for the current fiscal year are \$.92 cents per square foot. (further - this amount would be reduced to approximately 18 cents per s.f. for the first 5 years if the Tenant qualifies for the Urban Jobs benefits – which is expected based on Tenant’s expected use). Tenant’s pro rata share is 14.42% of the 208,000 s.f. total size of the building assuming the leased premises is 30,000 s.f. The final CAM pro rata share calculation will be completed based on the final measured leased premises.

Base Rent during the first renewal term shall commence at 95% of the then market rate or the last effective rent rate whichever is greater. Each year thereafter, the rent rate shall increase by 3%.

Additional: In addition to Base Rent outlined above, Tenant is also responsible for utilities, Tenant janitorial and rubbish removal.

Tenant Improvements: The Landlord will complete the following Tenant Improvements at Landlord’s sole cost and expense prior to lease commencement:

1. Landlord shall construct the required demising walls and cause all utilities to be separated with separate meters or sub-meters.
2. All lights turned over in good working condition.
3. Provide electrical meter and panel with up to 600 Amps of power at 480 within the Premises. Additional power capacity and electrical drops shall be completed at Tenant’s expense. (see “Electrical” heading below for more terms on electrical capacity requirements)
4. The roof top HVAC units above the outlined Premises shall be turned over with the heating in good working condition. Any modifications to the air conditioning units as well as the distribution of air through ductwork required within the Premises shall be at Tenant’s expense. These units shall be maintained and repaired as required by Tenant at Tenant’s expense throughout the term of the lease. (see “HVAC Details” below)
5. Any existing bathrooms within the agreed Premises shall be turned over in good working condition and to code. In the event the Premises does not have existing bathrooms, Landlord will construct a men’s and women’s bathroom to code.
6. All required life safety to code shall be turned over in good working condition. Any modifications or improvements to the system, including the sprinkler system, that are required due to Tenant’s specific use, shall be paid for by Tenant.
7. Two drive in door ramps or drive in doors at grade will be

installed at a size that accommodates cargo vans.

8. Landlord will construct 1000 s.f. of office using standard building materials and finishes in a location within the Premises that is mutually satisfactory. The details of the office configuration shall be outlined further in the Lease.

In all other respects, the Premises will be turned over in its “as-is” condition. The Tenant will be making several improvements to the facilities at its own costs, including the need to add additional power, lighting, sprinkler, HVAC, and plumbing work. Any and all work shall be pre-approved by Landlord and completed by licensed contractors (approved by Landlord) and following plans and specs that were properly submitted for all required permits and approvals. Any chemicals or fertilizers to be used shall be pre-approved by Landlord's licensed environmental engineer (“LEP”) prior to lease execution and all processes and procedures for the storage, containment and disposal required by the LEP shall be strictly followed by Tenant as more specifically outlined in the Lease.

Parking: Ample parking on the east and west side of the facility will be allocated for Tenant's use.

Use: Tenant shall use the Premises for the manufacturing, warehousing and distribution of medical marijuana products. In the future, Tenant may seek the approvals to operate a dispensary at this location in the event they are able to obtain the necessary permits and approvals.

Landlord will require Tenant to take all necessary steps to prevent any damage of any kind to the facilities arising from any moisture and humidity or other growing conditions and any other treatment of the air and water, necessary to prevent damage to the building, including but not limited to rusting of the structural steel, light fixtures, roof decking etc.

Signage: To be agreed to the mutual satisfaction of both parties.

Janitorial and Refuse: Tenant is responsible for cleaning the Premises and removal of all refuse at its sole cost and expense.

Life Safety: Building is sprinklered and has a fire alarm system.

Phone and Data: Tenant shall install its own phone and data at its own expense.

Brokerage Commission: Tenant has not been represented by any other broker other than

Kyle Roberts from CBRE. CBRE shall be paid a full 5% commission on the base rent paid in the first five years of the Lease Term and 2.5% during the first 5 year renewal in the event Tenant exercises its right to extend for one additional 5 year term.

Security Deposit: A letter of credit amounting to 1 year of full rent as security to cover any default under the lease or to restore the building back to its original condition.

Electrical: Building: 3000 Amps, 277/480 volts, 3 Phase. The Premises is designed to have up to 600 amps and shall have its own meter or sub-meter which shall be placed in Tenant's name for direct billing by the provider or billed to Tenant with no mark up if based on a check meter. If Tenant requires additional power, Landlord will assist in the coordination of the work to add the additional power but it shall be paid for by Tenant.

Roof: A new rubber membrane roof was installed in 2000 having a 20 year warranty to the year 2020.

Loading: The Premises shall have 2 drive in doors to fit standard size cargo vans.

Water: The building's water meter and water and sewer fees are included in the CAM expenses. In the event Tenant requires water for its production and process, a separate water line and meter shall be installed by Landlord at Tenant's expense and Tenant shall pay for its water and sewer consumption directly to the provider.

Lease Form: In the event Tenant receives the license during the time frames outlined herein, Landlord and Tenant shall negotiate a final lease agreement using the form of lease attached hereto, subject to modifications that are required to incorporate the terms of this letter of intent. The final lease, if executed by both parties, shall replace this letter of intent and thereafter, this letter of intent shall terminate.

This letter of intent is intended to be binding on the parties but subject to the execution of the final lease agreement signed and executed by both parties in the event Tenant is issued the license as recited herein.

Sincerely,


Jeffrey D. McLellan
President

Agreed and accepted: 
Breakwater Production Facility LLC

Attachment 13 – “Form Lease”

AGREEMENT OF LEASE

*400 Captain Neville Drive
Waterbury, CT
"The Property"*

400 Connecticut, LLC

Landlord

- and -

Breakwater Production Facility, LLC

Tenant

Dated as of ___, 201__

Draft 1
AGREEMENT OF LEASE

This Agreement of Lease is made as of the _____ day of ___, 2013 (the "Lease"), by and between **400 Connecticut, LLC**, a Limited Liability Company duly formed under the laws of the State of Delaware, having its principal office at 225 East Aurora Street, Waterbury, CT (herein called "**Landlord**") and Breakwater Production Facility, LLC, an LLC having its principal office at _____ (herein called "**Tenant**").

W I T N E S S E T H :

1. **Premises.** **Landlord** is the owner of the land and building known as 400 Captain Neville Drive, located in the City of Waterbury, County of New Haven, State of Connecticut, described on Exhibit A attached hereto and made a part hereof, which land ("Land") and building ("Building") and any other improvements now or hereafter placed thereon, together with all appurtenances thereto, are herein sometimes collectively called the "Property". **Landlord** does hereby demise and let unto **Tenant**, and **Tenant** does hereby lease and take from **Landlord**, for the term and upon the terms, covenants, conditions and provisions set forth herein, all that certain portion of the Building as shown outlined in red on Exhibit B attached hereto and made a part hereof, consisting of what the parties agree to be _____ rentable square feet, (hereinafter called the "Premises"), together with the right to use, in common with others, the specific common portions of the Building and the access drives on the Land as depicted on Exhibit B attached hereto and made a part hereof. It is further understood and accepted by Tenant that Landlord, within its sole discretion, may develop additional buildings and or improvements on the Property, and/or make changes to the common portions of the Land and Building, so long as the new development and/or such changes do not materially disrupt Tenant's use and access and egress to the Premises.

2. **Term.**

a. **Commencement and Termination.** The term of this Lease ("Term") shall commence on ___, 2013 hereinafter referred to as the "Commencement Date". Unless sooner terminated or extended in accordance with the terms hereof, the Term shall expire, without the necessity for notice from either party to the other, at 11:59 p.m. EST on the completion of the _____ (____) month following the Rent Commencement Date (defined herein) (herein called the "Expiration Date"). Only to the extent that it does not materially interfere with or delay the completion of Landlord's Improvements, Tenant shall have the right to install fixtures, equipment, furnishings and telecommunication cabling in the Premises immediately following the Commencement Date. Tenant shall be responsible to pay for all utility costs provided to the Premises during the Term. Commencing on the Commencement Date, Tenant shall be responsible to also pay for all Additional Rent as defined in Section 4(c) below. Minimum Annual Rent shall commence _____ months following the Commencement Date as set forth below ("Rent Commencement Date")

b. **Renewal Option:** Tenant shall have the option to renew this Lease for one additional five (5) year period on the same terms and conditions herein, subject to the Rent (as such term is defined in Section 4(d) below) adjustment provided in Section 4(b) below and also that Tenant shall have no further renewal options and Landlord shall not be obligated to refurbish the Premises or provide any allowance therefor. **Tenant's** option to renew shall be conditioned on there being no Event of Default hereunder on the part of the **Tenant** in effect at the time **Tenant** attempts to exercise its option to renew, or at the commencement date of the additional term. Furthermore, if during the Term of the Lease, an Event of Default has occurred, as described in Section 26 herein, on two separate occasions, then **Tenant's** renewal option set forth herein shall be terminated at the sole discretion of the **Landlord**. This option to renew must be exercised by written notice from the **Tenant** to the **Landlord** in accordance with the notice provisions of Section 31, below, not less than twelve (12) months prior to the Expiration Date, time being of the essence.

3. **Use of Premises.** Tenant shall occupy and use the Premises and related rights to the other specified parts of the Property only for the production, assembly and sale of _____. Tenant will not permit the Premises, or the

Property, during the Term, to be used in any manner, or suffer or permit anything to be brought into or kept in the Premises, or on the Property, that would in any way: (i) violate any Legal Requirements or reasonable rule now or hereafter promulgated by the Landlord; (ii) cause damage to the Building, the Premises or the Property, including the paved loading and parking areas; (iii) interfere with, or overload, the normal operation of the heating, air conditioning, ventilating, plumbing, mechanical, or electrical systems of the Building or any elements installed therein; (iv) exceed the load bearing capacity rating of any floors, elevators, loading docks, or roadways; (v) create a public or private nuisance; (vi) change the external or internal appearance of the Building, Premises or Property, except within the Premises in accordance with the provisions set forth in Section 13(b), below; (vii) materially injure the reputation of the Property; (viii) increase the fire hazard of the Property; (ix) disturb other tenants of the Property or properties in the vicinity of the Property; (x) permit any Contaminant, as defined in Section 28(b), to be used, stored or produced on the Property; (xi) allow or perform any outside storage of any materials or equipment of any kind, except in parked tractor trailers in designated areas in the rear parking area that are specifically approved by Landlord, and except for the placement of refuse in the area designated therefore on Exhibit B hereto, in receptacles and on terms specified in Section 40, below.

4. **Rent.**

a. **Minimum Annual Rent.** During the Term of this Lease, and commencing on _____, hereinafter the "Rent Commencement Date", **Tenant** shall pay an initial minimum annual rent, subject to adjustment as provided in Section 5(b), of \$____ per rentable square foot per year or _____, per year (\$____) (such minimum annual rent is herein called the "Minimum Annual Rent.") The Minimum Annual Rent shall be paid throughout each Lease Year (defined below), without notice or demand, in twelve equal monthly installments, in advance, on the first day of each calendar month during the Term of this Lease. Lease Year shall be a full 12 month period commencing on the Rent Commencement Date. If the Rent Commencement Date is modified by written agreement of the parties and is other than the first day of the month, the first monthly payment shall include an amount pro-rated based upon the number of days remaining in the month in which the Rent Commencement Date occurs plus one full month's payment. Subsequent monthly payments during said first Lease Year shall be in equal monthly installments of _____, (\$____).

b. **Adjustment.** The Minimum Annual Rent shall be adjusted at the end of the first full year of the Term as follows:

<u>Year</u>	<u>Per s.f.</u>	<u>Annual</u>	<u>Monthly</u>
2			
3			
4			
5			
6			
7			
8			
9			
10			

Renewal Term Minimum Annual Rent:

The Minimum Annual Rent shall be adjusted at the commencement of the Renewal Term to 95% of the then fair market minimum annual rent ("FMR") of the Premises or the last effective Minimum Annual Rent, whichever is greater. Each Lease Year during the Renewal Term shall have the Minimum Annual Rent increase by the greater of 50% of the Northeast Urban Consumers CPI, or 3% of the prior year's Minimum Annual Rent. Landlord and Tenant shall have 30 days from Landlord's receipt of Tenant's written notice of renewal in conformance with Section 4 hereof to reach an agreement, within the sole discretion of both Landlord and Tenant respectively, as to what will be the Minimum Annual Rent during the first year of the Renewal Term utilizing the parameters outlined herein. If for whatever reason, Landlord and Tenant are unable to reach an agreement regarding the Minimum Annual Rent for the first year of the Renewal Term within this 30 day period, then Tenant's exercise of the renewal option set forth herein shall be void and this Lease shall be terminated on the original Expiration Date as set forth herein.

c. **Additional Rent.** In addition to the Minimum Annual Rent provided in Sections 4(a) and 4(b), the **Tenant** covenants and agrees to pay when due to **Landlord** the amounts due under Sections 6, 7, 8, 9 and 10 of this Lease, **Tenant's** Proportionate Share of the Operating Expenses and Real Estate Taxes of the Property, as such terms are defined in Section 10(b) of this Lease, and any and all other sums otherwise payable from **Tenant** to **Landlord**. The amounts due **Landlord** under this Section 5(c) are herein called the "Additional Rent".

d. **Definition of Rent.** The Minimum Annual Rent, and the Additional Rent as defined in Section 4(c), are sometimes collectively referred to herein as the "Rent". The Rent shall be paid to **Landlord** at the address given in Section 31 of this Lease.

e. **No Rent Deduction or Set Off.** Except as otherwise specifically provided in Section 16(e), **Tenant's** agreement to pay the Rent is absolute and unconditional, and shall be independent of each and every other agreement between the parties, whether or not related to this Lease. **Tenant** agrees that any claim by **Tenant** against **Landlord** for any sum of money or obligation due and owing from **Landlord** to **Tenant** whether pursuant to this Lease or otherwise, shall not be deducted from any Rent, nor give rise to any abatement, deduction, counterclaim or set-off against any Rent due under the terms of this Lease.

5. **As-Is Condition.**

a. **As-Is Condition/Tenant's Due Diligence.** Except for the items specifically described in Exhibit C attached hereto and made a part hereof, the Premises, together with rights to use the remainder of the Property as set forth in Section 1 of the Lease shall be delivered in "As-Is" condition. The **Tenant** hereby confirms that it has had full opportunity to examine and inspect the condition of the Property, including the Premises, as well as to perform such due diligence as it has deemed appropriate concerning legal and regulatory matters concerning Legal Requirements (as such term is defined in Section 2(b), below) and any other matters related to the Property, including the Premises, that it has conducted such examinations, inspections and due diligence that it has deemed advisable concerning the physical condition of, and Legal Requirements for, Property, including the Premises. Without limiting the foregoing, **Tenant** represents that the Property and the Premises, the title thereto, the zoning thereof, the street or streets, sidewalks, parking areas, loading docks, curbs and access ways adjoining them, the surface (and provided the opportunity to inspect the sub surface conditions) thereof, interior access to the Premises, all utility systems, plumbing and heating, ventilating and air conditioning systems, lighting systems, sprinkler and fire alarm systems, and any other condition or system within or servicing the Property and the Premises, the present uses and non-uses thereof and the environmental conditions, including the Preexisting Environmental Conditions (as defined in Section 27, below), have been examined by **Tenant** in connection with its intended use of the Premises, and **Tenant** accepts them in their existing condition or state without relying on any representation of **Landlord**. The **Tenant** hereby also confirms that, except for the items set forth in Exhibit C, it has agreed to enter into this Lease and to accept the Premises together with rights to use the remainder of the Property as set forth in Section 1 of the Lease "As-Is".

b. **Legal Requirements.** As used in this Lease the term "Legal Requirements" shall mean laws, statutes and ordinances (including building codes and zoning regulations and ordinances) guidelines, and the orders, rules, regulations, directives and requirements of all federal, state, county, city and local departments, bureaus, boards, agencies, offices, commissions and other subdivisions thereof, or of any official thereof, or any other governmental, public or quasi-public authority, whether now or hereafter in force (whether or not the same may be valid).

6. **Government/City Incentives Impositions.**

a. **Contest by Landlord.** **Landlord** may bring proceedings to contest the validity or amount of any Imposition (as defined in Section 30(h) hereof) or to recover payments therefor. **Tenant** shall cooperate with **Landlord** with respect to such proceedings to the extent reasonably necessary and shall pay **Landlord**, if applicable, its Proportionate Share of all reasonable costs, fees and expenses, including appraisal, attorney fees and

consulting, incurred in connection with such proceedings. Tenant shall pay its Proportionate Share of the costs recited herein as part of the Operating Expenses as outlined in Section 10(b) below.

b. **Government /City Incentives.** **Tenant** shall be solely responsible to seek, obtain and maintain any real estate or other tax abatement or other economic benefit offered by the State of Connecticut, City of Waterbury or other governmental or municipal agency. At **Tenant's** sole cost and expense, **Landlord** shall cooperate with any reasonable request by **Tenant** related to such incentives to the extent there is no adverse affect to the Property, other tenants, **Landlord**, or this Lease Agreement. **Landlord** has not made any representations to the **Tenant** regarding the availability and/or **Tenant's** ability to obtain such incentives or benefits. Any such abatement or economic benefit which **Tenant** procures from the state or municipality will be passed through to the **Tenant** to the extent **Landlord** or the Property is the initial recipient of the abatement or benefit and provided there is no recourse to the **Landlord**.

c. **Impositions.** **Tenant** shall pay, throughout the Term of this Lease, any and all "Impositions", as this term is defined in Section 30(h) of this Lease, to the extent imposed upon or applicable to the Premises, the improvements located therein, the Lease or the Rent. Additionally, **Tenant** shall pay, as aforesaid, its Proportionate Share, as defined in Section 30(f), of any Impositions not imposed separately upon the Premises, or the Lease, but which are imposed upon the Land, the Building and/or the Property, and/or upon the leases, rents, transactions or documents relating to the Building and/or the Property. Tenant shall pay its Proportionate Share of the costs recited herein as part of the Operating Expenses as outlined in Section 10(b) below.

7. **Insurance.**

a. **Landlord Insurance.** **Landlord** shall maintain and keep in effect throughout the Term of this Lease insurance against loss or damage to the Building and the remainder of the Property by fire and such other casualties as may be included within either fire and extended coverage insurance or all-risk insurance, landlord liability, rental insurance, and other insurance as may be required, in **Landlord's** sole discretion. Tenant shall pay its Proportionate Share of the cost of such insurance, as part of Operating Expenses as outlined in Section 10(b) below.

b. **Tenant Insurance.** Tenant, at Tenant's sole cost and expense, shall maintain and keep in effect throughout the Term of this Lease, with companies licensed to do business in Connecticut and reasonably satisfactory to Landlord, (1) insurance against liability for personal or bodily injury or death and property damage coverage occurring in or about the Premises and the remainder of the Property to Tenant, its employees, agents, contractors, vendors, clients, visitors, invitees, affiliates, licensees and customers, under a policy of comprehensive property and general public liability insurance, with such minimum coverage and limits as set forth in Exhibit G attached hereto. Tenant shall provide Landlord with copies of the certificates of insurance and shall provide written notice to Landlord of any change in said policies or coverage. The Tenant shall have the sole responsibility for insuring any and all of its property within or around the Premises or Property. Tenant shall comply with all applicable Connecticut worker's compensation laws and shall maintain such insurance of and to the extent necessary for such compliance. The policies of commercial general liability insurance shall name Landlord, it's General Partner, Manager, its property manager, as well as any mortgagee designated by Landlord, as the named additional insureds as further outlined more specifically in Exhibit F. Each such policy shall provide that it shall not be cancelable without at least thirty (30) days prior written notice to Landlord, and to any mortgagee named in an endorsement thereto, and shall be issued by an insurer and in a form reasonably satisfactory to Landlord. At least ten (10) days prior to the Commencement Date, Tenant shall cause a certificate of insurance to be delivered to Landlord. If Tenant shall fail, refuse or neglect to obtain or to maintain any insurance that it is required to provide, or to furnish Landlord with satisfactory evidence of coverage on any such policy, Landlord shall have the right to purchase such insurance in addition to any other remedies available under the Lease. All such payments made by Landlord shall be payable to Landlord from Tenant within ten (10) days after Tenant being billed therefor. Except as otherwise provided in any mortgage on the Property, all insurance policies procured and maintained by Landlord shall provide that (i) except as to damages or losses to Tenant's property, other than leasehold improvements, and as to which Tenant has released Landlord, Landlord shall have full, complete and exclusive authority to adjust all losses thereunder and Tenant agrees to be bound by all adjustments made by Landlord and to cooperate with

Landlord in making such adjustments; and (ii) the insurer thereof shall waive all rights of subrogation against Tenant, Landlord, its property manager, any successor to Landlord's interest in the Property, and any mortgagee or assignee of Landlord's interest in the Property. No such policy shall contain any provision relieving the insurer thereof of any liability for any loss by reason of the existence of other policies of insurance covering the Premises and/or Property against the peril involved.

c. No Liability of Landlord for Losses of, or Claims Against, Tenant. Landlord shall not be liable for any claims for damages for personal or bodily injury, death or property damage in or about the Premises or the remainder of the Property to Tenant, its employees, agents, contractors, vendors, clients, visitors, invitees, affiliates, licensees and customers and their respective properties. Regarding other claims for damages, without limiting the foregoing, the Landlord shall not be liable for: (i) any damage or personal or bodily injury occasioned by failure of the Tenant to keep the Property or Premises in repair as required of Tenant under the terms of this Lease; (ii) any loss of or damage to property of Tenant caused or occasioned by or from fire, explosion, falling plaster, steam, motor vehicle accident, defect or failure of plumbing, electric, heating, air conditioning, ventilation, gas, water, sprinkler, other pipes or sewerage, or other utility system; (iii) any loss of or damage to property of Tenant caused or occasioned by or from the bursting, leaking or running of any pipes, tank or plumbing fixtures in, above, upon or about the Property or Premises, or any building or improvement thereon; (iv) any personal or bodily injury, damage or damage occasioned by water, snow or ice being upon the Property or Premises or coming through the roof, skylights, trap door, or otherwise; (v) any damages arising from acts or neglect of any persons, including other tenants or persons on the Property or the Premises, or by operations in construction, or by any owners or occupants of property in the vicinity of the Property; (vi) any interruption of use or occupancy of the Building, Property or Premises, or (vii) any damages related to the roof or the equipment or any lightning rods located thereon.

d. Release from Liability for Insured Property Damage/Waiver of Subrogation. Notwithstanding any other provision in this Lease, each of the parties hereby releases the other from any and all liability and recovery for any loss or damage that may be inflicted upon the property of such party even if such loss or damage shall be brought about by the fault or negligence of the other party, its agents or employees, but only to the extent such loss or damage is covered by insurance; provided, however, that this release shall be effective only with respect to loss or damage occurring during such time as the appropriate policy of insurance shall contain a clause to the effect that this release shall not affect any other provisions of said policy, including the waiver of subrogation provisions or the right of the insureds to recover thereunder. If any such policy does not contain such a clause, the other party agrees to obtain an endorsement to such policy providing therefore.

e. Increase of Premiums. Tenant will not do anything or fail to do anything on the Property or Premises, nor use the Premises or Property in a manner that will cause the cost of Landlord's insurance to increase or which will prevent Landlord from procuring policies (including but not limited to public liability) from companies, on terms and conditions and in a form satisfactory to Landlord in its sole discretion. If any breach of this Section (e) by Tenant shall cause the rate of fire or other insurance to be increased, Tenant will pay the amount of such increase within twenty (20) days after being billed therefor.

8. Repairs, Maintenance, and Operations.

a. Tenant's Responsibility for Premises. Except for the repair and maintenance obligations specifically imposed on **Landlord** under Sections 8(b), 8(c) and 8(d) following, **Tenant**, at its sole cost and expense and throughout the Term of this Lease: (i) shall keep and maintain the Premises in a clean and orderly manner on a day to day basis and in good order and condition and at levels consistent with other well managed industrial buildings in the Captain Neville Industrial Park area, including all utility and mechanical systems serving the Premises, and all appurtenances, in good order and condition, and free of accumulation of dirt and rubbish; (ii) shall replace all broken glass with that of the same size and quality; (iii) shall make all necessary or advisable renovations, repairs and replacements (collectively "Repairs") to the Premises, whether interior or exterior, ordinary or extraordinary, foreseen or unforeseen, necessary or desirable to maintain the condition of the Premises, and all the mechanical and utility systems situated thereon or otherwise servicing the Premises. Such mechanical and utility systems shall include, without limitation, all plumbing, heating, mechanical, electrical, lighting, air conditioning,

sprinkler and life safety systems, all fixtures, and any elevators or loading docks serving only the Premises. In performing such Repairs, **Tenant** shall not use or permit the use of any portion of the Property for outdoor storage. Repairs made by **Tenant** shall utilize materials and equipment which are at least equal in quality and usefulness to those originally used in fitting out or constructing the Premises. **Tenant** shall service and maintain all or any portion of any mechanical equipment and utility systems exclusively servicing the Premises at its cost and expense, using a service firm(s) acceptable to **Landlord** in **Landlord**'s sole discretion which shall provide service and maintenance in accordance with the manufacturer's and/or **Landlord**'s recommendations, and shall provide a copy of such service contracts to **Landlord**.

Notwithstanding any other provision of this Section, **Tenant** shall not be responsible for any Repairs and maintenance to the Premises necessitated by: (1) the gross negligence or willful misconduct of **Landlord**, or its employees, agents or independent contractors employed by **Landlord**; or (2) taking by eminent domain or conveyance in lieu thereof; or (3) any damage or deterioration to the footings, foundations and structural steel columns and girders forming a part of the Premises or Building unless such Repair or maintenance is necessitated as a result of the acts or omissions of **Tenant**.

b. **Landlord's Responsibility for Common Portions of Building**. Throughout the Term of this Lease, subject to reimbursement of expenses as set forth below, and subject to the other terms and conditions of this Lease concerning **Tenant**'s obligations and agreements, **Landlord** shall maintain the Building in a condition consistent with the other comparable buildings located in the Captain Neville Industrial Park and in doing so, shall make all necessary Repairs to: (i) the roof, (Repairs to include the actual annual costs to repair the roof or an accrual for future roof replacement equal to 20 cents per s.f., whichever is greater) the exterior side of exterior walls, exterior portions of the Building, (ii) utility lines, mechanical equipment and other facilities in the Building which serve more than one tenant of the Building; and (iii) to any driveways, sidewalks, curbs, parking and landscaped areas, and other common exterior improvements on the Property; provided, however, that **Landlord** shall have no responsibility to make any Repairs unless and until **Landlord** receives written notice from **Tenant** of the specific need for such Repair. **Tenant** shall pay its Proportionate Share of the cost of all work to be performed by **Landlord** pursuant to this Section 8(b) as part of its payment of Operating Expenses as outlined in Section 10(b) below. As used in this Lease, the terms "Capital Repair(s)" and "Capital Expenditure(s)" shall mean any repair or replacement that is required to be capitalized and amortized over a period of more than three years under generally acceptable accounting principles.

c. **Parking and Access Areas**. Throughout the term of this Lease, and subject to reimbursement of expenses as set forth in Section 10(b) below, subject to **Tenant**'s other obligations under this Lease, and subject to the other terms and conditions of this Lease concerning **Tenant**'s obligations and agreements, **Landlord** shall keep and maintain all parking areas and access ways on the Property and access to the Building to the extent within **Landlord**'s reasonable control in an orderly condition, reasonably clear of accumulation of snow and ice, to the extent reasonable under the circumstances, during the hours of 7:00 A.M. to 5:00 P.M., on weekdays other than Christmas Day and New Years Day. **Landlord** shall keep and maintain all landscaped areas in an orderly condition. Notwithstanding the foregoing, and without limiting **Tenant**'s obligations under Section 7(c) above, **Landlord**, other than claims arising solely out of the intentional or willful misconduct of **Landlord**, shall have no liability for any claims of any kind arising out of conditions from natural causes existing on the Property such as snow and ice, rain, or other similar condition and **Tenant** shall be responsible for personal and bodily injury and property damage of **Tenant**, and **Tenant**'s employees, agents, contractors, vendors, clients, visitors, invitees, affiliates, licensees and customers. **Tenant** shall pay its Proportionate Share of the cost of all work to be performed by **Landlord** pursuant to this Section 8(c) as part of its payment of Operating Expenses as outlined in Section 10(b) below

d. **Structural Repairs**. **Landlord**, throughout the term of this Lease and at **Landlord**'s sole cost and expense, shall make all necessary Repairs to the footings, foundations and the structural steel columns and girders forming a part of the Premises; provided, however, that **Landlord** shall have no responsibility to make any Repair unless and until **Landlord** receives written notice of the specific need for such Repair or replacement from **Tenant**.

e. **Tenant Occasioned Repairs**. Notwithstanding anything herein to the contrary, Repairs to the Premises or the Property made necessary by **Tenant**'s use, manner of use or occupancy of the Property or by **Tenant**'s installations in or upon the Property or by any act or omission of **Tenant** or any employee, agent,

contractor, vendor, client, visitor, invitee, affiliate, licensee or customer of **Tenant** shall be made at the sole cost and expense of **Tenant**.

9. **Utility Charges.**

a. **Tenant Utilities.** **Tenant** shall be solely responsible for and shall pay promptly all rents, costs and charges for water service, sewer service, gas, electricity, lights, heat, hot water, oil, steam, power, sprinkler, irrigation, security, telephone and other communication services and any and all other utilities or services rendered or supplied upon or in connection with the Premises throughout the Term of this Lease. Landlord shall cause the Premises to be put on its own separate electric and gas meter as part of its initial tenant improvement work associated with bringing to the Premises the electrical power requirements and heating needed for its operations. These new meters will thereafter be placed in Tenant's name throughout the Term of this Lease.

b. **Shared Utilities.** The cost of separately metered or submetered utility service shall be paid directly by **Tenant** to the utility provider where applicable, or to the **Landlord** if not applicable within twenty (20) days after being billed therefor. If any utility service is not separately metered, the **Tenant** shall be responsible for its Proportionate Share of such utility cost as part of Operating Expenses as outlined in Section 10(b) below.

10. **Net Lease.**

a. **Absolute Nature.** It is the intention of the **Landlord** and **Tenant** that the Minimum Annual Rent be absolutely net to the **Landlord**, and that all costs, expenses, property taxes and obligations of every kind relating directly or indirectly in any way, foreseen and unforeseen, to the **Tenant**'s use, occupancy and possession of the Premises, which may arise or become due during the Term hereof, or any renewal term or extension, shall be paid by **Tenant** and that **Landlord** shall be indemnified by **Tenant** against all such costs, expenses, taxes and obligations, and for a Proportionate Share of any of such costs imposed on **Landlord**, as stated under this Lease, provided, however, that nothing hereinabove contained shall require **Tenant** to pay any sums which **Landlord** has obligated itself to pay pursuant to Section 8(d) above.

b. **Additional Rent.** In addition to the annual rental payable under this Lease as set forth above, Tenant shall pay to Landlord, the following:

(i) Tenant's Proportionate Share of all Real Estate Taxes levied upon the Property during the term of this Lease.

(ii) Tenant's Proportionate Share of all Operating Expenses (as hereinafter defined) incurred during the term of this Lease.

"Operating Expenses" shall mean all expenses paid or incurred by Landlord or on Landlord's behalf in respect of the ownership, management, repair, operation, administration and maintenance of the Property and the Premises, including but not limited to (1) salaries, wages and benefits of employees of Landlord engaged in the management, repair, operation and maintenance of the Property; (2) payroll taxes, worker's compensation, uniforms and related expenses for such employees; (3) the cost of all charges for oil, gas, steam, electricity, any alternate source of energy, heating, ventilation, air-conditioning, water, sewers and other utilities furnished to the Property and not separately metered or sub-metered to Tenant or any other tenant (including the common areas and leased areas thereof), together with any taxes on such utilities; (4) the cost of painting non-tenant space; (5) the cost of all charges for rent, casualty, liability and fidelity insurance with regard to the Property and the maintenance or operation thereof; (6) the cost of all supplies (including cleaning supplies), tools, materials and equipment, the rental thereof and sales and other taxes thereon; (7) depreciation of hand tools and other movable equipment used in the repair, operation or maintenance of the Property; (8) the cost of all charges for window and other cleaning and janitorial, snow and ice removal, and security services; (9) charges of independent contractors; (10) repairs and replacements made by Landlord at its expense (provided that if such cost would, under generally accepted

accounting principles, be required to be capitalized, then only a proportionate part of such costs shall be included each year in Operating Expenses over the useful life (as reasonably estimated by Landlord) of such repair or replacement); (11) exterior and interior landscaping; (12) alterations and improvements to the Property made by reason of the laws and requirements of any public authorities or the requirements of insurance bodies; (13) management fees or, if no managing agent is employed by Landlord, a sum in lieu thereof which is not in excess of the then prevailing rates for management fees of other first class industrial buildings in the area in which the Property is located; (14) the cost of any capital improvements or additions to the Property which improve the comfort or amenities available to tenants of the Property; (15) the cost of any capital improvements or additions to the Property and of any machinery or equipment installed in the Building which have the effect of reducing the expenses which otherwise would be included in Operating Expenses to the extent of the lesser of (A) such cost, as reasonably amortized by Landlord with interest on the unamortized amount at the prime rate then generally available in the State of Connecticut or (B) the amount of such reduction in Operating Expenses; and (16) reasonable legal, accounting and other professional fees incurred in connection with the operation, maintenance and management of the Property. In addition to the above, in the event that for any period during the term of this Lease the Building is less than fully leased and occupied, and/or any utilities for any occupied space in the Building are directly billed to the occupant thereof, Operating Expenses shall be equitably adjusted to include such additional expenses as Landlord would have incurred had the Building been fully leased and occupied, and/or the utilities in question had not been directly billed, for such period.

Excluded from Operating Expenses shall be the following: (aa) depreciation (except as provided above); (bb) interest on and amortization of debts; (cc) leasehold improvements including renovations made for tenants of the Building; (dd) brokerage commissions and advertising expenses for procuring new tenants of the Building; (ee) refinancing costs; (ff) the cost of any item included in Operating Expenses under clauses (1) - (16) to the extent that such cost is reimbursed by an insurance company or a condemnor or a tenant (except as a reimbursement of Operating Expenses) or any other party.

Commencing on the Rent Commencement Date, Landlord shall estimate the amounts which are payable under Sections 6, 7, 8, 9 and 10(b)(i) and (ii) above. Said estimates shall be reasonably determined by Landlord in its sole discretion. The amounts of said estimates shall be divided into equal monthly payments which shall be paid by Tenant in advance, commencing on the Rent Commencement Date, along with Tenant's regular monthly rental payment. Should the actual annual amounts provided for in subparagraphs (i) and (ii) be more than Landlord's estimate, then Tenant's monthly payment as aforesaid shall be adjusted each January 1st (with respect to Operating Expenses) and/or July 1st (with respect to Real Estate Tax payments) to more nearly reflect the actual increases. In addition, in the event of any extraordinary event that is not contemplated by the estimated monthly amounts, as determined by Landlord in its sole discretion, Landlord may bill Tenant separately, which bill shall contain reasonable supporting documentation of the extraordinary cost, and Tenant shall pay its Proportionate Share of such extraordinary cost within twenty (20) days after receipt of such bill.

Within thirty (30) days from the date Landlord presents each annual bill to Tenant for payments under subparagraphs (i) and (ii) above, Tenant will pay to Landlord in a lump sum that amount by which Tenant's actual Proportionate Share exceeds the amount of Tenant's estimated payments theretofore. Should the amount of Tenant's estimated payments exceed Tenant's Proportionate Share, then Landlord shall, within said thirty (30) day period refund such overpayment to Tenant. A certified bill for Operating Expenses and Real Estate Taxes (including a summary of the reconciliation of these expenses) submitted by Landlord to Tenant shall be sufficient evidence of the amount of Operating Expenses and Real Estate Taxes with respect to the property and improvements thereon.

"Real Estate Taxes" shall mean and include: (i) all general and special taxes, assessments, duties and levies, if any, of any kind which are assessed, levied, charged, confirmed or imposed by any public authority upon the Building, its operations or the rent provided for hereunder, which are payable (adjusted after protest or litigation, if any) for any part of the term of this Lease, exclusive of penalties or discounts; and (ii) the reasonable expenses of contesting the amount or validity of any such taxes, charges or assessments, such expense to be

applicable to the period if the term is contested.

Tenant shall pay for all ad valorem taxes on its personal property, if any, and on the value of leasehold improvements to the extent that same exceed standard building allowances (as determined by Landlord in its sole discretion).

Tenant shall have an opportunity to examine **Landlord's** books and records relating to Operating Expenses and Real Estate Taxes for a period of 60 days after receipt of the reconciliation. If Tenant's inspection of such records shall disclose that Tenant's total monthly payments toward Operating Expenses and Real Estate Taxes exceed the actual amount of Tenant's Proportionate Share of Operating Expenses and Real Estate Taxes and Landlord does not contest the results of such audit, Tenant shall be entitled to be reimbursed by Landlord the amount so overcharged within 10 business days. The obligations imposed on both Landlord and Tenant to either pay or receive funds in reconciliation of the actual Operating Expenses and Real Estate Taxes due under this Section 10(b) shall survive the expiration or termination of this Lease.

The initial estimated amount of Tenant's Proportionate Share of Operating Expenses and Real Estate Taxes is \$____ per month. Accordingly, the monthly Rent and Additional Rent commencing on the Rent Commencement Date is a total of \$____ and is due and payable on the first of each month during the first Lease Year of the Term hereof unless otherwise modified as outlined herein.

11. **Legal Requirements.** Throughout the Term of this Lease, and at its sole cost and expense, except for **Landlord's** obligations under Section 8(d), **Tenant** shall comply with all Legal Requirements, insurance policy requirements of **Landlord's** and **Tenant's** insurance policies, and requirements of the National Board of Fire Underwriters or any other body now or hereafter constituted exercising similar functions relating to: (i) the Premises; (ii) the use or manner of use of the Premises; or (iii) the operation of **Tenant's** business. **Tenant** also shall comply with such reasonable rules and regulations as **Landlord** may promulgate relating to the Premises, the Building or the Property which **Landlord** may modify in its reasonable discretion from time to time..

12. **Signs.** Except for signs located wholly within the interior of the Premises which are not visible from the exterior of the Premises, and the signs described in detail on Exhibit D attached hereto and made a part hereof, no signs shall be placed, erected, maintained or painted at any place upon the Premises, or the Property, without the prior written consent of **Landlord**, which may be withheld in **Landlord's** sole discretion. Any request for signage by **Tenant** shall include the placement of the sign, the size, design, color, location, content, illumination, composition or material and mobility thereof. All signs so approved by **Landlord** shall be maintained by **Tenant** in good condition during the Term of this Lease, and **Tenant** shall remove all signs at the termination of this Lease and shall repair and restore any damage caused by the installation or removal thereof. **Tenant** shall have the right to place its name on the tenant directory signage on the Building at **Tenant's** cost and expense to the extent such signs are permitted and approved and remain in use at the Property at **Landlord's** sole discretion.. **Tenant's** directory signage shall be consistent with the remainder of the tenant directory signage for the Building and shall be subject to **Landlord's** approval which may be withheld in **Landlord's** reasonable discretion.

13. **Alterations, Additions and Fixtures.**

a. **Installation of Trade Fixtures.** Subject to the provisions of Section 14 hereof, **Tenant** shall have the right to install on, or remove from, the Premises during the Term of this Lease any trade fixtures provided, however, that no such installation, or removal thereof, shall affect the structural portion of the Premises or the Building, and that **Tenant** shall Repair and restore any damage or injury to the Premises, or the Property, caused by such installation or removal. The **Tenant** shall have no right to permit any lien or encumbrance to be placed on the Land, Building, Property and/or Premises as a result of any installation of any such trade fixtures and/or performance of any improvements outlined below that constitute improvements to the Premises.

b. Alterations and Improvements. Except for minor (invoices in the aggregate less than \$5,000.00) nonstructural changes to the Premises and except for **Tenant**'s initial fit out work that is listed in Exhibit E attached hereto and is acceptable to and carried out in a manner acceptable to **Landlord** in **Landlord**'s sole discretion upon execution of this lease agreement, **Tenant** shall not make, or permit to be made, any alterations, improvements, or additions to the Premises or Property without, on each occasion, first presenting to **Landlord** certified plans, specifications and a list of all applicable Legal Requirements prepared, at **Tenant**'s sole expense, by a licensed architect or structural engineer therefor and obtaining **Landlord**'s prior written consent thereto, which may not be unreasonably withheld or delayed. Without affecting **Tenant**'s obligation and **Landlord**'s rights set out above in this Section, **Tenant** may provide preliminary plans for preliminary approval prior to the need to complete certified plans as outlined above. Additionally, only those alterations and improvements that do not have any structural impact, that may not be seen from outside the Premises, that have no impact on any other tenants or the operation of the Building and that do not impact the marketability of all or any portion of the Premises or the Building or diminish the value of the Premises or Property, may be performed by **Tenant** but only after obtaining the express written consent of **Landlord**. **Tenant** shall not submit plans to or pursue authorization from any local permitting authorities for any alterations, improvements or additions that do not meet the criteria of the foregoing sentence. **Tenant** shall obtain lien waiver from all contractors and subcontractors that perform any portion of **Tenant**'s alterations, promptly upon completion of the work. In making any alterations, improvements or additions, **Tenant** shall comply with the requirements of Section 14 hereof and shall insure that none of the other occupants of the Building or properties in the vicinity will be disturbed or annoyed by reason thereof. Legal Requirements required to be met before commencement of any work shall be met by **Tenant**, at its sole cost, prior the commencement of any work, and the **Tenant** shall deliver documentation acceptable to **Landlord** regarding **Tenant**'s compliance with Legal Requirements prior to commencing any alterations, improvements or additions. Upon completion of such alterations, improvements or additions, **Tenant** and/or its General Contractor shall furnish a certificate to **Landlord**, (certified by **Tenant**'s architect or engineer so long as **Tenant** elects to utilize an architect or engineer), that the construction has been completed in conformance with the plans and specifications previously submitted to **Landlord**, and complies with all Legal Requirements, documentation for which, acceptable to **Landlord** in its sole discretion, shall be supplied to **Landlord**. Any and all alterations, improvements and additions to the Property which are constructed, installed or otherwise made by **Tenant** shall be the property of **Tenant** until the expiration or sooner termination of this Lease. Thereafter, all such alterations, improvements and additions shall remain on the Property, and shall become the property of **Landlord**, without payments therefor by **Landlord**, unless, upon the termination of this Lease, **Landlord** shall give written notice to **Tenant** to remove the same. In such event, (other than the initial office fit out work performed by **Tenant**), **Tenant** will remove such alterations, improvements and additions, and repair and restore any damage to the Property caused by the installation or removal thereof.

c. Landlord's Review and Approval. **Landlord**'s review and approval of any **Tenant** submittals, including but not limited to any plans, specifications and documentation concerning **Tenant**'s satisfaction of Legal Requirements shall be for **Landlord**'s sole benefit and may not be relied upon in any way by **Tenant** or its agents or contractors and shall not in any way create an obligation of **Landlord** or relieve **Tenant** of any of its obligations hereunder.

14. Mechanics' Liens. Notwithstanding any lien waiver obtained under Section 13(b), **Tenant** shall promptly pay any contractors and materialmen who supply labor, work or materials to **Tenant** at the Premises or the Property to avoid the possibility of a lien attaching to the Premises or the Property. **Tenant** shall take all steps permitted by law in order to avoid the imposition of any mechanic's, laborer's or materialman's lien upon the Premises or the Property. Should any such lien or notice of lien be filed, **Tenant** shall cause such lien to be released of record, by bonding or otherwise within fifteen (15) days after the lien or claim is filed or formal notice of said lien or claim has been issued regardless of the validity of such lien or claim. Nothing in this Lease is intended to authorize **Tenant** to do or cause any work or labor to be done or any materials to be supplied for the account of **Landlord**, all of the same to be solely for **Tenant**'s account and at **Tenant**'s sole risk, cost and expense.

15. Landlord's Right of Entry.

a. Right of Entry to Premises. **Tenant** shall permit the authorized representatives of **Landlord**, any mortgagee or any prospective mortgagee, prospective purchaser and prospective tenant of the Property, and any person authorized to make Repairs or to inspect the Property to enter the Premises, in an emergency at any time,

otherwise with 24 hours prior notice (which may be verbal) for the purpose of: (i) inspecting the Premises; (ii) making any necessary Repairs to the Premises, or to the Property, or performing any work on the Premises or Property; and (iii) showing all or any portion of the Property or Premises to any prospective mortgagee, purchaser or tenant of the Property. Prospective tenant showings shall be limited to (1) only the last year of the Lease Term in the event Tenant does not exercise its option to renew in accordance with the terms set forth herein or the last year of the Renewal Term in the event the option to renew is exercised, or (2) any time if **Tenant** shall default under this lease. **Tenant** shall not install any locks or change any locks without providing **Landlord** with keys to such locks, and the password combinations to any security devices which have been installed by **Tenant**.

b. Access to Common Utilities. **Landlord** shall have full and unrestricted access to all or any portion of common air conditioning, heating, plumbing, sprinkling and other common utility installations servicing the Building and the Premises. **Landlord** shall also have the right, in its sole discretion, to maintain such common heating and cooling levels generated from common air conditioning, heating and plumbing equipment utilized by Tenant or by any other tenant or portion of the Property and to allocate all costs related thereto to said tenants based on their respective Proportionate Share as a component of Other Operating Costs defined in Section 30(i) in accordance with the terms set forth herein. **Landlord** shall have the right to interrupt, curtail, stop or suspend common air conditioning and/or heating service, and all other utility or other services, because of **Landlord**'s inability to obtain materials necessary in connection therewith, or because of **Landlord**'s compliance with governmental restrictions in connection therewith, or because of any other circumstance beyond **Landlord**'s control. **Landlord** shall use reasonable effort to avoid any such interruption and, in the event of any such interruption, to minimize the impact of such interruption on **Tenant**'s use of the Premises. Other than as specifically stated in Section 15(c) below, no diminution or abatement of Minimum Annual Rent or Additional Rent shall or may be claimed by **Tenant**, nor shall this Lease or any of the obligations of **Tenant** hereunder be affected or reduced by reason of any such interruption, curtailment, stoppage or suspension, nor shall the same give rise to a claim in **Tenant**'s favor for actual or constructive, total or partial, eviction from the Premises, but **Landlord** shall use commercially reasonable efforts to cause such services to be resumed as soon as practical and to minimize any interference with Tenant's business.

c. No Offset for Interruption. **Landlord** will attempt not to inconvenience **Tenant** and whenever reasonably possible, give **Tenant** reasonable notice, but shall not be liable for inconvenience, annoyance, disturbance or other damage to **Tenant** by reason of making any Repair, or by bringing or storing materials, supplies, tools and equipment in the Premises, in the Building or on the Property or by interruption any utilities or mechanical systems, during the performance of any work within the Premises, the Building or the Property. The obligations of **Tenant** under this Lease shall not be thereby affected in any manner whatsoever. No diminution or abatement of Minimum Annual Rent, or Additional Rent, shall or may be claimed by **Tenant**, nor shall this Lease or any of the obligations of the **Tenant** hereunder be affected or reduced by reason of any such interruption, curtailment, stoppage or suspension, nor shall the same give rise to a claim in **Tenant**'s favor for actual or constructive eviction. **Landlord** shall only be responsible for any damages to **Tenant** directly arising out of the gross negligence or willful misconduct of the **Landlord** during any such entry into the Premises outlined herein, subject to Tenant's obligations otherwise set forth in this Lease. Notwithstanding the above, in the event Tenant cannot reasonably operate its business in the Premises for a period of more than fifteen (15) consecutive business days as a result of **Landlord**'s exercise of any of its rights pursuant to this Lease, other than as a result of a Default by Tenant, then Tenant's obligation to pay Rent shall abate from and after the start of such interference until the date on which such interference ceases.

16. Damage by Fire or Other Casualty.

a. Obligation to Repair Casualty Damage. If the Premises, Property or Building shall be damaged or destroyed by fire or other casualty, **Tenant** shall promptly notify **Landlord**, and **Landlord**, subject to the availability of insurance proceeds and consent thereto by **Landlord**'s mortgagee(s) and to the conditions set forth in this Section 16, shall Repair such damaged area, and restore the Premises to substantially the same condition in which they were immediately prior to such damage or destruction. Notwithstanding the foregoing, **Landlord** shall only be obligated to Repair such damage that is covered by **Landlord**'s fire and other extended coverage insurance

policies, and only to the extent the proceeds of such insurance are actually received by **Landlord** from any applicable insurer and not subsequently retained by any mortgagee of **Landlord**.

b. **Notification Procedure for Delayed Repair of Casualty.** **Landlord**, within thirty (30) days from the date of fire or other casualty, shall give **Tenant** notice of **Landlord**'s estimated time to Repair the Premises and if **Landlord** anticipates, barring unforeseen circumstances and events beyond **Landlord**'s control, that the restoration of the Premises will take more than two hundred seventy (270) days from the date of fire or other casualty to complete. In the event **Landlord** anticipates such Repair to take more than 270 days from the date of fire or other casualty to complete, **Tenant** shall have the option to terminate this Lease, effective as of the date of such notice, by giving **Landlord** written notice of its exercise of its option to terminate, which notice shall specify a termination date within ten (10) days of **Landlord**'s aforesaid notification to **Tenant**.

c. **Notification of Termination.** If, in **Landlord**'s sole opinion, the insurance proceeds available to **Landlord** will not be adequate to complete such Repair, or if **Landlord**'s mortgagee fails to provide consent to the use of such proceeds for restoration, **Landlord** shall have the right to retain all of such insurance proceeds, terminate this Lease, and terminate all the unaccrued obligations of the parties hereto, by sending a written notice of such termination to **Tenant**, the notice to specify a termination date no less than ten (10) days after its transmission.

d. **Limitation on Landlord Repair Obligation.** **Landlord**'s obligation or election to Repair the Premises under this Section shall not include the Repair of the fixtures, improvements, alterations, furniture or any other property owned, installed, made by, or in the possession of, **Tenant**, or otherwise located within or around the Premises. Such costs shall be the sole obligation of the **Tenant**.

e. **Rental Insurance.** **Landlord** shall, to the extent available under commercially reasonable terms and conditions, maintain a rental coverage endorsement or other comparable form of coverage as part of its fire and extended coverage or all-risk insurance policy. Unless **Tenant** terminates the Lease in accordance with Section 16(b) above, **Tenant** will receive an abatement of its Minimum Annual Rent and Additional Rent to the extent of payments received by **Landlord** from the carrier providing the rental coverage endorsement which was paid to **Landlord** to cover such Minimum Annual Rent or Additional Rent due from **Tenant** hereunder.

17. **Non-Abatement of Rent.** Except as otherwise expressly provided in Section 16(e) and as to condemnation (or conveyance in lieu thereof) in Section 19(a) there shall be no abatement or reduction of the Minimum Annual Rent or Additional Rent for any cause whatsoever, during the Term of this Lease, and **Tenant** shall not be entitled to surrender the Premises prior to the Expiration Date.

18. **Indemnification of Landlord.**

a. Subject to the provisions contained in Section 7(d) and Section 27 hereof, **Tenant** hereby agrees to indemnify **Landlord Parties** ("Landlord Parties" as hereinafter further defined in Section 27 herein) against, and save each of them forever harmless from, any and all claims, actions, penalties, fines, damages, liabilities, costs and expenses (including, without limitation, fees of attorneys, investigators and experts) resulting from any loss of life, bodily injury, personal injury or damage to property occurring in or about the Property, or other cost, expense, or requirement imposed on **Landlord Parties** or with respect to the Property arising from: (i) any act, or use or occupancy of the Property by the **Tenant**, its employees, agents, contractors, vendors, clients, visitors, invitees, affiliates, licensees and customers; (ii) any failure of **Tenant** in any respect to comply with and perform all of the requirements and provisions within this Lease; (iii) occasioned wholly or in part by any direct or indirect act or omission of **Tenant**, its employees, agents, contractors, vendors, clients, visitors, invitees, affiliates, licensees and customers; (iv) for any obligations imposed for any violation of any laws or ordinances, whether occasioned by the **Tenant**, those holding under **Tenant**, or any of **Tenant**'s agents, contractors, customers, employees, licensees or invitees; or (v) any breach of any terms and conditions of the Deed by the **Tenant**, those holding under **Tenant**, or any of **Tenant**'s agents, contractors, customers, employees, licensees or invitees. Without limiting the foregoing, **Tenant** will forever release and hold **Landlord Parties** harmless from all claims arising out of damage to **Tenant**'s property. In case any claim, action or proceeding, arising out of or under the terms of this Lease is brought against **Landlord Parties**, upon notice from **Landlord** and at **Tenant**'s sole cost and expense, **Tenant** shall resist or defend such claim, action or proceeding or shall cause it to be resisted or defended by an insurer, and **Landlord** shall have

the right, at **Landlord's** expense, to participate in such proceedings, and in any settlement proposal. If within ten (10) days after notice by **Landlord**, provided such notice period does not materially adversely affect the **Landlord Parties**, **Tenant** shall fail to diligently resist or defend such claim, action or proceeding or shall fail to cause it to be diligently resisted or defended by an insurer, **Landlord's** participation in such proceedings and in any settlement proposal shall be at **Tenant's** sole cost and expense.

b. Non-liability of Landlord. **Landlord**, its agents, servants, partners, members, managers, employees, officers, directors, shareholders, affiliates, contractors, customers and visitors, shall not be liable for any loss, damage, injury or other casualty of whatsoever kind and nature or by whomsoever caused, to the person or property of anyone (including **Tenant**) in, on or off the Premises or Property arising out of or resulting from **Tenant's** use, possession or operation thereof, or from the installation existence, use, maintenance, condition, repair, alteration or removal of any equipment thereon.

19. **Condemnation.**

a. Termination. If (i) all of the Premises are the subject of a condemnation, or (ii) any part of the Premises is the subject of a condemnation and the remainder thereof, along with any adjacent space **Landlord** reasonably has available, is insufficient for the reasonable operation therein of **Tenant's** business, or (iii) any of the Property is covered by a condemnation and, in **Landlord's** sole opinion, it would be impractical to operate the remainder thereof, then, in any such event, this Lease shall terminate and all obligations hereunder shall cease as of the date upon which possession is taken by the condemnor. If there is a condemnation, but this Lease has not been terminated, pursuant to this Section 19(a), as of the date upon which the condemnor takes possession, the obligations of **Landlord** and **Tenant** under this Lease shall be unaffected by such condemnation, except that the Rent shall abate in the proportion that the square footage of floor area, if any, of the Premises taken by such condemnation bears to the entire floor area of the Premises.

b. Award. In the event of a condemnation affecting **Tenant**, **Tenant** shall have the right to make a separate claim against the condemnor for removal expense, business dislocation damages and moving expenses, provided and to the extent, however, that such claims or payments do not reduce the sums otherwise payable by the condemnor with respect to the Property as a whole. Except as aforesaid, **Tenant** shall not be entitled to claim or receive any part of any award or compensation which may be awarded with respect to the Property as a whole as a result of such condemnation or taking or to claim or receive any damages from **Landlord**, whether the same be for the value of the unexpired lease or otherwise. To this end, **Tenant** hereby waives all claims against **Landlord** and against the condemnor, and **Tenant** hereby assigns to **Landlord** all claims against the condemnor, including, without limitation, all claims for leasehold damages and diminution in value of **Tenant's** leasehold interest.

c. Conveyance in Lieu of Condemnation. The provision of this Section 19 shall also apply to any good faith conveyance made under threat of condemnation by a person with condemnation power. Under such circumstances, the term "condemnor" shall mean the public entity threatening the condemnation.

20. **Quiet Enjoyment.** If and so long as **Tenant** pays the Minimum Annual Rent and Additional Rent and observes and keeps all covenants, agreements and conditions of this Lease on its part to be kept, **Tenant** shall quietly have and enjoy the Premises during the Term of this Lease, without hindrance or molestation by anyone claiming by or through **Landlord**, subject, however, to the exceptions, reservations and conditions of this Lease.

21. **Assignment and Subletting.**

Tenant shall not assign, mortgage, pledge, encumber or otherwise transfer this Lease, or sublet the whole or any part of the Premises, without the prior written consent of **Landlord**, which may not be unreasonably withheld provided **Tenant** complies in strict accordance with the terms and conditions of this Lease and provided **Tenant** is not in default nor has there been an Event of Default on more than two occasions; and further provided, that **Landlord** may withhold consent in its sole discretion to any subletting of less than all of the Premises. The prohibition against assigning or subletting provided for herein shall be construed to include a prohibition against any assignment or subletting by operation of law, and shall be deemed to preclude any transfer, directly or indirectly, either by way of a single transaction or cumulatively through a series of transactions, of a direct or indirect

controlling interest of stock in **Tenant** or direct or indirect control of the Board of Directors, if **Tenant** is a corporation, or any direct or indirect change or transfer of a controlling ownership interest or voting control, if **Tenant** is a partnership or limited liability company or other form of legal entity. In the event of any assignment of this Lease or sublet of the Premises, following the written consent of **Landlord** or otherwise, **Tenant** nevertheless shall remain primarily liable for the performance of all of the terms, conditions and covenants of this Lease. In addition, **Tenant** shall require any assignee or sublessee to execute and deliver to **Landlord** an assumption of liability agreement in form satisfactory to **Landlord**, including an assumption by the assignee of all of the obligations of **Tenant** and the assignee's ratification of, and agreement to be bound by, all the provisions of this Lease, including an identical provision as set forth in this Section 21, against any further direct or indirect assignment of the Lease, or sublet of the Premises, including any transfer of a direct or indirect controlling interest in the stock or direct or indirect control of the Board of Directors if Tenant is a corporation or directly or indirectly change or transfer ownership interests or voting control, if **Tenant** is a partnership or limited liability company or other form of legal entity, without the **Landlord**'s prior written consent, which shall not be unreasonably withheld. Notwithstanding the foregoing, **Landlord**'s withholding consent to any assignment of this Lease or subletting of the Premises shall be deemed reasonable unless such assignment or subletting also meets the following terms and conditions:

a. **Tenant** shall have provided **Landlord** for **Landlord**'s approval at least forty-five (45) days prior to any proposed assignment or sublease, written notice of such proposed assignment or sublease, containing: (1) the name and address of the proposed assignee or sublessee; (2) adequate information as to its reputation and financial condition; (3) confirmation that the use of the Premises is consistent with this Lease in all respects, which shall be limited to production of _____, warehousing, assembly and distribution; (4) further confirmation that the proposed assignee or sublessee does not interfere with other tenants of the Property through noise or otherwise; and (5) does not use or produce any Contaminant as defined in Section 28 herein, and a copy of the proposed assignment or sublease. No assignment or sublease shall become effective unless and until **Landlord** shall have reviewed and approved the information set forth in such notice, which approval shall not be unreasonably withheld.

b. **Tenant** shall pay to **Landlord** seventy-five percent (75%) of the sum equal to any rent or other consideration payable to **Tenant** by any assignee or sublessee that is in excess of the Rent, and any other profit or gain realized by **Tenant** from any assignment or subletting, excluding any value reasonably attributable to tenant's trade fixtures or improvements completed by Tenant at Tenant's expense that remain **Tenant**'s property at the expiration of the Lease in accordance with the terms herein. Nothing contained herein shall reduce the amount payable to **Landlord** to a sum less than that which **Landlord** would otherwise have received if the Lease had not been assigned or the Premises had not been subleased. All sums payable hereunder by **Tenant** shall be paid to **Landlord** as Additional Rent immediately upon receipt thereof by **Tenant**. **Landlord** may further require **Tenant**, as a condition of any assignment or sublease, to demand from any assignee or sublessee the direct payment to **Landlord** of 75% of the sum equal to any rent or other consideration payable to **Tenant** in excess of the Rent as outlined above under the terms of the assignment or sublease for their right to use the Premises or any portion thereof.

c. The proposed assignee or sublessee or any affiliate shall not be a tenant or prior tenant of any space in the Building or of any other tenant or prior tenants of any space in the Building.

d. The proposed assignee or sublessee or any affiliate thereof shall not be a person or entity that has within the prior 6 months negotiated or is negotiating with **Landlord** for the rental of any space in the Building.

e. The proposed assignee or sublessee shall not be entitled, directly or indirectly, to diplomatic or sovereign immunity and shall be subject to the service of process in, and the jurisdiction of the courts of, the State of Connecticut.

f. **Tenant** has not advertised or marketed its Premises or any rental rates for any such assignment or subletting at rates less than market rent.

g. The proposed assignee's or sublessee's use of the Premises shall be exclusively for the production of _____, warehousing, assembly and distribution and such use shall not interfere with other tenants of the

Property through noise or otherwise and the proposed assignee or sublessee will not use any Contaminant as defined in Section 28 herein.

h. The proposed assignee's or sublessee and its principals shall have demonstrated to Landlord's satisfaction in **Landlord's** reasonable discretion their financial stability and good business reputation.

i. **Tenant** shall not have offered the Premises to any assignee or sublessee for consideration that is less Rent than is being currently asked by Landlord for other space in the Building, pro-rated to account for any difference in square footage.

j. Each assignment or subletting shall be by an instrument in writing in a form reasonably satisfactory to **Landlord** and shall be executed by the assignee or sublessee in each instance. Each assignee or sublessee shall agree in writing to assume and be bound by and to perform the terms, covenants and conditions of this Lease to be performed by **Tenant** including the payment of all amounts due or to become due under this Lease directly to **Landlord**. No such assignment or subletting shall relieve **Tenant** of any obligations under this Lease and **Tenant** shall remain primarily liable. In the event **Landlord** shall consent to an assignment or subletting, **Tenant** shall pay **Landlord** for the time and expense incurred by **Landlord** or its agent in connection with the transaction. In no event shall such sum be less than \$500.00. In addition, **Tenant** shall reimburse **Landlord** for **Landlord's** reasonable attorneys' fees and consultants' fees incurred in conjunction with negotiation, processing and the documentation of any such transaction. In no event shall such sum be less than \$500.00.

In determining whether or not to consent to an assignment or subletting, and to the extent a standard of reasonableness applies as set forth herein, it is hereby deemed reasonable for **Landlord** to take into account all relevant facts and matters surrounding the proposed assignment or sublease, including, without limitation:

1. the business reputation of the proposed assignee or subtenant, and its officers, directors and shareholders in the case of a corporation, and its partners, members and managers in the case of a partnership or limited liability company;

2. the nature of the business and use of the Premises by the proposed assignee or sublessee and any matters that could negatively impact the Premises, the Property or any other tenants of the Building, including but not limited to whether the proposed use would interfere with other tenants of the Building through noise or otherwise;

3. the source of the rent due from the proposed assignee or sublessee, including the financial condition and operating performance of the proposed assignee or sublessee, and its guarantors, if any; and,

4. the extent to which the **Tenant** and the proposed assignee or sublessee provide **Landlord** with assurance of future performance hereunder.

5. whether the proposed transferee's projected use of the Premises involves the use, storage, generation, or disposal of any Contaminants as defined in Section 28 of this Lease.

Notwithstanding anything contained herein to the contrary, **Tenant** may assign or sub-let this Lease to an entity that is and which shall remain majority owned and controlled by **Tenant** ("Affiliate") without the consent of **Landlord** so long as the following conditions are met: (a) at least ten (10) days before any such assignment or sublease, **Landlord** receives written notice of such assignment or sublease; (b) if the transfer is an assignment or any other transfer to an Affiliate other than a sublease, the intended assignee assumes in writing all of **Tenant's** obligations under this Lease relating to the Premises in a form reasonably satisfactory to **Landlord** or, if the transfer is a sublease, the intended subtenant accepts the sublease in a form reasonably satisfactory to **Landlord**; (c) the Premises shall continue to be operated as a use permitted under the Lease; and (d) **Tenant** shall remain primarily liable under this Lease.

22. **Subordination, Attornment and Non-Disturbance.**

a. **Subordination and Attornment.** This Lease is, and **Tenant**'s rights hereunder are and shall be, subject and subordinate at all times in lien and priority to any mortgage or other encumbrance now or hereafter placed upon or affecting the Property or the Premises, and to all renewals, modifications, consolidations and extensions thereof, without the necessity of any further instrument or act on the part of **Tenant**. This subordination provision shall be self-operative and no further instrument shall be necessary to effectuate the subordination herein. In confirmation of this subordination, **Tenant** hereby appoints **Landlord** its attorney-in-fact to execute any certificate or other document **Landlord** may require to effect such subordination. In addition, if required by **Landlord**, **Tenant** shall execute and deliver upon demand any further instrument or instruments confirming the subordination of this Lease to such mortgagee or other encumbrancer, and any further instrument or instruments of attornment that may be desired by any such mortgagee or **Landlord**. Notwithstanding the foregoing, any mortgagee or encumbrancer may at any time subordinate its interest to this Lease, without **Tenant**'s consent, by giving notice in writing to **Tenant**, and thereupon this Lease shall be deemed prior to such mortgage or encumbrance without regard to their respective dates of execution and delivery, and in that event such mortgagee or encumbrancer shall have the same rights with respect to this Lease as though this Lease had been executed prior to the execution and delivery of the mortgage or encumbrance and had been assigned to such mortgagee or encumbrancer.

b. **Attornment.** **Tenant** shall attorn to any foreclosing first mortgagee, purchaser at a foreclosure sale or purchaser by deed in lieu of foreclosure, but no such mortgagee or purchaser shall be (a) liable for any act or omission of **Landlord**, (b) bound by any payment of rent, additional rent or other charge made more than ten (10) days in advance of the due date thereof, or (c) bound by any assignment, surrender, termination, cancellation, amendment or modification of this Lease made without the express written consent of such mortgagee or purchaser.

c. **Non-Disturbance Agreement.** **Landlord** shall use reasonable efforts to obtain from any existing or future mortgagee a non-disturbance agreement on commercially reasonable terms and conditions at **Tenant**'s sole cost and expense. **Landlord**'s inability to obtain such non-disturbance agreement for any reason shall not be deemed a default under this Lease.

23. **Memorandum of Lease; Tenant's Certificate; Landlord Waiver and Consent Agreement.**

a. **Memorandum of Lease.** At any time during the Term of this Lease, **Tenant**, shall execute, acknowledge and deliver to **Landlord**, within ten (10) days after written request from **Landlord**, a short form of memorandum of this Lease that complies with the provisions of Section 47-19 of the Connecticut General Statutes for recording purposes, which **Landlord** may record at any time in its sole discretion. **Tenant** shall have no right to record this Lease or any short form of this Lease.

b. **Estoppe Certificate.** At any time and from time to time, **Tenant** and/or **Landlord**, upon fifteen (15) days written request from the other party, shall execute, acknowledge and deliver to the requesting party, within fifteen (15) days, a written certificate addressed to **Landlord** or **Tenant**, or to **Landlord**'s mortgagee, prospective mortgagee or purchaser, or other designate, as appropriate, which shall certify in writing as to whether this Lease is then in full force and effect, the amount of any Minimum Annual Rent and/or Additional Rent, the amounts of each then due and unpaid, the date to which the Minimal Annual Rent and Additional Rent has been paid, and whether there have been and/or whether there are any uncured defaults by the **Landlord** or **Tenant** under this Lease to the satisfaction of the **Tenant** or **Landlord** as the case may be and whether there has been any defaults by the **Landlord** or **Tenant** under this Lease that have been cured as outlined herein, and such other reasonable factual matters as shall be requested. If requested by **Landlord**, such certificate shall be in recordable form. Further, at any time and from time to time, **Tenant**, upon fifteen (15) days written request from **Landlord**, shall execute, acknowledge and deliver to the **Landlord**, within fifteen (15) days, a written certificate stating any facts or certifying any conditions with respect to the Premises or this Lease, requested by **Landlord**, or required by any mortgagee or any prospective mortgagee or prospective purchaser of the Premises or any interest therein. Such certificate or certificates shall be addressed to **Landlord**, or to **Landlord**'s mortgagee, prospective mortgagee or purchaser, or other designate, as appropriate.

c. **Landlord Waiver and Consent Agreements.** In the event Tenant requests that the Landlord execute a Landlord Waiver and Consent Agreement or some other similar agreement stating that Landlord waives any rights to any personal property, machinery or equipment within the Premises, Landlord will be able to utilize its form of Landlord Waiver and Consent Agreement. If any changes are requested to this form of agreement, Tenant shall cover all of Landlord's legal and other reasonable expenses associated with the negotiation and amendment of such an agreement.

24. **Curing Tenant's Defaults.** If Tenant fails to perform any covenant or observe any condition to be performed or observed by Tenant hereunder or acts in violation of any covenant or condition hereof, and such failure or violation is not cured following notice and the expiration of any applicable cure periods (except in an emergency or a situation where inaction will cause damage to property) Landlord (without any obligation to do so, and in addition to any other rights it may have in law or equity) may, on behalf of Tenant, perform such covenant and/or take such steps as may be necessary or appropriate to meet the requirements of any such covenant or condition, provided that Landlord shall have given Tenant ten (10) days prior written notice (except in the case of emergency, in which case Landlord shall have the right to proceed immediately) to Tenant and if Tenant has failed to cure, or if said default complained of is of a nature that the same cannot be completely cured or remedied within said ten (10) day period, and Tenant has not thereafter diligently and in good faith proceeded and continued diligently to remedy or cure such default. Tenant shall reimburse Landlord upon demand for any sums paid or costs incurred by Landlord in taking the steps referred to in this Section, including but not limited to, reasonable attorneys' and consultants' fees, and interest thereon from the respective dates of Landlord making the payments and incurring such costs, which sums and costs, together with interest thereon at the default rate specified in Section 26(j) hereof, shall be deemed Additional Rent payable within ten (10) days of being billed therefor. Landlord's proceeding under the rights reserved to Landlord under this Section shall not in any way prejudice any rights Landlord might otherwise have against Tenant by reason of the default, and whether or not Tenant shall be in default hereunder shall be determined as if Landlord had not so proceeded.

25. **Surrender.**

a. **Surrender of Premises.** Subject to the terms of Sections 13(b) and 16 hereof, at the Expiration Date, notice to quit, or earlier termination of this Lease, Tenant shall promptly leave, surrender and yield up unto the Landlord the Premises, clean and neat, and in the same condition, order and repair in which the Premises was in as of the Commencement Date and as required to be kept throughout the Term hereof, ordinary wear and tear excepted. The Premises shall be surrendered along with all improvements, alterations and additions thereto, and all fixtures and equipment servicing the Property, unless Landlord has requested Tenant to remove any of such improvements, alterations, additions, fixtures, and service equipment, (other than the original office fit out work), in which case the last sentence of Section 13(b) shall apply. All property not removed by Tenant shall be deemed abandoned by Tenant.

b. **Holdover.** Upon the failure of Tenant to yield up immediate possession to Landlord as set forth in Section 25(a) on the Expiration Date, notice to quit, or earlier termination of the Lease, Tenant shall occupy the Premises as a daily tenant at will and will pay for the time such possession is withheld, a per diem rental equal to two times the then applicable Minimum Annual Rent and Additional Rent required to be paid under this Lease. In addition, Tenant shall be liable to Landlord for all damages, including consequential damages, that Landlord incurs as a result of any holdover by Tenant. The provisions of this Section shall not be held as a waiver by Landlord of any right to re-entry as hereinafter set forth, nor shall the receipt of said per diem rental or any part thereof, or any other act in apparent affirmation of tenancy, operate as a waiver of the Landlord's right to exercise any remedies otherwise available to Landlord hereunder.

26. **Defaults - Remedies.**

a. **Defaults.** It shall be an event of default:

i. **Non-Payment of Rent.** If Tenant does not pay in full, without demand, any and all installments of Minimum Annual Rent or Additional Rent or any other sums due under this Lease on or before the due date;

ii. Violation of Other Covenants. If **Tenant** violates, fails to perform, or otherwise breaches any other agreement, term, covenant or condition herein contained;

iii. Abandonment of Premises. If **Tenant** abandons the Premises, or removes **Tenant's** goods or property therefrom other than in the ordinary course of business or leaves the Premises unattended and unsupervised for a period exceeding 14 days, without having first provided prior written notice and having first paid to **Landlord** in full all Minimum Annual Rent and Additional Rent that have become due or will thereafter become due for the entire balance of the Term of the Lease;

iv. Insolvency. If **Tenant** becomes insolvent or bankrupt in any sense or makes an assignment for the benefit of creditors, or offers a compromise or settlement to creditors, or if a petition in bankruptcy or for reorganization or for an arrangement with creditors under any federal or state law is filed by or against **Tenant**, or a bill in equity or other proceeding for the appointment of a receiver, trustee, liquidator, custodian, conservator or similar official for any of **Tenant's** assets is commenced, or if any of the real or personal property of **Tenant** shall be levied upon by any sheriff, marshal or constable, provided, however, that any proceeding brought by anyone other than the parties to this Lease under any bankruptcy, reorganization arrangement, insolvency, readjustment, receivership or similar law shall not constitute a default until such proceeding, decree, judgment or other action has continued unstayed for more than sixty (60) consecutive days;

v. Other Defaults. If the **Tenant** is in default of any of its obligations under any loan, contract or Legal Requirements, notice of which **Tenant** hereby agrees to provide to **Landlord** within three (3) days after receiving any notice or otherwise has knowledge of said default, together with a copy of any notice of such default received by **Tenant** from a third person.

vi. Guarantor Default. If any of the events enumerated in Paragraph 26(a) shall happen to or are applicable to any Guarantor of this Lease.

b. Remedies. Upon the occurrence of an event of default, **Landlord** shall have the following rights and remedies, which **Landlord** may exercise cumulatively, or in the alternative:

i. Recovery of Premises. To serve a written notice upon **Tenant** that **Landlord** directs the **Tenant** to quit possession upon the date set forth in the notice and, unless **Tenant** peaceably surrenders the Premises at the end of such period, **Landlord** may enter or re-enter the Premises, and possess or re-possess the Premises by force, summary process, ejectment or otherwise, it being understood that no demand for Rent and no re-entry for condition broken, as may be necessary to enable **Landlord** to recover possession pursuant to any Legal Requirements now or hereafter existing relating to summary process, ejectment or other action for possession of the Premises, the right to the same being hereby waived by the **Tenant**. **Landlord** shall not be liable for any manner of trespass and/or be liable to indictment, prosecution or charges therefore by reason of such re-entry, or by removing **Tenant** and all other persons or property from the Premises. No re-entry by **Landlord** shall be deemed to be an acceptance of a surrender of this Lease;

ii. Reletting of Premises. Upon recovering possession of the Premises, **Landlord** may, at **Landlord's** option, make such alterations and Repairs as may be necessary in order to relet the Premises, and may relet the Premises or any part or parts thereof under then market conditions, in **Landlord's** name, but as agent for the **Tenant** if **Landlord** has elected not to terminate this Lease, or if **Landlord** has terminated this Lease, on **Landlord's** own behalf, for a term or terms which may, at **Landlord's** option, be less than or exceed the period that would otherwise have constituted the balance of the Term of this Lease and at such rent or rents and upon such other terms and conditions as **Landlord** may decide in its sole discretion;

iii. Recovery of Damages. To recover from **Tenant**, and **Tenant** shall immediately pay **Landlord**, the following:

(A) Costs of Recovery. An amount equal to all costs and expenses, including reasonable attorneys' fees, incurred by **Landlord** in recovering possession of, and clearing the Premises, and

collecting any sums due under this Lease, along with all reasonable costs and charges for the care and security of the Premises while vacant, which expenses shall be due and payable by **Tenant** to **Landlord** at such time or times as such expenses shall be incurred by **Landlord**; and

(B) Collection of Rent for Term. An amount equal to the Minimum Annual Rent and Additional Rent reserved under this Lease, less the Net Rent as defined below, if any, collected by **Landlord** on reletting the Premises, which shall be due and payable by **Tenant** to **Landlord** on the several days on which the Minimum Annual Rent and Additional Rent reserved in this Lease are due and payable; that is to say, upon the first day of each month for the balance of the Term, **Tenant** shall pay to **Landlord** the amount of deficiency then existing. The term "Net Rent" shall mean the gross rent received by **Landlord** on any reletting of the Premises, less all expenses incurred by **Landlord** in connection with the reletting of the Premises, or any part thereof, including brokerage commissions, reasonable costs of Repair and remodeling of the Premises, and all costs and expenses incurred by **Landlord**, associated with the Premises or the Property, that would be Additional Rent under the provisions of the Lease if paid by **Tenant**, it being the intent of this Section that **Tenant** pay the difference between the Rent reserved hereunder, and any sums received on a reletting, both on an absolute net basis to **Landlord**.

(C) Collection of Leasing Commissions and Tenant Improvements. An amount equal to the value of the leasing commissions paid and any tenant improvements made by **Landlord** to the Premises set forth in Exhibit C adjusted to the amount of time remaining in the lease term and amortized at 12% over the term of the lease.

iv. Right to Terminate Lease. To terminate this Lease and the tenancy hereby created, without any right on the part of **Tenant** to cause the termination and forfeiture to be waived or otherwise voided by payment of any sum due or by performance of any other condition, term or covenant broken. Upon such termination, at **Landlord's** option, **Landlord** shall be entitled to recover, in lieu of the damages due under Section 26(b)(iii)(B), liquidated damages for **Tenant's** default in an amount equal to the present value of all future installments of Minimum Annual Rent and Additional Rent reserved for the balance of the Term of this Lease, all discounted at the rate of two (2%) percent per annum to determine present value, less the fair rental value of the Premises, on an absolute net basis, for the remainder of said Term, net of commission expenses and expenses for reletting, also discounted at the rate of two (2%) percent per annum to its then present worth. Such liquidated damages shall immediately be due and payable from **Tenant** to **Landlord**, along with all costs **Landlord** would have to reasonably incur to Repair and remodel the Premises in order to achieve the fair rental rate used in the calculation. If the Premises or any part thereof be relet by the **Landlord** for the unexpired Term of this Lease, or any part thereof, before presentation of proof of such liquidated damages to any court, commission or tribunal, the amount of rent reserved upon such reletting, adjusted to be on an absolute net basis comparable to this Lease, shall be *prima facie* evidence as to the fair and reasonable rental value for the part or the whole of the Premises so relet during the Term of the reletting. Nothing herein contained shall limit or prejudice the right of the **Landlord** to provide for and obtain as liquidated damages, by reason of such termination, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved, whether or not such amount be greater, equal to, or less than the amount of the difference referred to above. **Tenant** shall be responsible for all appraisal costs, consultants' fees and attorneys' fees incurred by **Landlord** in any proceeding to establish liquidated damages and/or otherwise proceed under this Section or any other provision of the Lease.

v. All Other Rights and Remedies. To exercise any other right or remedy available to **Landlord** at law or in equity, including, without limitation, the right of set-off against any security deposit hereunder, to seek a Prejudgment Remedy, as described in Section 26(c) following, to impose late charges as described in Section 26(j), and to have the procedural rights set forth in this Section 26.

vi. Termination of Utility or Other Service. To forthwith terminate the supply of any and all utilities or other services to the Premises and/or **Tenant**, including but not limited to heating, cooling, electricity, gas, water, hot water, sewage, maintenance or any other service provided **Tenant** by **Landlord** under this Lease unless said services have been fully paid to date by the Tenant.

c. **Prejudgment Remedy.** To induce **Landlord** to enter into this Lease, **Tenant** hereby agrees that this is a commercial transaction and not a consumer transaction, and waives any right to notice and a hearing under Chapter 903a of the Connecticut General Statutes, as amended, or other statute or statutes affecting prejudgment remedies and authorizes **Landlord**'s attorney to issue a writ for a prejudgment remedy without court order (provided the complaint shall set forth a copy of this waiver) and waives any claim in tort, contract or otherwise against **Landlord** or its attorney which may arise out of such issuance of a writ for a prejudgment remedy without court order. **Tenant** acknowledges and stipulates that such waiver and authorization granted above are made knowingly and freely and after full consultation with counsel. Specifically, **Tenant** recognizes and understands that the exercise of **Landlord**'s rights described above may result in the attachment of or levy against **Tenant**'s property, and such writ for a prejudgment remedy will not have the prior written approval or scrutiny of a court of law or other judicial officer nor will **Tenant** have the right to any notice or prior hearing where **Tenant** might contest such a procedure. The intent of **Tenant** is to grant to **Landlord**, for good and valuable consideration, the right to obtain such a prejudgment remedy. **Landlord**'s rights under this Section are in addition to, and not in limitation of, any and all other rights available to **Landlord** at law or in equity for prejudgment remedies.

d. **Intentionally Omitted.**

e. **Waiver of Jury Trial.** Landlord and Tenant hereby expressly waive any and all rights they may have to trial by jury of any claim, demand, action, or cause of action (i) arising under this Lease, or any other instrument, document, or agreement executed or delivered in connection herewith, or (ii) in any way connected with or related or incidental to the transactions related thereto or arising thereunder, in each case whether now existing or hereafter arising, and whether sounding in contract or tort, or otherwise. **Landlord** and **Tenant** hereby agrees and consents that any such claim, demand, action, or cause of action shall be decided by court trial without a jury, and **Landlord** and **Tenant** may file an original counterpart or a copy of this Section with any court as written evidence of the consent of each of them to the waiver of its right to trial by jury.

f. **Waiver of Consequential Damages.** Neither of the parties to this Lease shall be liable for consequential damages arising from any breach of contract, tort, or other wrong relating to the establishment, administration, or enforcement of the obligations relating in any way to this Lease, or **Tenant**'s use and occupancy of the Premises, except as set out in this Lease.

g. **Non-Waiver.** Failure of either party to insist upon strict performance or observance by the other party (**or any guarantor**) to this agreement or provision contained in this Lease, or forbearance to exercise, in any one or more instances, any option or remedies herein conferred upon the respective parties herein, shall not be construed as a waiver by that party for the future of any such agreement or option, but the same shall remain in full force and effect. No waiver by any party of any provision or any breach or non-compliance by the other party of this Lease shall be deemed to have been made by a course of dealings or otherwise, any such waiver to be effective if and only if expressed in writing and signed by both parties. No surrender of this Lease shall be valid unless accepted by **Landlord** in writing.

h. **Grace Period.** Notwithstanding its aforesaid rights, **Landlord** will not exercise its remedies as to any particular event of default under Sections 26(a)(i) or 26(a)(ii), to the extent **Tenant** has available a right of cure of an event of default described in Clauses (h)(i) or (h)(ii) of this Section 26, as described below and **Tenant** has in fact cured the event of default within the period specified:

i. twice in any consecutive twelve (12) month period, for nonpayment of any Rent, the **Tenant** shall have five (5) days from the receipt of written notice of default from **Landlord** to cure such default;

ii. twice in any consecutive twelve (12) month period, upon the occurrence of an event of default under Clause (a)(ii) of Section 26, the **Tenant** shall have ten (10) days from the receipt of written notice of default from **Landlord** to cure the event of default, unless the event of default cannot reasonably be cured within ten (10) days, in which case the **Tenant** shall have thirty (30) days to cure the event of default, provided the **Tenant** promptly begins to cure within the ten (10) days and continues actively and diligently in good faith to completely cure said event of default, and in fact cures such event of default within thirty (30) days. Notwithstanding the above,

if the default causes a dangerous condition to person, property, or any other tenant or reasonably may result in additional damages, liability, or loss, **Tenant** must take immediate steps to cure such default.

i. **Rights and Remedies Cumulative.** No right or remedy herein conferred upon or reserved to **Landlord** is intended to be exclusive of any other right or remedy provided herein or otherwise available to **Landlord** at law or in equity, but each shall be cumulative and in addition to every other right or remedy given herein to **Landlord** or now or hereafter existing at law or in equity.

j. **Late Charge/Default Rate.** **Tenant** hereby acknowledges that late payment by **Tenant** to **Landlord** of Minimum Annual Rent, Additional Rent and other sums due hereunder will cause **Landlord** to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Accordingly, if any installments of Minimum Annual Rent, Additional Rent or any other sum due from **Tenant** shall not be received by **Landlord** within ten (10) days after such amount shall be due, then, without any requirement for notice to **Tenant**, and without affecting the existence of an event of default and **Landlord**'s rights with respect thereto **Tenant** shall pay to **Landlord** a late charge equal to five (5%) percent of the amount due and unpaid along with interest on the unpaid amount of an annual rate equal to four (4%) percent over the prime rate of interest then charged by People's Bank , Bridgeport, Connecticut from the date that the same is due hereunder until the same shall be paid. The parties hereby agree that such late charge and default rate interest represent a fair and reasonable estimate of costs which **Landlord** will incur by reason of late payment by **Tenant**. The incurrence of or payment of a late charge or default rate shall not cure any event of default hereunder, absent a written waiver by **Landlord**.

27. **Environmental Condition of Property.** **Tenant** has knowledge of certain "Contaminants" (as such term is defined in Section 28, below) in, on, at, under, or "Released" (as such term is defined in Section 28, below) from the Property as of the date hereof (the "Preexisting Environmental Conditions"). The Preexisting Environmental Conditions are the subject of a Form III, as defined in the Connecticut Transfer Act, Connecticut General Statutes Section 22a-134 et seq., on file with the State of Connecticut Department of Environmental Protection. **Tenant** acknowledges that it has had full opportunity to perform due diligence concerning the environmental condition of the Property, including the Preexisting Environmental Conditions. **Tenant** acknowledges that **Landlord** has made no representations or warranties concerning the environmental condition of the Property, including the Premises, and that **Tenant** is relying solely upon its own due diligence concerning knowledge of the environmental condition of the Property, including the Preexisting Environmental Conditions. **Tenant** acknowledges that it has had full opportunity to perform such due diligence. **Tenant** further acknowledges and agrees that, without limiting the provisions of Section 28 hereof, **Landlord**, its agents, servants, partners, members, managers, employees, officers, directors, shareholders, affiliates, contractors, customers and visitors and their respective heirs, successors, personal representatives and assigns (the "**Landlord Parties**") shall not be liable to **Tenant**, its employees, agents, contractors, vendors, clients, visitors, invitees, affiliates, licensees or customers, and their respective heirs, successors, personal representatives and assigns ("**Tenant Parties**") for any claims or damages relating to the Preexisting Environmental Conditions, except as follows: **Landlord** shall indemnify **Tenant** and hold **Tenant** harmless from any and all third party claims or damages including reasonable third party costs and expenses, attorney's fees, and professional expert fees incurred by **Tenant** as a result of the State of Connecticut Department of Environmental Protection or any such other State of Connecticut or Federal agency or body of competent jurisdiction bringing a legal action, investigation or proceeding, whether formal or informal, against **Tenant** or the Property for environmental remediation of the Preexisting Environmental Conditions or placing an environmental lien on the Premises for environmental remediation of the Preexisting Environmental Conditions. **Landlord** shall also indemnify **Tenant** and hold **Tenant** harmless from any and all third party claims or damages including reasonable third party costs and expenses, attorney's fees, and professional expert fees incurred by **Tenant** with respect to any persons other than **Tenant Parties** arising out of the Preexisting Environmental Conditions. If any **Tenant Parties** bring onto the Premises or produces any Contaminants, in addition to any other rights **Landlord** has under this Lease in connection with such action, **Landlord's** indemnity obligation under this Section 27 shall immediately become null and void.

28. **Environmental Compliance / Indemnity.**

a. **Covenant re: Environmental Compliance.** Without limiting the general requirement that **Tenant** comply with all applicable Legal Requirements, the **Tenant** shall not engage in operations at the Premises and/or Property that involve the generation, manufacture, refining, transportation, treatment, storage, usage, handling or disposal of any Contaminant, as defined below, without the prior written consent of **Landlord**, which may be withheld in **Landlord**'s sole discretion. **Tenant** shall operate the Premises and cause it to be operated in compliance with all Environmental Laws.

(i) The **Tenant** shall not take any action nor shall the **Tenant** allow any omission to occur if such action or omission is reasonably likely to: (i) cause or create a risk of migration of Contaminants at the Premises or the Property; (ii) create or increase a potential hazard to human health or the environment at the Premises or the Property or (iii) introduce or increase the amount of any Contaminants at the Premises or the Property. The **Tenant** shall not disclose to any third party or otherwise compromise the confidentiality of any information or documentation it obtains from any source regarding the investigation, remediation and/or monitoring of the environmental condition of the Premises or the Property, unless compelled to do so by a court or agency having jurisdiction over such matter; provided, however, that **Tenant** shall provide reasonable prior notice to **Landlord** and a reasonable opportunity for **Landlord** to contest potential disclosure or potential compromise of the confidentiality of any such information. The **Tenant** shall allow the **Landlord** and the Connecticut Department of Environmental Protection and/or any other person directed by any of them to enter the Premises to ensure that the Tenant is complying with the requirements of this Section 28(a). Without limiting the foregoing, the **Tenant** shall allow Landlord and its agents, consultants, contractors and/or representatives to enter the Premises to perform such monitoring, investigation, abatement, mitigation, remediation and similar such activity related to the environmental condition of the Premises or the Property and/or any Contaminants thereon as they in their sole discretion deem necessary (the "Environmental Work"). The **Tenant** shall not interfere with the performance of the Environmental Work. The **Tenant** shall not take any action or allow any omission to occur that will interfere with the performance of the Environmental Work, provided that to the extent future environmental remediation work unreasonably interferes with the conduct of **Tenant**'s business at the Premises that is contemplated by this Lease, there shall be an equitable abatement of Minimum Annual Rent solely attributed to such portion of the Premises that **Tenant** is unable to utilize for the period of time it is not usable.

(ii) Omitted

(iii) Any violation of any term or condition of this Section 28(a) shall allow the **Landlord** at its sole option to immediately: (a) terminate this Lease, (b) obtain injunctive relief to compel the **Tenant** to strictly comply with the terms and conditions of this Paragraph 28(a) and/or (3) obtain such other relief that the **Landlord**, in its sole discretion, deems appropriate.

b. **Definitions.** As used in this Section 28, the term "Contaminant" shall mean any pollutant, hazardous, corrosive, caustic, reactive, or toxic, gaseous, liquid or solid substance or waste including (without limiting the generality of the foregoing) any of the following: oil or petroleum products; asbestos, asbestos containing materials, urea formaldehyde foam insulation; transformers or other equipment containing dielectric fluid containing polychlorinated biphenyls, flammables, explosives, radioactive materials, laboratory wastes, biohazardous wastes; chemicals, elements and compounds (including materials, substances or things composed of, or which have contents of, any of the foregoing) to the extent any of the foregoing are now or may be subject to regulations or guidelines under, or the generation, use, storage, transportation, management, handling or release of which or exposure to which is prohibited, limited or regulated, by any Environmental Law. The term "Environmental Law" shall mean any and all Legal Requirements pertaining to protection of the environment, safety, or to the use, storage or transportation of any Contaminant including (without limiting the generality of the foregoing) the Comprehensive Environmental Response, Compensation and Liability Act, as amended, (CERCLA), 42 USC §9601 *et seq.*; the Resource Conservation and Recovery Act, as amended, (RCRA), 42 USC §6901 *et seq.*; the Clean Air Act, as amended, 42 USC §7401 *et seq.*; the Federal Water Pollution Control Act, as amended (including but not limited to as amended by the Clean Water Act), 33 USC §1251 *et seq.*; The Toxic Substances Control Act, as amended (TSCA), 15 USC §2601 *et seq.*; the Emergency Planning and Community Right-to-Know Act (also known as SARA Title III), as amended, (EPCRA), 42 USC §11001 *et seq.*; the Safe Drinking Water Act, as amended, 42 USC §300(f) *et seq.*; the Federal Insecticide, Fungicide and Rodenticide Act, as amended (FIFRA),

7 USC §135 et seq.; the Occupational Safety and Health Act, as amended, (OSHA), 29 USC §651 et seq.; the Endangered Species Act, as amended, 16 USC §1531 et seq.; the National Environmental Policy Act, as amended, (NEPA), 42 USC §4321 et seq.; the Rivers and Harbors Act of 1899 33 USC §401 et seq.; Title 22(a) of the Connecticut General Statutes, and all state and local Legal Requirements, similar to or addressing similar matters as the foregoing federal Legal Requirements, whether or not more restrictive than the federal Legal Requirements; Legal Requirements governing underground and above-ground storage tanks; Legal Requirements imposing liens for response costs or costs of remediation, whether or not those liens have a higher priority than existing liens; Legal Requirements regulating closure of use and storage areas, or conditioning transfer of property interests, including leased premises, upon a form of negative declaration or other approval of a governmental or regulatory authority of the environmental condition of a property; Legal Requirements requiring disclosure of conditions relating to Contaminants in connection with transfer of title to or interest in property law; Legal Requirements requiring notifying of any government entity with regard to a "Release" (as defined below in this Section 28) of any Contaminant; conditions or requirements imposed in connection with any permits; Legal Requirements pursuant to any of the foregoing; all Legal Requirements and existing or proposed guidelines, under any of the foregoing relating to the Release, use, treatment, storage, disposal, transportation, transfer, generation, processing, production, refining, control, management, handling, or remediation of Contaminants; any and all Legal Requirements, guidance, guidelines, proposed or adopted, and common law of any governmental or regulatory entity relating to the protection of human health or the environmental from Contaminants. The term "Release", as used herein, shall mean any spilling, leaking, migrating, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the Property, the Premises or the environment of any Contaminant. If any Environmental Law is amended to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment.

In the event of any environmental condition, problem or issue relating to the Property or the Premises, and covered by the indemnification in Subsection (c) of this Section 28, **Tenant** shall give immediate notice to **Landlord** and **Landlord** or any party designated by **Landlord** shall be the only authorized party to control the response, remediation plan and actual remediation including any conversations, correspondence, and negotiations with any governmental or regulatory authority, unless the **Landlord** permits or directs, in writing, the **Tenant** to complete the response and remediation directly, or unless **Tenant** is compelled to respond or converse by a court or agency having jurisdiction over such matters; provided, however that **Tenant** shall provide **Landlord** with reasonable prior notice and reasonable opportunity to object to such compelling to respond or conversing.

c. Indemnity to Landlord. Without in any way limiting the obligations of **Tenant** to indemnify and hold harmless **Landlord Parties** and neighboring property owners, and their respective heirs, successors, personal representatives, and assigns, pursuant to any other provision of this Lease, and without in any way limiting **Tenant's** other obligations under this Lease, **Tenant** agrees to indemnify and hold **Landlord Parties** harmless from and against all damages, fines, charges, penalties, fees, costs (including but not limited to legal fees, response costs such as clean-up, removal or mitigation), losses, liabilities, damages, diminutions in value, costs and expenses, causes of action, suits, claims, demands, and judgments of any nature suffered or incurred by **Landlord Parties** or neighboring property owners, and their respective heirs, successors, personal representatives, and assigns, and arising out of or in connection with:

i. the presence of, or any release on the Property or Premises of, any Contaminant caused by or arising as a result of **Tenant's** use of the Property or Premises; or in any way caused by or arising from **Tenant**, its employees, agents, contractors, vendors, clients, visitors, invitees, affiliates, licensees or customers or any violation of any Environmental Law;

ii. the application, or any claim of application, or any Environmental Law to the Property or the Premises or the operation thereof caused by or arising as a result of **Tenant's** use of the Property or the Premises, or in any way caused by or arising from **Tenant**, its employees, agents, contractors, vendors, clients, visitors, invitees, affiliates, licensees or customers;

iii. any failure by **Tenant** to comply with the terms of any Legal Requirements or action of the Connecticut Department of Environmental Protection or any other federal, state, or municipal governmental or regulatory authority under any Environmental Law that is issued or taken against or entered into by **Tenant**;

iv. any losses incurred by **Landlord** as a result of a lien or remediation order in favor of the Commissioner of Environmental Protection or any other person against the Property or the Premises caused by or arising as a result of **Tenant**'s use of the Property or the Premises, or in any way caused by or arising from **Tenant**, its employees, agents, contractors, vendors, clients, visitors, invitees, affiliates, licensees or customers. Except as provided in Section 27, neither **Landlord** nor **Tenant** shall be responsible for any claims of damages with respect to any Preexisting Environmental Condition.

d. **Non-liability.** Except for **Landlord's** indemnity obligations pursuant to Section 27 and except for **Tenant's** indemnity obligations pursuant to this Section 28 or pursuant to any other provision of this Lease including without limitation Section 18, neither party shall be liable to the other party for any damages, fines, charges, penalties, fees, costs (including but not limited to legal fees, response costs such as clean-up, removal or mitigation), losses, liabilities, damages, diminutions in value, costs and expenses, causes of action, suits, claims, demands, and judgments of any nature suffered or incurred by the other party, its partners, its affiliates, agents, employees, customers, contractors, officers, visitors, neighboring property owners, and their respective heirs, successors, personal representatives, and assigns, arising out of or in connection with:

- i. the presence of, or any release on the Premises or Property of, any Contaminant caused by or arising as a result of another person's use of the Premises or Property, or in any way caused by or arising from another person or any violation of any Environmental Law by another person;
- ii. the application, or any claim of application, of any Environmental Law to the Premises or Property or the operation thereof caused by or arising as a result of another person's use of the Premises or Property, or in any way caused by or arising from another person;
- iii. any failure by another person to comply with the terms of any order, consent agreement, or action of the Connecticut Department of Environmental Protection or any other federal, state, or municipal governmental authority under any Environmental Law that is issued or taken against or entered into by another person;
- iv. a lien or remediation order in favor of the Commissioner of Environmental Protection or any other person against the Premises or Property caused by or arising as a result of another person's use of the Premises or Property, or in any way caused by or arising from another person.

For purposes of this Section 28(d), the term, "another person" includes, without limitation, any past, present or future operator, tenant, occupant or user of the Premises or Property, other than **Tenant** or **Landlord** and their respective employees, agents, contractors, vendors, clients, visitors, invitees, affiliates, licensees or customers and any past or future owner of the Premises or Property other than **Landlord**.

29. **Interpretation.**

a. **Captions.** The captions in this Lease are for convenience only and are not a part of this Lease, and do not in any way define, limit, describe or amplify the terms and provisions of this Lease or the scope or intent thereof.

b. **Entire Agreement.** This Lease represents the entire agreement between the parties hereto and there are no collateral or oral agreements or understandings between **Landlord** and **Tenant** with respect to the Premises or the Property. No rights, easements or licenses are acquired in the Property or any land adjacent to the Property by **Tenant** by implication or otherwise except as expressly set forth in the provisions of this Lease. This Lease shall not be modified in any manner except by an instrument in writing executed by the parties.

c. **Exhibits.** Each writing or plan referred to herein as being attached hereto as an Exhibit or otherwise designated herein as an Exhibit hereto is hereby made a part hereof.

d. Interest. Whenever interest is required to be paid hereunder, such interest shall be capped at the highest rate permitted under law.

e. Severability. Wherever possible each provision of this Lease shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Lease shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Lease.

30. **Definitions.**

a. "Landlord". The word "**Landlord**" is used herein to include the **Landlord** named above as well as its successors and assigns, each of which shall have the same rights, remedies, powers, authorities and privileges as it would have had it originally signed this Lease as **Landlord**. No entity acting as the original or any successor or assignee **Landlord**, whether or not named herein, shall have any liability hereunder after it ceases to hold title to the Premises, except for obligations that may have accrued prior to such succession or assignment and which are not assumed by such successor and/or assignee. No principal, partner, general partner or limited partner, shareholder, member, manager, trustee, agent, beneficiary, officer, employee or any other affiliated party of **Landlord**, shall have any liability with respect to any of the provisions of this Lease, the Property or the Premises. If **Landlord** is in breach or default with respect to **Landlord**'s obligations under this Lease or for any other claims of **Tenant** against **Landlord** or any other affiliated party of **Landlord**, **Tenant** shall look solely to the interest of **Landlord** in the Property for the satisfaction of **Tenant**'s claims.

b. "Tenant". The word "**Tenant**" is used herein to include the **Tenant** named above, as well as its successors and assigns, each of which shall be under the same obligations, liabilities and disabilities and each of which shall have the same rights, privileges and powers as it would have possessed had it originally signed this Lease as **Tenant**; however, this shall in no way be construed to imply any right of **Tenant** to assign this Lease or sublet the Premises other than in accordance with the provisions of Section 21 of this Lease. In the event more than one person is hereafter named as **Tenant**, or on any approved assignment or subletting, the original **Tenant** and any and all successors, assigns and sublessees shall be bound jointly and severally by the terms, covenants and agreements contained herein. However, no such rights, privileges or powers shall inure to the benefit of any successor, assignee or sublessee of **Tenant** immediate or remote, unless the assignment to such assignee or successor, or sublease to such sublessee has been approved in writing by **Landlord** in accordance with the provisions of Section 21 of this Lease. Any notice required or permitted by the terms of this Lease may be given by or to any one of the persons named above as **Tenant**, and shall have the same force and effect as if given by or to all thereof.

c. "Mortgage" and "Mortgagee". The word "mortgage" is used herein to include any consensual lien or encumbrance on the Premises or the Property or on any part of or interest in or appurtenance to any of the foregoing, including, without limitation, any ground rent or ground lease if **Landlord**'s interest is or becomes a leasehold estate. The word "mortgagee" is used herein to include the holder of any mortgage, including any ground lessor if **Landlord**'s interest is or becomes a leasehold estate. Wherever any right is given to a mortgagee, that right may be exercised on behalf of such mortgagee by any representative or servicing agent of such mortgagee.

d. "Person". The word "person" is used herein to include a natural person, a partnership, a corporation, an association, a limited liability company, and any other form of business association or entity.

e. "Date of this Lease". The "date of this Lease" shall be the date upon which this Lease has been fully executed by both parties, such date being the date stated at the beginning of this Lease.

f. "Proportionate Share". **Tenant**'s "Proportionate Share" of any Imposition, cost, charge, rent, expense or payment herein designated as Additional Rent, which is not otherwise allocated solely to **Tenant**, shall be: ____%. In the event the rentable square footage of the Building shall be increased or decreased, the Proportionate Share shall be adjusted accordingly.

g. Gender/Number. As used herein, the masculine (or neuter) pronoun, singular, number, shall include the masculine, feminine and neuter genders and the singular and plural number, as the context requires.

h. Impositions. The term "Impositions" shall mean all taxes (other than Landlord's net incomes, corporate, capital gains or franchise taxes), assessments, charges, levies, licenses and permit fees, public charges for water, sewer or other public utilities, or other public imposts or burdens of whatsoever kind and nature, ordinary and extraordinary, unforeseen as well as foreseen, applicable during the Term of this Lease, which are assessed or imposed against the Property, the adjoining streets or access ways, the Building, the Premises, any improvements thereto, or upon this Lease, including any tax or excess fee measured by or payable with respect to any Rent by any federal, state or municipal government, public authority, or under any Legal Requirement. Impositions shall not include any net income, corporate franchise, or similar tax imposed or assessed upon **Landlord**, unless such tax or any similar tax is levied or assessed in lieu of all or any part of any Impositions or an increase thereon. If, under any Legal Requirements with respect to such new method of taxation, **Tenant** is prohibited from paying such new tax, **Landlord** may impose another means of obtaining from **Tenant** compensation to equally offset the effect of the prohibition.

i. "Affiliate". As used herein, the term "affiliate" means a person controlling, controlled by or under common control with, another person.

j. Guarantor. The term "Guarantor" shall mean the Persons or entity that executes and delivers to **Landlord** the Guaranty in the form of Exhibit G annexed hereto and made a part hereof, as a material inducement for the **Landlord** to enter into this Lease Agreement with **Tenant**.

31. Notices. All notices, demands, requests, consents, certificates and waivers required or permitted hereunder from either party to the other shall be in writing and sent by United States certified mail, postage prepaid, return receipt requested, recognized overnight carrier, or hand delivered, and shall be deemed received two days after mailing, upon receipt if by overnight carrier and on delivery if by hand delivery. Notice to **Tenant** shall be addressed to:

Attention:

with a copy to:

or, after the Commencement Date, to the Premises. Notices to **Landlord** shall be addressed to the **Landlord** as follows:

400 Connecticut, LLC
P.O. Box 151
225 East Aurora Street
Waterbury, CT 06720-0151
Telephone: (203) 597-0400
Telefax: (203) 753-9617

Attention: Jonathan D. Albert, Chairman
Cornerstone Realty, Inc., its Manager

and with a copy to any other party designated by **Landlord**. Either party may at any time, in the manner set forth for giving notices to the other, specify a different address to which notices to it shall be sent.

32. **Security Deposit.** At the time of signing this Lease, **Tenant** shall deposit with **Landlord** the sum of ____ Thousand Dollars (\$____,000) to be retained by **Landlord** as cash security for the faithful performance and observance by **Tenant** of the covenants, agreements and conditions of this Lease. Notwithstanding anything to the contrary contained in any law or statute now existing or hereafter passed, (i) **Tenant** shall not be entitled to any interest whatsoever on the cash security, (ii) **Landlord** shall not be obligated to hold the cash security in trust or in a separate account, and (iii) **Landlord** shall have the right to commingle the cash security with its other funds. **Landlord** may use, apply or retain the whole or any part of the security deposit to the extent required for the payment of any Minimum Annual Rent or any Additional Rent as to which **Tenant** is in default or to the extent required for the reimbursement to **Landlord** of any sum which **Landlord** may expend or may be required to expend by reason of **Tenant**'s default in respect to any of the covenants, agreements or conditions of this Lease. If any portion of the Security Deposit is so used or applied, **Tenant** shall, within five (5) days after notice thereof, deposit cash with **Landlord** in an amount sufficient to restore the Security Deposit to its original amount, and **Tenant**'s failure to do so shall be a breach of this Lease. **Landlord** may, in the event the Security Deposit is depleted and not replenished, at **Landlord**'s election, apply any Base Rent or Additional Rent prepaid by **Tenant** to restore the Security Deposit. If **Tenant** shall fully and faithfully comply with all of the covenants, agreements and conditions of this Lease, the security deposit shall be returned to **Tenant** after the Expiration Date and within 30 days after the surrender of the Premises to **Landlord** and if the full sum is not returned, with a reasonable accounting of the use of the security deposit. If the Premises are sold to a bona fide purchaser, **Landlord** shall be released from all liability to **Tenant**, including **Landlord**'s liability for return of the portion of **Tenant**'s security deposit required to be returned to **Tenant** pursuant to the terms hereof, and **Tenant** shall look solely to **Landlord**'s successors or assigns for the return thereof.

33. **Limits of Liability of Landlord and Rights of Landlord to Assign.** Notwithstanding anything to the contrary, all of **Landlord**'s liability hereunder shall be limited to **Landlord**'s interest in the Property of which the Premises form a part, and no personal liability shall extend to **Landlord**, its agents, servants, partners, members, managers, employees, officers, directors, shareholders, affiliates and contractors or any of them. **Landlord** shall be entitled, without **Tenant**'s consent, to convey or dispose of the Property, and, upon such conveyance, **Landlord** shall be entirely free and released of all covenants and obligations of **Landlord**, which shall thereafter be on the successors or assigns of **Landlord**, to the extent of their interest in the Property. Any successor or assign of **Landlord** shall be bound by the terms of this Lease.

34. **Brokerage.** **Tenant** represents and warrants that other than _____ from _____, which **Landlord** shall compensate pursuant to the terms of its open listing agreement, **Tenant** has not been represented by any broker or other person in any capacity related to this Lease the Property or the Premises and shall indemnify against and hold **Landlord** harmless from any claims related to any broker claim concerning such representation.

35. **Machinery Containment.** **Tenant** shall insure that no oil, petroleum or other liquid products needed for machinery come in contact with the floor of the Building, the Property or the Premises and all machinery using liquids shall have proper containment for such liquids to prevent any spillage onto the floor or Property or the Premises.

36. **Parking Space.** The Tenant, including but not limited to its visitors, vendors, contractors, and invitees shall have the right to park in the parking spaces that are marked for _____'s use on Exhibit B attached, including all vehicle parking. **Landlord** reserves the right to designate the parking spaces for the Property at any time within its sole discretion. Vehicle parking shall be limited to an area on the Property that shall be determined by **Landlord** within its sole discretion taking into consideration the needs for access to other areas of the Property by other tenants. At no time shall the vehicles of **Tenant**, including but not limited to its visitors, vendors, contractors, and invitees, interfere with the loading dock access for any other tenants of the Property.

37. **Due Authorization.** **Landlord** and **Tenant** respectively warrant and represent that they each have full authority to enter into this Lease and shall provide the other party upon execution of this Agreement with a copy of the appropriate resolution or other evidence of authorization reasonably satisfactory to the other party authorizing

the execution of this Lease. **Landlord** and **Tenant** represent and warrant to each other that to the best of their knowledge, the making of this Lease and the performance thereof will not violate any agreement of which they respectively are a party to or to which they are bound.

38. **Governing Law.** This Agreement shall be deemed made and entered into in the State of Connecticut and to the greatest extent possible, the parties agree that it shall be governed and construed under and in accordance with the laws of the State of Connecticut, without regard to its principles governing conflicts of law. For all purposes of this Agreement and enforcement of all rights and obligations under this Agreement, Tenant consents to the non-exclusive jurisdiction of the Courts of the State of Connecticut and the Courts of the United States of America sitting within the territorial limits of the State of Connecticut. Further, Tenant hereby accepts service of process from and for any State of Connecticut Court and representative thereof by having copies of said process delivered in hand to Tenant's last place of business in Connecticut and mailed to the address set forth in Section 31 herein or such different address that may have been specified to **Landlord** under Section 31.

39. **Property/Premises:** **Landlord** warrants that it owns the Premises and the other areas of the Property to which **Tenant** has rights under this Lease, in fee simple and has right of access thereto.

40. **Refuse Receptacles.** Any refuse receptacle of the Tenant stored on the Property shall be situated in a location referred to on Exhibit B or otherwise designated by Landlord and limited to a size and type to be agreed upon by Landlord in its sole discretion. Such refuse receptacle shall be the sole responsibility and cost of Tenant and shall be emptied by Tenant at its cost and expense on a regular basis in order to avoid overfilling and debris escaping from the containers. Tenant shall be responsible to keep all such areas in clean condition and free from any garbage or waste, the tops closed and garbage not visible from the outside of the containers.

The Lease consists of 28 pages numbered from 1 to 28 not including Exhibits A, B, C, D and E, F and G identified by **Landlord** and **Tenant** on page 30.

IN WITNESS WHEREOF, and in consideration of the mutual entry into this Lease and for other good and valuable consideration, and intending to be legally bound, each party hereto has caused this agreement to be duly executed under seal as of the date first written above.

Attest:

L A N D L O R D
400 Connecticut, LLC
By: Cornerstone Realty, Inc., Its Manager

By: _____
Jonathan Albert, Chairman
Duly Authorized

Attest:

T E N A N T
Breakwater Production Facility, LLC

By: _____
Its _____
Duly Authorized

EXHIBIT LIST

Exhibit A

Property and Building Description of Land and Building

Exhibit B

Plan Showing Premises Outlined in Red

[Parking]

[Refuse]

Exhibit C

Tenant Improvements by Landlord

Exhibit D

Tenant Signage

Exhibit E

Initial Tenant Fit Out Work by Tenant

Exhibit F

Insurance Requirements

Exhibit G

Guaranty

Exhibit C

Landlord shall perform the following tenant improvements to the Premises at its sole cost and expense:

In all other respects, the Property and Premises shall be turned over to Tenant in its “as-is” condition.

Exhibit D

Tenant shall be authorized at its own costs and expense to install its name on the building directory sign situated at the base of the driveway leading to the Premises, and (ii) a second sign in the vicinity of the main entrance to the Premises provided that each of the same shall be installed in compliance with applicable Legal Requirements and shall be subject to review and approval by Landlord, which approval may not be unreasonably withheld.

Under no circumstances shall any signs be adhered to any brick or block and any mortar or other surface damage of any kind upon the signs removal shall be repaired by Tenant at Tenants sole cost and expense.

At the conclusion of the Lease or any earlier termination thereof, Tenant shall be responsible to remove any and all of its signage and restore the surfaces to their original condition all at the sole cost and expense of Tenant.

Exhibit E

Tenant's Initial Fit Out Work – shall consist of the following:

1. To be decided

Exhibit F

Insurance Requirements

- Worker's Compensation Insurance in full compliance with the Workers' Compensation and Occupational Diseases Laws of all authorities having jurisdiction in locations in which Tenant operates and Employer's Liability coverage with limits of not less than \$1,000,000.00 each accident for Bodily Injury by accident, \$1,000,000.00 each accident for Bodily Injury by disease; and \$1,000,000.00 policy limit for Bodily Injury by disease and for all operations of the party required to furnish same. Subrogation must be waived in favor of the Landlord and all additional insureds.
- Commercial General Liability Insurance for operation of Tenant in a form providing coverage not less than that of standard Commercial General Liability insurance policy ("Occurrence Form") for operations of the party required to furnish same, including products and completed operations, contractual liability coverage, and personal injury liability coverage. The Landlord and any other entities required by the Landlord shall be included as additional insureds, on a primary and non-contributory basis.

Bodily Injury and Property Damage combined:

General Annual Aggregate- Per Location	\$5,000,000.00
Products- Completed Operations Annual Aggregate	\$2,000,000.00
Bodily Injury and Property Damage Each Occurrence	\$2,000,000.00
Personal and Advertising Injury	\$2,000,000.00

- Automobile Liability Insurance covering all owned, non-owned and hired automobiles with limits of not less than \$1,000,000.00 Combined Single Limit each occurrence for Bodily Injury and Property Damage with contractual liability exclusion deleted. Subrogation must be waived in favor of the Landlord and all additional insureds on all company owned and/or insured vehicles.
- Umbrella Liability, Tenant shall provide \$2 million excess of underlying general liability, automobile, liquor liability and employer liability coverage. Coverage shall be following form and include the Landlord and any other entities required by the Landlord as additional insureds
- Property Insurance, for the full value of all personal property including improvements & betterments. Subrogation must be waived in favor of the Landlord and all additional insureds.

Exhibit G

GUARANTY OF LEASE

This Guaranty is made as of this day of _____ by _____, _____, (hereafter "Guarantors") with an address of _____ respectively, to and in favor of 400 Connecticut, LLC (hereafter "Landlord") with an address of 225 East Aurora Street, Waterbury, Connecticut.

WITNESSETH:

WHEREAS, by Lease Agreement dated April , 2012 Landlord has leased to _____ ("Tenant") certain premises located at 400 Captain Neville Drive, Waterbury Connecticut (the "Lease" which term includes the same as may have been or may hereafter be amended); and

WHEREAS, Landlord has required the Guarantors to execute this Guaranty of Lease ("Guaranty") as a condition of the Landlord entering into the Lease with the Tenant; and

WHEREAS, Guarantors will receive direct or indirect benefit from the Tenant entering into the Lease; and

NOW, THEREFORE, in order to induce Landlord to enter into the Lease and for other good and valuable consideration, the undersigned Guarantors hereby agrees as follows:

1. Guarantors hereby absolutely and unconditionally and irrevocably guarantees to Landlord the full and prompt payment of all base rent and additional rent (collectively "Rent") and any and all other sums and charges payable by Tenant under the Lease and hereby further guarantees the full and timely performance and observance of all of the covenants, terms, conditions and agreements therein provided to be performed and observed by Tenant. In the event of a default under the Lease, Guarantors hereby covenants and agrees with Landlord: (i) to make the due and full punctual payment of all Rent, monies and other charges payable by Tenant under the Lease, (ii) to effect prompt and complete performance of all and each of the terms, covenants, conditions and provisions contained in the Lease on the part of Tenant to be kept, observed and performed; and (iii) to indemnify and save harmless Landlord from any loss, costs or damages arising out of any failure to pay the aforesaid Rent, monies, and charges or the failure to perform any of the terms, covenants, conditions and provisions of the Lease including, without limitation attorney fees. The Guarantors waives notice of any breach or default by Tenant. This Guaranty is a continuing guaranty of payment and performance and is in no way conditional or contingent upon any attempt to collect from Tenant or upon any other condition or contingency.

2. In the event of a default under the Lease, Guarantors waive any right to require Landlord to: (i) first proceed against Tenant or pursue any rights or remedies with respect to the Lease; (ii) proceed against or exhaust any security that Landlord holds from Tenant; or (iii)

pursue any other remedy whatsoever. Landlord shall have the right to enforce this Guaranty regardless of the acceptance of additional security from Tenant and regardless of the release or discharge of Tenant by Landlord or by others, or by operation of law.

3. Guarantors hereby expressly waive any right of setoff, counterclaim or deduction against amounts due under this Guaranty and waives notice of the acceptance of this Guaranty. Guarantors further waive the right to interpose all substantive and procedural defenses of the law of guaranty, indemnification and suretyship except the defenses of prior payment or prior performance.

4. Without limiting the generality of the foregoing, the liability of Guarantors under this Guaranty shall not be deemed to have been waived, released, discharged, impaired or affected by (a) reason of any waiver or failure to enforce, delay in enforcing any of the obligations of the Tenant under the Lease, or (b) the granting of any indulgence or extension of time to Tenant, or (c) the assignment of the Lease, or the subletting of the Premises by Tenant, or (d) the expiration of the term, or (e) if Tenant holds over beyond the term of the Lease, or (f) any merger or the release or discharge of Tenant in any voluntary or involuntary receivership, bankruptcy, winding-up or other creditors' proceedings, or (g) the rejection, disaffirmance or disclaimer of the Lease by any party in any action or proceeding, or (h) the release of any Guarantor or any other guarantor, or (i) the transfer by any Guarantor of any or all of the capital stock of Tenant, and shall continue with respect to the periods prior thereto and thereafter. The liability of the Guarantors shall not be affected by any repossession, re-entry or re-letting of the Premises by Landlord; provided, however, that the net payments received by Landlord after deducting all costs and expenses of repossession and/or reletting the same (including, without limitation, any attorney fees, brokerage fees and any reasonable costs or expenses incurred in redecorating, remodeling, or altering the Premises for reletting), shall be credited from time to time by Landlord to the account of Tenant and Guarantors and Guarantors shall pay any balance owing to Landlord from time to time, immediately upon being given written notice of demand by Landlord in the manner for providing notice set forth in the Lease.

5. The obligations of Guarantors shall not be released by any modification or amendment of the Lease (including any extension or renewal of the term of the Lease), and in the case of any such modification the liability of Guarantors shall be modified in accordance with the term of any such modification of the Lease. Guarantors waive any notice of the modification of the Lease.

6. Guarantors shall pay Landlord's reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempted collection of this Guaranty or in any negotiations relative to the obligations hereby guaranteed. All rights and remedies of Landlord under this Guaranty shall be cumulative and may be exercised singly or concurrently.

7. Until all the covenants and conditions in the Lease on Tenant's part to be performed and observed are fully performed and observed, Guarantor: (i) shall have no right of subrogation against Tenant by reason of any payments or acts of performance by the Guarantor in compliance with the obligations of the Guarantors hereunder; (ii) waives any right to enforce any remedy which Guarantors now or hereafter shall have against Tenant by reason of any one or

more payments or acts of performance in compliance with the obligations of Guarantors hereunder; and (iii) subordinates any liability or indebtedness of Tenant now or hereafter held by Guarantors to the obligations of Tenant to the Landlord under the Lease.

8. This instrument may not be changed, modified, discharged or terminated orally or in any manner other than by an agreement in writing signed by Guarantors and the Landlord.

9. All of the terms, agreements and conditions of this Guaranty shall extend to and be binding upon Guarantors, and the heirs, executors, and personal administrators of Guarantors and shall inure to the benefit of and may be enforced by Landlord, its successors and assigns, and the holder of any mortgage to which the Premises may be subject at any time or from time to time. This Guaranty shall continue in full force and effect so long as any obligations of liability of Tenant under the Lease shall remain unperformed or unsatisfied (whether or not the Lease shall have terminated).

10. The use of the singular herein shall include the plural and the use of any gender shall include all genders or neuter as the case may be. This Guaranty shall be governed by the laws of the State of Connecticut.

11. As a further inducement to Landlord to make and enter into the Lease Guarantors hereby knowingly and voluntarily waives the right to trial by jury in any action or proceeding that may hereafter be instituted by Landlord against Guarantor with respect to this Guaranty. Guarantors further acknowledges that this Guaranty constitutes a commercial transaction as such term is defined in Section 52-278(a) of the Connecticut General Statutes. Guarantors hereby expressly waives any and all rights to any notice or hearing under Section 52-278(a) to 52-278(g) prior to the issuance of a prejudgment remedy and waives the posting of any bond in connection with any prejudgment sought. Guarantors specifically authorizes the attorney for Landlord to issue a writ for a prejudgment remedy without first securing a court order.

12. If Guarantors consist of more than one person or entity, the liability of each such person or entity hereunder shall be joint and several.

13. If any provision of this Guaranty or the application thereof to any person or circumstances shall for any reason and to any extent, be invalid or unenforceable, the remainder of this Guaranty and the application of that provision to other persons or circumstances shall not be affected but rather shall be enforced to the extent permitted by law. This Guaranty shall be construed without regard to any presumption or other rule requiring construction against the party causing this Guaranty to be drafted.

14. Guarantors agree that it will, from time to time, within ten (10) days of Landlord's request, execute and deliver a statement certifying that this Guaranty is unmodified and in full force and effect.

15. All notices hereunder shall be delivered by certified mail, return receipt requested, to the address of the parties first set forth above. All notices shall be effective as of depositing same in mail.

16. Any suit, action or proceeding against a Guarantor with respect to this Guaranty or any judgment entered by any court in respect thereof, may be brought in the courts of the State of Connecticut or in the United States courts located in the State of Connecticut as the Landlord in its sole discretion may elect, and the Guarantors hereby submit to the exclusive jurisdiction of such courts for the purpose of any suit, action or proceeding. The Guarantors hereby agree that service upon Guarantors of any writs, process and summonses in any such suit, action or proceeding brought in the State of Connecticut may be brought upon the Tenant, and the Guarantors hereby irrevocably appoint the Tenant, as their true and lawful attorney-in-fact in the name, place and stead of the Guarantors to accept such service of any and all such writs, process and summonses, and agree that the failure of the Tenant to give any notice or such service of process to them shall not impair or affect the validity of such service or of any judgment based thereon. The Guarantors hereby further irrevocably consent to the service of process in any suit, action or proceeding in said court by the mailing thereof by the Landlord by certified mail, postage prepaid to the Guarantor's residential address set forth above in the first paragraph of this Guaranty. The Guarantors hereby irrevocably waive any objections which either of them may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Guaranty brought in the courts located in the State of Connecticut and hereby further irrevocably waive any claim that any such suit, action or proceeding brought in any such court has been brought in any inconvenient forum.

17. After the completion of two lease years without any default by Tenant, Landlord and Tenant shall review the financial condition of the Tenant. If in Landlord's sole discretion the financial condition of the Tenant is sound and there are no concerns with the Tenant being able to fully honor its financial obligations under the Lease, then Landlord will agree to terminate this Guaranty with all parties involved.

IN WITNESS WHEREOF, the undersigned have hereunto signed this Guaranty as of the _____ day of ___, 2012.

STATE OF CONNECTICUT :

: ss.

COUNTY OF :

Personally appeared _____, as aforesaid, signer of the foregoing instrument, and acknowledged the same to be his free act and deed, before me this _____ day of _____, 2012.

Commissioner of the Superior Court
Notary Public
My Commission Expires:

STATE OF CONNECTICUT :
: ss.

COUNTY OF :
: ss.

Personally appeared _____, as aforesaid, signer of the foregoing instrument, and acknowledged the same to be his free act and deed, before me this day of May, 2012.

Commissioner of the Superior Court
Notary Public
My Commission Expires:

BUSINESS PLAN

BREAKWATER PRODUCTION FACILITY

BUSINESS PLAN

B r e a k w a t e r P r o d u c t i o n F a c i l i t y

c/o Lefkowitz & Edelstein 444 Madison Avenue, Suite 1805, New York, NY 10022

DISCLAIMER

This Business Plan (and any and all drafts and parts thereof) is based upon information supplied by Breakwater Production Facility LLC and is being furnished on a confidential basis, solely for use by prospective investors in the company (collectively 'recipient'). The use or distribution of this Business Plan to any other parties or for any other purposes is not authorized.

Neither the company, nor any of its respective employees, contractors, affiliates or representatives makes any representation or warranty, express or implied, as to the accuracy or completeness of any of the information contained in this Business Plan or in any other written or oral communication transmitted or made available to a recipient.

Material portions of the information presented in this Business Plan constitute 'forward-looking statements' which can be identified by the use of forward-looking terminology such as 'may', 'will', 'expect', 'anticipate', 'estimate', 'plan', or 'continue' or the negative form thereof or other variations thereon or comparable terminology. Such forward-looking statements represent the subjective views of the management of the company, and management's current estimates of future performance are based on assumptions which management believes are reasonable but which may or may not prove to be correct. There can be no assurance that management's views are accurate or that management's estimates will be realized, and nothing contained herein is or should be relied on as a representation, warranty or promise as to the future performance or condition of the company. Industry experts may disagree with these assumptions and with management's view of the market and the prospects of the company.

The sole purpose of the Business Plan is to assist a recipient in deciding whether to proceed with further investigation. Note that this Business Plan does not purport to contain all material information that an interested party might consider in investigating the company. A recipient should conduct his or her own independent analysis and investigation. This Business Plan shall not be construed to indicate that there has not been any change in the financial condition, business, operations, plans or other affairs of the company since the date of preparation. This business plan was updated on November 12, 2013.

Breakwater Production Facility, LLC
Operation of a Medicinal Marijuana Production Facility
In the State of Connecticut

Breakwater Production Facility, LLC (Breakwater PF) is a Limited Liability Company seeking to receive a license to operate a state-of-the-art Medicinal Marijuana Production Facility in The State of Connecticut. This plan is based on funding Breakwater PF with no less than \$4,000,000 of capital to commence full operation of its Production Facility and allows for a maximum investment of \$12,000,000.

Breakwater PF is comprised of an accomplished team of skilled professionals, who are seeking approval to operate a state-of-the-art Medical Marijuana Production Facility in Waterbury, CT. The team received one of six licenses to operate a state-of-the-art Production Facility and Dispensary (Alternative Treatment Center) in the State of New Jersey. The team has been actively engaged in the industry for over 5 years. We remain confident that with one common vision and purpose we will set the benchmark for Production Facilities not only in the State of Connecticut but nationwide.

Through Breakwater PF's research and efforts in New Jersey, Breakwater PF recognizes the advantages of separating the functions of production and dispensing. Therefore, Breakwater PF is applying for Connecticut's Producer License, as the company believes Connecticut's decision to separate the functions of production and dispensing provides a positive insight into the state's understanding of the industry. Additionally, Breakwater PF's experience in production facility design concerning efficiency of space, grow lighting design, hydroponic system design and the use of food-grade materials throughout the growing systems will distinguish Breakwater PF from other applicants.

The Connecticut Department of Consumer Protection (DCP) has established unadulterated pharmaceutical grade-quality medical marijuana as a standard for all products. Current growing procedures used in many other states fail to meet this standard. Examples of this are makeshift growing designs, commonly found in the hobby market, which have plagued the industry from its inception. Even the largest facilities of some relatively established companies produce products in an unrefined manner. In contrast, Breakwater PF employs advanced indoor growing techniques, custom-made designs, and equipment similar to the caliber of research -developed techniques employed by pharmaceutical corporations and university research facilities.

We envision working closely with the Connecticut Department of Consumer Protection (DCP) to contribute to the success of our Production Facility for the benefit of patients who desperately need cannabis medicine, surrounding neighbors and the citizens of Connecticut at large.

Our Management Team includes:

- An Attorney and former business owner of a multi-million dollar institutional pharmaceutical company employing over 35 employees.
- An Attorney and former owner and co-founder of a successful medical waste transportation business serving hundreds of customers (doctors' offices, dentists, veterinarians, funeral homes, hospitals and long-term care facilities, etc.).

- An Attorney and Counsel to an institutional pharmaceutical company as well as commercial real estate developers and commercial manufacturers.
- A Horticulturist with over 11 years of industry specific experience, in particular in Colorado and New Jersey who holds a Bachelor of Science degree from University of Florida's prestigious Horticulture Program.

Our proven and seasoned team of experts is very well equipped to effectively meet and satisfy the needs and goals of patients participating in Connecticut's medical marijuana program while fastidiously fulfilling all compliance obligations set forth in the "State of Connecticut Regulation of the Department of Consumer Protection concerning Palliative Use of Marijuana". We look forward to funding clinical trials and sharing this critically important information with the DCP.

We have received zoning approval from the City of Waterbury and look forward to commencing operations and becoming an asset to the community. We specifically searched for a secure facility and targeted areas where the introduction of a new business is sorely needed; we found both in Waterbury, situated within an Enterprise Zone.

We believe our application fulfills the requirements of the Medical Marijuana Program Rules and Regulations and lays a strong foundation for operation of our Production Facility in this central region of Connecticut. The experience gained in New Jersey, where we have designed a state-of-the-art facility crafted after two years of research of planning, will allow us to very quickly build out our facility and expeditiously commence medical marijuana production. The size and scope of the proposed Connecticut facility will allow us to mirror our design and all necessary equipment from our New Jersey project.

PREPARED BY:

BREAKWATER PRODUCTION FACILITY, LLC.

Introduction

The Breakwater Production Facility, LLC (“Breakwater PF”) concept was created to infuse horticultural innovation and sympathetic treatment into the medicinal marijuana industry. Breakwater PF plans to bring this concept to fruition through the use of “green” growing techniques to create an affordable medicinal marijuana product in a state of the art facility located in one of Connecticut’s Enterprise Zones. Breakwater Production Facility, LLC will operate on a long-term basis as a limited liability company.

After evaluating the medical marijuana industry nationwide and taking into account the applicable laws of the State of Connecticut and the potential patient base. Breakwater PF has determined sound financial estimates for operating a production facility located in Waterbury, Connecticut.

The Concept

Breakwater PF will produce the highest quality organic pesticide-free medicinal marijuana using the most environmental and cost effective growing techniques. Employing a growing system using organic nutrients, pest controls, high-tech growing lights, efficient irrigation systems, and recyclable resources, Breakwater PF will produce the finest product at a highly competitive price.

Located in Waterbury, the proposed facility is a state-of-the-art 30,000 square foot space composed of three 6,000 square foot grow rooms, one 1,846 square foot grow room, a laboratory (primarily used for tissue culture production), laboratory storage room (tissue culture storage), a breeding room, a trimming room, our production office, men’s and woman’s rooms, a waste storage room, a bulk storage room, an equipment storage room, a drying room for plant materials, a bulk packaging area, a surveillance room, a packaged product storage room, a labeling and packaging area and a processing room (complete with extracting machines and a full industrial kitchen). The facility also has an attached office annex (approximately 1,000 square feet) where we will have our men’s and woman’s locker rooms, a break room, waiting area, offices and reception. There is only one means (one door) into the entire facility. There are two man-trap security measures into the production facility; One man-trap will be at the entrance to the office area; its second door will restrict visitors from access to a third door in the waiting area. After going through the office area, the only way to get into the production facility is through a second man-trap security measure and passing by the surveillance room.

Our grow rooms will handle both the vegetation and flowering cycle. To meet all concerns regarding pest and disease control, we designed our facility specifically to address these issues without the need for pesticides. Reverse door fans (air curtains) will be used throughout the production facility to prevent pests from entering through doorways. Trays containing bleach solution will be located at entryways to the production areas and at grow and processing room entryways for workers to step in and sanitize the bottom of their shoes. Additionally, we will use cultural controls and release predatory insects to control any pest population that in a worst-case scenario may establish itself to ensure pesticide-free pest control. Following each growing cycle, we will thoroughly clean and disinfect the harvested rooms. An always -spotless facility is essential to our success and necessary to produce unadulterated pharmaceutical grade marijuana.

We recognize the possibility of a potential surge in demand and Breakwater PF has the resources and funding to meet any increased demand. The architectural plans show a 30,000 square foot space with an additional attached office building. However, the building as constructed is adequate to hold approximately 160,000 square feet of contiguous production space allowing Breakwater PF to expand its production as the demand for medicinal marijuana in the State of Connecticut increases.

Breakwater PF intends to be a leader in the Medicinal Marijuana industry and to provide not only the most competitive pricing to potential patients, but in an effort to set Breakwater PF apart from the other licensed Production Facilities within the State of Connecticut, Breakwater PF will forge ahead with a comprehensive anonymous online research program.

Breakwater PF Discounts

Breakwater PF is focused on assisting Connecticut's disabled veterans, hospice patients and the indigent gain access to high quality alternative health treatment and services. We will offer assistance with the uninsured cost of alternative treatment and services, because at the present time the cost of medicinal marijuana is not covered by insurance companies. Breakwater PF is committed to providing medicinal marijuana at low or in some situations at no cost to patients for whom paying full price would constitute an actual and substantial economic hardship.

Working with licensed dispensaries we intend on matching discounts that they grant to their patients. This policy will be very liberally applied but will require a third party (dispensaries or a state agency) to verify the documentation which patients and caregivers present to demonstrate their lack of financial resources. However, we want to help especially those indigent patients on Supplemental Security Income (SSI), Social Security Disability Insurance (SSDI) or food stamps. In most cases we will seek to provide a 40 to 60 percent discount, but will provide it free of charge if the circumstances warrant it.

*All discounts are within the legal dispensing guidelines and terms of the recommendation.

Breakwater PF expects to partner with organizations to help administer and set the following Discounts for patients and caregivers it supplies through a dispensary:

➤ **Terminal Patients That Have One Year or Less To Live**

Breakwater PF will provide assistance with securing a doctor's recommendations, State ID cards, and transportation advice to a doctor's office or a dispensary, referral and medical counseling in addition to providing the discounted medicine. Medicinal cannabis shall be provided at a substantial discount to such qualifying patients.

➤ **Cancer and AIDS Access Program for Patients and Caregivers**

A discount based upon what is purchased (\$250-\$300 per ounce).

➤ **State, Federal, and Military Disability Patients and Caregivers**

A minimum 30% discount on what is purchased (\$175-\$196 per ounce).

➤ **Provide Medicine, on an Individual Income Verified Basis, Free-of-Charge or on a Sliding Scale to:**

Non-ambulatory patients with serious illnesses and seriously ill patients who cannot afford medicinal cannabis. Breakwater will match a patient's contribution amount so that they can purchase their needed medicinal cannabis. No qualifying patient or caregiver in need will be turned away and we will arrange to provide free medicine at the time of their visit to the dispensary until they are able to purchase it in the future.

Proposed Organizations to Partner With:

The Connecticut Department of Veterans' Affairs, The Connecticut Department of Social Services, The Connecticut Hospice, Inc., The Connecticut Association for Healthcare at Home and VITAS Innovative Hospice Care are some of the organizations we will work with.

Location

The City of Waterbury

Once the leading producer of brass in the world and currently the fifth largest city in Connecticut, Waterbury (nicknamed the "Brass City") was home to the big three Brass companies. After reaching unprecedented heights of production during World War II, the brass industry in Waterbury began a steady decline. Eventually, the Big Three ceased their operations in Waterbury.

As a result of Waterbury's economic decline in the 1970s and 1980s, the city went from being an industrial center to an economically-depressed area. However, Waterbury remains one of the State's largest centers for manufacturing and the City works very proactively to lure new business into the City.

With the granting of a Producer License, Breakwater PF will contribute to the revitalization of the City of Waterbury and help with the City's ongoing efforts to build a strong industry base and employment expansion to the city.

Breakwater PF has worked diligently with local real estate agents and building owners to secure a properly-zoned and municipally-approved facility in an easily accessible and safe area of Connecticut that meet the criteria outlined in the "State of Connecticut Regulation of the Department of Consumer Protection concerning Palliative Use of Marijuana". In particular, this included finding a location where no public or private school, convent, charitable institution, whether supported by private or public funds, hospital or veterans' home or any camp or military establishment are within 1000 feet of the proposed production Facility. Our proposed facility meets these requirements.

Proposed Production Facility Address: 400 Captain Neville Drive
Waterbury, CT 06705

The proposed production facility is a 30,000 square foot space with an additional 3,000 square foot attached office building in the southeast portion of a nearly 80% vacant 208,000 square foot updated manufacturing building. The building is located in an enterprise zone just south off I-84, at Exit 25A in the Captain Neville Industrial Park, a high end and well maintained industrial park that sits on a four-way interchange immediately of I-84. This park is largely fully occupied with a wide range of tenants that have enjoyed a crime free, safe and attractive business community.

- Site Control –Breakwater PF has a fully negotiated and agreed upon lease in hand, which shall be immediately executed upon receipt of a producer license.

Our Production Facility is located in ideal location in Connecticut. The population density of Waterbury and its surrounding region and the ease of access to highways make distribution from our Waterbury location to the majority of cities across the State of Connecticut secure and practical.

- Less than 2 minutes (1/4 Mile) from Exit 25A of I-84.
- Approximately 30 minutes from populous cities: Bridgeport, New Haven, Middletown, Hartford, Torrington and Danbury.
- Easily Accessible to major highways like I-84, I-691, I-91, I-95 and Route 8.

Ensuring Quality Medical Marijuana:

Introduction

Breakwater PF will select stock plants carefully. Joe Bender will germinate the seeds of world-renowned cultivars and will then select the best female(s) as the stock plant(s) for that cultivar. This is the best way to obtain pest-free and pathogen-free stock plants, as virtually all plant pests and most plant pathogens are not transmitted via seeds but rather while most pests and diseases are transmitted via cuttings. Joe will then clone the stock plant(s) of each cultivar via cuttings or micropropagation, in order to provide a steady supply of genetically identical females of each cultivar. Breakwater PF will take great care to ensure that its selection of cultivars encompasses the full spectrum of genetic variation and medical benefits available in cannabis. Clonally propagating each cultivar will allow Breakwater PF to produce lines of marijuana products that each contain unique, uniform quantities of cannabinoids.

Organic Growing Methods

Breakwater Production Facility will consistently supply qualifying dispensaries with high quality, pesticide free, organically grown cannabis. Breakwater PF's cultivation techniques are organic, efficient, and have minimal impact on the environment and avoid the use of non-renewable resources such as peat. Medical cannabis must be cultivated by a knowledgeable and experienced individual dedicated to providing safe, top -quality medicine. Our horticulturalist will oversee the cultivation of medical cannabis for Breakwater Production Facility. He possesses a wealth of knowledge and has formal training in the areas of horticultural crop production, entomology, nematology, plant pathology, mycology, plant nutrition, organic and sustainable vegetable production, plant propagation, micro propagation of horticultural crops/tissue culture, integrated pest management, plant physiology, ethnobotany, grow room management, and orchidology. He holds a degree in Horticultural Science from the University of Florida and is active in the medical cannabis industry. He participates in industry conventions and exchanges ideas and growing techniques with some of the most influential individuals and organizations in the industry. His expertise will help BPF avoid issues often encountered by less experienced cultivators, such as mold, pest infestations and deficiencies in the growing environment. His knowledge and experience will ensure that Breakwater PF produces premium quality medical cannabis in a cost-effective and environmentally friendly manner. Breakwater

Production Facility will provide patients with medical cannabis of the very highest quality in the industry.

Steadily Supplying Medical Cannabis

Our individual grow rooms will be harvested on a staggered cycle, so that harvesting will be a process that occurs year round. Additionally, each individual room will be completely harvested and cleaned when the plants finish their life cycle. This will help prevent pests or diseases from multiplying in the grow rooms. Many growers continually harvest individual rooms, with plants at various life stages always present in each room. In that scenario, it is nearly impossible to eradicate even a minor pest problem, without using pesticides. Our grow rooms are designed with pest insect/mite prevention and disease prevention in mind: they'll use air doors, bleach solution filled shoe-cleaning trays, air filters, and sealed grow room technology, to prevent the entry of pests and pathogens, and provide an environment that is not conducive to disease. However, if a pest or disease were to begin to establish itself in one of our grow rooms, our production cycle methodology will allow pests found on a crop to be controlled via mechanical removal, the addition of beneficial predator and parasitoid mites and insects, and/or other measures, until the harvest of that crop, at which point the room will be thoroughly cleaned, thereby eliminating the pests.

The grow rooms will employ computerized environmental controls (Argus Environmental Control Systems) to regulate the growing environment. We will keep the relative humidity of the grow rooms in a range that prevents the development of fungal diseases. Our horticulturist has designed a plan for plant spacing that will thwart plant diseases that can develop as a result of crowded leaves and buds. Proper air circulation around the plants will be achieved using circulation fans, which will prevent the spread of pathogens, while accelerating plant growth. We will employ a reverse osmosis water system that will provide clean water that is free of pollutants that could otherwise contaminate our marijuana plants.

Our horticulturist carefully selected all of the cultivars to help us achieve our production standard, which is providing only the highest quality medicinal marijuana to patients. Breakwater PF purchased seeds from a licensed distributor of seeds from world-renowned seed companies. The companies are legitimate breeders who have been awarded multiple times for their cultivars. Breakwater PF will germinate seeds and grow seedlings of each selected cannabis cultivar to the end of the plants' flowering stage. We will cut clones of each female prior to flowering. Using laboratory testing, we will evaluate the cannabis harvested from each seedling female for its cannabinoid content. We will further evaluate the females for additional beneficial characteristics, and (a) stock plant(s) for each variety will be chosen. Our selection process will ensure that our stock plants have all the traits we desire including disease resistance, potency, vigorous growth, and flavor/aroma. We will also obtain a well-balanced variety of stock plants with medical effects ranging from sleep inducing to stimulating.

We are confident that our grow rooms design will yield over 125 pounds of cannabis at the minimum. It is likely to yield closer to 150 pounds. Once in the production cycle it will take about 13 weeks between the harvest of the last plants to ripen in a room and the harvest of the first buds of the next cycle. Using our centralized inventory management program designed for the Medical Marijuana industry, we will be able to construct as many grow rooms as necessary to keep up with patient demand.

Utilizing the features of our custom grow room design, carefully selecting cultivars, and using sound cultural practices are all strategies that we will employ to ensure that diseases and pests don't affect the availability of medicine for authorized patients. Our expert horticulturist carefully selected all of the cultivars that we will use with the prevention of fungal diseases being a major consideration in his selection process. The growth habit of a cultivar has a strong influence on the susceptibility that cultivar has to fungal bud rot. Our horticulturalist only selected cultivars that are not prone to developing problems with fungal bud rot. Stock plants of each variety will be selected that have moderately sized buds. Avoiding cultivation of plants with overly large buds will be one strategy used to avoid fungal bud rot pre and post-harvest. Our fertilization/irrigation practices will be done in a manner that will not favor diseases or insects and mites. For instance, we will avoid excessive fertilization, which can encourage pests and diseases to attack plants. We will use pruning strategies that will prevent disease development. For example, we will thin out overly crowded branches. We will emphasize careful grow room sanitation and pest exclusion strategies to prevent pest entry. Reverse door fans (air curtains) will be used throughout the production facility to prevent pests from entering through doorways. Trays containing bleach solution will be located at doorways before entering the production areas and at grow and processing room entryways for workers to step in and sanitize the bottom of their shoes. Diligent scouting/monitoring for pests and diseases will ensure that any presence of pests or disease is recognized before it becomes a problem. We will use blue sticky card traps to assist in monitoring for thrips, and yellow sticky card traps to assist in monitoring for aphids and whiteflies. If insects or mites are found, beneficial predators and/or parasitoids will be released to combat the problem.

We put a strong emphasis on the efficiency of our grow rooms, which will lower our variable costs and thus effectively allow us to produce medical marijuana at the most competitive price. Although we could purchase modular grow room structures and possibly supply medicine to patients more rapidly, we desire that our grow room facilities have unique, custom design features that will ensure our grow rooms are as energy efficient as possible and provide an optimal growing environment. Dispensaries will be able to depend on the quality of our medicine because we are committed to excellence. Quality medicine combined with efficient production will translate into customers getting more value for their money, thereby providing the best treatment for their maladies.

Disease Prevention

Our plants will be carefully protected from plant diseases caused by plant pathogens, including but not limited to, Pythium spp. and Botrytis cinerea. This will be accomplished through four main strategies: careful grow room design, good cultural practices including sanitation of the growing environment, selection of disease resistant cultivars, and the manipulation of environmental conditions in a way that is unfavorable for disease development. Automated grow room controls will assist in manipulating the conditions of the growing environment. Post-harvest processing will utilize atmospheric controls and proper drying techniques, to ensure that the medicine remains unspoiled by fungi.

Methods to keep environment free from flowering male plants

As previously discussed our production grow rooms will only be populated by female clones from carefully selected stock plants that have undergone evaluation for hermaphroditism and show no hermaphroditic tendencies.

Procedures for proper sanitation practices to minimize plant disease, and to promptly dispose of diseased plant material in a secured disposal area.

Any pathogen-infected or pest infested plant material that is discovered in the grow rooms will be immediately segregated until it can be properly disposed of, unless the infestation has already significantly spread throughout the crop, in which case we may need to address the problem differently. In order to properly dispose of infected plant material, Breakwater PF will recommend using an on-site incinerator to burn it in the presence of an authorized representative of the commissioner pursuant to Sec. 21a-408-64. Burning plant materials infested with pests or pathogens is an effective way of destroying the pests and/or potential disease inoculum. It will also ensure the secure disposal of any potentially psychoactive plant materials. Records, as required by the regulations, will be kept of all destroyed plants and marijuana products.

Record keeping of any cultural measures used for plant pest or disease control, including disposal of culled plants

Sticky cards will be located in multiple locations throughout Breakwater PF's grow rooms to assist in monitoring for flying insect pests. The sticky cards will feature square grids for more efficient counting of the insects on each card. Once each week a grow room manager will collect the cards and record the number of insects per card. The information recorded each week will be stored in a computer file. Using this record keeping technique will provide an early indication of the possibility of a growing insect pest population such as a population of fungus gnats.

Managers will release beneficial arthropods into the grow rooms to control pests when necessary. Records of when releases are made and how many arthropods are released will be kept on file.

Grow room management will scout for arthropod pests and for diseases daily to ensure that infestations of pests or diseases are detected early if they do occur. Managers will keep a record of their observations in a notebook.

Proper nutrient management including irrigation management is important for plant health and performance. Plant problems that are caused by a lack or excess of nutrients and/or water are considered to be abiotic diseases (disease not caused by pathogen infection). Abiotic plant disease can often be a precursor to biotic plant disease due to suppression or interference with the plants normal immune system responses. In order to prevent abiotic and biotic plant diseases related to nutrients or water, grow room managers will utilize a carefully planned fertilization/irrigation schedule. To ensure the proper performance of the fertilization/irrigation schedule the plants nutrient status will be carefully monitored and so will nutrient solution concentrations in reservoirs. Plants sap will be sampled frequently for nitrate and potassium ion concentrations to monitor for deficiencies or excesses within plant tissues, thus allowing for changes in fertilization to be made as necessary. The temperature of the grow room air will be measured frequently using a highly accurate handheld thermo-hygrometer. The measured air temperatures will also be compared against leaf temperature measurements measured by a highly accurate handheld infrared thermometer. Calculating the difference between the air and leaf temperature will provide grow room managers with information about the health of the plant before problem symptoms become evident and will provide a very good measure of the irrigation schedule's success. Managers will record the measured air and leaf temperatures and store the data for later use and evaluation.

Regulating the conditions of the growing environment is also important to prevent plant diseases. Plant diseases favor certain environmental conditions. For instance, the fungus *Botrytis cinerea* (the cause of grey mold) favors relative humidity above seventy percent. Managers will measure relative humidity and dew point in the grow rooms using a thermo -hygrometer. The thermo-hygrometer measurements will indicate to the grow room management when to make changes to the settings of the automated environmental controls of the grow room, in order to prevent disease development. As an example, if the grow room is significantly above 70 percent relative humidity, the grower may change the settings of the environmental controls to keep the humidity level down. Managers will record thermo-hygrometer measurements and store the information in case further analysis becomes necessary.

Breakwater PF will keep records of any plants removed from the grow rooms due to suspicion of the presence of pests or biotic disease. Each plant will be labeled with its own code number when started, which will allow the life history of each plant to be followed through Breakwater PF's records. Although Breakwater PF will incinerate (pursuant to Sec. 21a-408-64) pest infested or pathogen infected plants on-site (culled plants), we will keep records of doing so, in order to comply with the mandated disposal regulations.

Laboratory Analysis

Breakwater Production Facility will provide product security and purity to its patients through detailed laboratory analysis of its medical cannabis products. This effort will be developed in partnership with a Connecticut university or private company that owns and operates a state -of-the-art laboratory testing facility. Breakwater PF will laboratory test all medicinal cannabis products produced and will provide patients with a scientific assessment of the safety and potency of their medicine, prior to ingestion. Breakwater PF will laboratory test flowers and leaves of all cannabis cultivars prior to making lozenges or topical formulations. The testing techniques will include gas chromatography/mass spectrometry and or liquid chromatography. The testing program has two main components: safety screening and potency quantification. Safety screening analyzes and detects contamination of pathogenic or mycotoxin producing molds, which can threaten the health of patients with or without compromised immune systems. Potency quantification provides the percentages of three major cannabinoids: THC, CBD and CBN. Later stages of the program will include the use of patient surveys to develop a comprehensive database of the efficacy of medical cannabis. Breakwater PF intends to develop an in depth patient survey and analysis concerning the ingestion levels, techniques and effects in relation to each particular patient condition in conjunction with a Connecticut college or university. Breakwater PF patients will be able to access product test results in three ways: 1) labels in display cases, 2) labels on products and 3) a book of complete test results. Product labels will include the percentages for THC, THC -A, CBD, CBD-A and CBN. These percentages will be posted in medicine display cases, as well as affixed to the products themselves. A book containing complete spectrometry reports for each product will be available at the service counter for those patients who desire more detailed analytical results. Testing services will commence with the initial launch period to develop and refine the logistics of sample collection and results identification. After these issues are fully addressed, the testing service results will be made widely available to individual patients and to our academic partner for research purposes. These services will include an independent certification component, so patients can be assured that the medicine they are purchasing has been thoroughly tested and approved.

Methods to ensure that seed production and/or hybridization is prevented during the cultivation of medicinal marijuana.

Cannabis (marijuana) is dioecious meaning that male and female flowers occur on separate plants. Male flowers are distinct in appearance from female flowers. With the proper knowledge of marijuana anatomy, it is possible to identify and remove male plants from a crop soon after they reach reproductive maturity and begin to flower. Removing the males soon after they show signs of flowering can ensure that none of their staminate flowers open. If no male flowers are permitted to open and release pollen, the female plants will not be pollinated. In this desirable scenario, the female plants will use their photosynthate for flower production instead of seed production. This will allow the female plants to develop large seedless buds. Although it is considered normal for male and female flowers to develop on separate Cannabis plants, hermaphroditic plants are a commonality in the genus. Hermaphroditic plants can cause major problems for growers, and are a common cause of unintended crop pollination. Some cultivars (strains) of marijuana are more prone to hermaphroditism than others. Also, within cultivars of marijuana individual plants can show differences in how inclined they are to exhibit hermaphroditism.

Recently the marijuana seed industry has seen a rise in the popularity of so called "feminized" seeds, and consequently growers have experienced greater incidence of unintended pollination. Feminized seeds offer growers the capability to grow a seed free crop without having to cull male plants. Unfortunately these "feminized" seeds are produced by pollinating females with hermaphrodite pollen and do not always develop into true female plants, thus leading to unintended pollination by hermaphroditic 'females'. To produce "feminized seeds," seed producers force female plants to develop male flowers by stressing the plants. The pollen produced from the male flowers is then used to pollinate female plants. This process creates "feminized" seeds. These seeds produce plants that appear female but have a stronger than usual tendency towards hermaphroditism. Growing a crop from "feminized" seeds is much more likely to result in unintended pollination than growing from conventional seed. Growing from conventional seed however, will not guarantee the absence of hermaphroditic females in a crop. The presence of even a single hermaphrodite male flower must be avoided in order to prevent crop pollination. This can only be achieved consistently by using clonal propagation.

Breakwater PF will avoid pollination of crops by growing clones from carefully selected clonal stock plants (mother plants). We will select our stock plants from seedling females that have no hermaphroditic tendencies, while also exhibiting all of our other desired phenotypic traits. Clonal propagation of our stock plants will provide us with the necessary number of clones to populate our grow rooms. Clones from well- selected stock plants will provide uniform and consistently high quality, seedless marijuana. Stock plants will be quarantined in their own specially protected grow room, as a measure to prevent them from being infected with diseases that would compromise their ability to supply healthy cuttings (clones).

Protection Against Hazardous and Unsafe Chemicals

The primary way that Breakwater PF will minimize the potential for employee exposure to unsafe chemicals will be by minimizing the use of such chemicals. The most dangerous chemical we will use will be sodium hypochlorite (Clorox or household bleach). It will be used, in a dilute water/ sodium hypochlorite solution, to clean worker's shoes, to clean grow rooms and irrigation systems between crops, and to sterilize plant materials for the establishment of tissue cultures. As

a secondary measure to prevent worker exposure to unsafe chemicals, we will require that workers wear the appropriate personal protective equipment for any given task that requires the use of chemicals, as instructed on the chemical's label.

To minimize worker exposure to unsafe working conditions, Breakwater PF will make many safety precautions standard procedures. One part of the production process that could present unsafe conditions is the trimming of harvested cannabis. Breakwater PF will use electric hand held trimmers that are unable to cut human skin. Additionally, employees will wear eye protection to prevent trichomes or other small bits of plant material from getting in their eyes, as well as to prevent eye injury.

Another part of the production process that could be dangerous is the processing of cannabis into medicated edibles, extracts, etc. To prevent worker injury, BPF will install non-slip surfaces on the floors near any potentially hazardous machines. Also, machines used for making extracts will be of the highest quality, and BPF will purchase them from industry leading companies such as Eden Labs. Along with proper maintenance, this will prevent potentially dangerous machine failures from occurring.

To prevent workers from falling and hurting themselves when our plants are tall, we will use three-step rolling ladders with railings surrounding the steps to work on the plants (scouting for pests, pruning, harvesting, etc.). This will allow workers to safely access the tops of tall plants.

To prevent workers from slipping and falling from spills, workers will mop up any liquid spill immediately, or will place a wet floor sign by the spill until it is mopped up (which will be as soon as possible).

Summary

Breakwater Production Facility is fully committed to providing dispensaries with safe, medically effective, and cost effective medicinal cannabis. Through industry leading cultivation techniques and state-of- the-art quality control policies, procedures, and systems, our Chief Horticulturalist will ensure that Breakwater PF produces the highest quality, organic and disease free medicinal cannabis.

Startup Timetable

With experience gained by designing a Medicinal Marijuana production and distribution facility in the State of New Jersey, we anticipate the build -out of our facility to be complete within 3 months. Starting from seed, it will take an additional 3-4 months to produce Medicinal Marijuana ready for distribution. Should we elect to start our crop from clones, it will take only 4-5 months from the completion of construction to produce Medicinal Marijuana ready for distribution.

Breakwater PF is prepared to bring medication to the patients of Connecticut as quickly as nature will allow.

Breakwater PF has begun the process of setting up its Production Facility. As set forth below, we have completed Phase I of our plan and are in the process of working on segments of Phase II. The estimates below are based upon consultations with municipalities, project consultants, vendor estimates for the Production Facility (construction, electrical, security, etc.) and build -out of the separate office, which is found at the end of this plan. The development project can be broken up into the following phases:

PHASE I – Completed

- **Locate a secure manufacturing building in the City of Waterbury, CT.**
- **Select an architect, electrician, indoor equipment supplier, security system installation company, security monitoring companies, software & hardware centralized inventory system (inventory, sales, production management, and more), cultivar seeds and general contractor to oversee construction within facility.**
- **Retain the services of legal counsel with expertise in Life Sciences & Healthcare Law – Day Pitney LLP.**
- **Have Architectural draft of the initial floor plan for Production Facility.**
- **Receive zoning approval & a form lease for the facility.**

PHASE II – Upon Issuance of the license

- **Execute lease.**
- **Complete architectural design drawings.**
- **Obtain necessary building permits to commence construction of build-out.**
- **Select Local Builder, Plumber, Electrician and HVAC installation company.**
- **Order building materials for build-out and indoor growing equipment.**

Demolition- demolish office space located in proposed drying room area.

- **PHASE III – Construction of Facility:**
 - Prep cultivation space for construction and commence framing.
 - Plumbing Facility work
 - Begin construction of walls for facility
 - HVAC ducting and curb installation
 - Electrical Wiring
 - The software & hardware of the centralized inventory system as well as the security and environmental control systems (Argus Control System) will be wired throughout the facility and setup in the on-site production office.
- **Complete the “mother plant” room. To accelerate the growing process, Breakwater PF will complete the “mother” plant room first to enable Breakwater PF to begin growing the mother plants while the balance of the facility is being constructed.**
- **Commence Production – The initial growth period depends on the method of introduction. Breakwater PF may elect to start from seed to seedling plant, to complete the propagation period of mother plant(s). This process can be accelerated should Breakwater PF elect to begin the initial growth period with clones rather than seeds. After the completion of lab testing on all possible mother plants, the mother plant for each strain will be selected. We will produce from the selected mother plant enough clones to fill at least one grow room.**

PHASE IV

- **Complete construction of the growing, trimming, drying, curing, processing, packaging, storage and mechanical areas.**

PHASE VI

- **Full Operation – In approximately 7-8 months, or 4-5 months should we elect to begin with clones, from the commencement of construction we will be fully operational. Two weeks from this date, Breakwater PF shall commence distribution to licensed dispensaries. The initial harvests should yield enough medicinal marijuana to service approximately 1,408 patients receiving the maximum allowed 2.5 ounces per month or an initial crop of 660 pounds (10,560 ounces).**

Project Feasibility

Breakwater PF, through committed capital of \$4,000,000, will have all the funds necessary to build and operate the previously described Production Facility. Our Management Team and Board of Directors possess the requisite expertise and knowledge to ensure the success and sustainability of the project.

Capacity of Initial Production Setup

The initial 30,000 square foot facility is large enough to hold approximately 20,000 square feet of medical marijuana growing space. Our efficient benching systems allow for maximum growing potential while still allowing for ease of access to plants. With careful planning we achieve over 85% efficiency of space for each grow room.

We plan on starting with two large grow rooms each having approximately 6,000 square feet of grow space as set forth on the table below. Each large grow room will produce 330 pounds of cannabis per cycle (each cycle takes approximately 3 months). We anticipate harvesting approximately 4 cycles per year on average. Based on our conservative estimates, Breakwater PF will yield 2,640 pounds of medical marijuana per year with two fully operating large grow rooms. That is enough cannabis to service 1,408 full receiving patients. We believe this initial setup will carry us through for approximately 24-36 months of sales, however, if patient numbers jump we will expand the operation faster and meet demand.

Initial Production	
Grow Room 1	330
Grow Room2	330
Total Production Per Cycle	660
Total for 4 cycles	2,640
Total Patients Served	1,408

*Based on maximum allowed 2.5 ounces per patient per month.

Expansion Plan

Breakwater PF through its centralized inventory management system specifically designed for the Medicinal Marijuana industry will continually monitor the relationship between demand and production. If collected data indicates that current or projected demand requires expansion, Breakwater PF will immediately seek approval from Connecticut's Department of Consumer Protection (DCP). With approval from the DCP, we will expand our Production Facility within the envelope of our 400 Captain Neville Drive location. Our location at 400 Captain Neville Drive in Waterbury provides room for expansion and will enable us to meet the needs of Connecticut patients. Under our current business model forecasts, Breakwater PF sees additional demand for its products and the possibility for an additional grow room beginning around the first quarter of Year 3. If these models are correct, Breakwater PF will begin the necessary planning for expansion into Grow room 4 (yields 84 pounds per cycle) which will increase production to 2,976 pounds and capable of serving 1,587 patients. Breakwater PF has the capability to operate a total of 3 large grow rooms (6,000 sq ft each) and one smaller grow room (1,846 sq ft) as set forth on the table below.

Total Production	
Grow Room 1	330
Grow Room2	330
Grow Room3	330
Grow Room4	84
Total Production Per Cycle	1,074
Total for 4 cycles	4,296
Total Patients Served	2,291

*Based on maximum allowed 2.5 ounces per patient per month.

Breakwater PF understands that Medical Marijuana is a new model for providing medicine to qualifying patients in Connecticut and that demand could change dramatically and patient numbers could increase due to improved access to safe, high quality medical cannabis faster than we anticipate. Although our models show particular production and demand projections, Breakwater PF is prepared to meet fluctuations in patient load and product demand in order to ensure sufficient supply of medical cannabis to qualifying patients throughout Connecticut.

Our proposed facility has an additional 130,000 square feet of comparable production space available for potential expansion. The size of our facility gives us the flexibility to rapidly expand should demands require increased production. Our space is also prepared to handle future expansion in processing and production rooms. We have strategically located and allotted extra space for our trimming, drying and bulk storage areas as well as planning accordingly for our processing room and have equipped it with expansion in mind.

Our additional large grow room can produce enough marijuana to serve an additional 704 patients and the small grow room can service 179 patients. So at full capacity we are able to serve 2,291 patients in 30,000 square feet. Our floor plan was designed to allow for future expansion. As stated earlier, our production rooms, processing, storage, drying, and trimming rooms are large enough to handle any increased production should we elect to add additional

grow rooms. Breakwater PF anticipates leasing contiguous space within the first 3 -4 years of operation.

Based on conservative expansion estimates, Breakwater PF can potentially service an additional 12,710 full-receiving patients in approximately 108,000 square feet of high-tech growing space and approximately 22,000 square feet of additional processing space.

Price of Medical Marijuana

There are many different types of medicinal cannabis (strains) and various processed cannabis products. Cost will depend on the production and/or manufacturing required for the particular product. Generally, our wholesale price range will be \$250 to \$300 per ounce (**average price of \$275 per ounce**). To those who qualify for government support, Breakwater PF will work with various patients groups and licensed dispensaries to employ a sliding cost scale ranging from free medicine for the most needy cases to a reduced cost of approximately \$150 dollars per ounce.

Breakwater PF Marijuana Products

Breakwater PF will offer the following products in the first year of operation. Breakwater PF will continue to develop current products and look to offer new types of products in the years to come. Sec. 21a-408-64.

Raw Marijuana- Breakwater PF will produce top quality raw marijuana. It will be packaged into glass jars containing 1/16 oz, 1/8 oz, 1/4 oz, and 1 oz quantities of marijuana. These jars will have child resistant lids, and will be amber to resist the entry of light.

Oral Administration

Not just brownies: In theory, cannabis food can be anything that contains substantial butter, oil, milk, or alcohol, because cannabinoids are oil and fat-soluble and thus dissolve in these ingredients [2].

- a. Tinctures- Cannabis can be administered orally using cannabis tinctures. There are three types of cannabis tinctures, made using alcohol and/or glycerine as solvents. All three of these solutions may be taken under the tongue with an eyedropper. They are absorbed through the mucus membranes of the mouth, and take effect in five to ten minutes. Tincture dosage varies greatly depending on the concentration of cannabis in the tincture. Glycerine tinctures have the advantages of tasting sweeter than alcohol tinctures, and being well suited for those who do not consume alcohol. Alcohol tinctures have the advantage of being significantly more potent than glycerine tinctures, thus less needs to be used for the desired effect. Glycerine/alcohol tinctures combine the advantages and disadvantages of glycerine tinctures and alcohol tinctures.
- b. Cigarettes- We will produce cigarettes made using ‘Smoke Cones’ cigarette production system. Smoke Cones sells pre-rolled cones that we will fill with marijuana using simple machines also sold by Smoke Cones. This system allows companies to produce cigarettes without licking them to seal them, thus providing a hygienic product. The cigarettes will then be sealed in child resistant containers.

c. Concentrated Extracts- Concentrated extracts are excellent for those who require large doses of medicinal marijuana for symptom relief. Concentrates can be vaporized for quick relief via inhalation, and for such usage, Breakwater PF will sell activated (de-carboxylated) cannabinoid oils in small jars. Activated concentrates can also be placed into gel capsules, to be swallowed for long-lasting symptom relief. Breakwater PF will sell such gel capsules. BPF will produce activated cannabinoid oil concentrates using a state-of-the-art 'Cold Finger' extraction machine--a product of Eden Labs. Eden Labs is known for producing safe, high-quality extraction machines for the cannabis industry. Their machines produce very high quality cannabinoid concentrates that do not contain solvent residues.

Eating food enriched with cannabis offers patients several advantages:

1. No risk of damage to respiratory system.
2. Longer-lasting relief (up to 10 hrs.)
3. Can be made with leaf, which costs less than high-grade bud

Eating cannabis-laden foods also has distinct disadvantages for some patients:

1. Slower onset of effects (15min-3hrs)
2. Proper dosage is difficult to gauge; many variables at play
3. Cooking THC makes it slightly more psychoactive

Investment Structure

The total capital required to enable Breakwater PF to develop its business as projected under this plan is \$4,000,000 with an allowable maximum capital raise of \$12,000,000.00 ("Total Capital").

INVESTMENT GROUP: Funding of \$4,000,000

Investment into Breakwater Production Facility, LLC: A minimum of \$2,500,000 of the invested funds will be used to develop a production facility of no less than 20,000 square feet. A minimum of \$1,500,000 will be used to provide Breakwater PF with operating funds for the first two years of operation. The invested funds will be used to construct a production facility, including growing, breeding, trimming, drying, bulk package storing, package & labeling, packaged storing, processing, a laboratory, laboratory storage, and mechanical areas as well as accompanying offices. Breakwater PF will install security features such as high tech surveillance equipment throughout the entire facility, two secure drive-in distribution bays and several man-traps door systems to control all ingress and egress in the facility. The entire facility and surrounding parking areas will be monitored from our surveillance room. The company will install an environmental control system called "Argus" which will monitor and control all of the various environments throughout the facility. The company will purchase all additional machinery, equipment and office furniture necessary for Breakwater PF to operate. Operating Expenses will be used for rent, employee salaries, office expenses, office supplies, IT services, financial services, marketing/advertising services, security services, etc. As set forth in the attached tables, The Net Profits of the Company shall be distributed to the Investors based upon their percent interest in the following manner:

- 100% of the Net Profits to the Investors until they receive 30% of their initial subscription payment.

- 90% of the Net Profits to the Investors until they receive 60% of their initial subscription payment.
- 80% of the Net Profits to the Investors until they receive are 90% of their initial subscription payment.
- 70% of the Net Profits to the Investors until they receive are 100% of their initial subscription payment. (“Breakeven Point”)
- 48.25% of the Net Profits to the Investors following the Breakeven Point.
- All portions of the Net Profits not issued to the Investors shall be paid to the Managers or to any party the Managers determine is entitled to remuneration.

Breakwater Production Facility Team

Walter Edelstein, Esq., Director & Chief Executive Officer (CEO) , is a graduate of the Benjamin Cardozo School of Law and co-founded the law firm of Lefkowitz & Edelstein. Serving as the firm’s managing partner, Walter received a B.S. in accounting and finance, graduating Magna Cum Laude from the University of Buffalo. He specializes in all aspects of Real Estate Law, including both residential and commercial Real Estate transactions and leasing. He is also counsel to many private lenders where he supervises all aspects of loan transactions and is responsible for approving the creditworthiness of prospective borrowers. In addition to his Real Estate practice, Walter’s financial background has been instrumental in fostering his expertise in various areas of corporate law.

Walter is a founding member of Stonebridge Pharmacy Corp., an institutional pharmacy providing prescription pharmaceuticals, including controlled substances, to thousands of patients in nursing homes and long-term care facilities throughout the Northeastern United States. Under Mr. Edelstein’s guidance, this industrial pharmacy grew from a fledgling business with a handful of employees into a large supplier of prescription medication with over 80 employees and \$1 0 million in annual revenue. Always aware of the needs of others, Mr. Edelstein was instrumental in installing a program to assist patients with financial difficulties by establishing a company policy of providing either free or discounted pharmaceuticals to those patients. With a broad base of hands-on business experience and a working knowledge of the law, Mr. Edelstein contributions to Breakwater PF are invaluable.

H. Alexander Zaleski, Esq., Director & Chief Operating Officer (COO), is a graduate of Fordham College, School of Business Administration in New York City and Suffolk University School of Law in Boston, Massachusetts.

Alex co-founded Gull Environmental Systems, a medical and hazardous waste transportation company. The company was licensed by The State of New York (Department of Environmental Conservation) and operated in Nassau and Suffolk counties. The company serviced hospitals, doctors, dentists, dermatologists, podiatrists, veterinary clinics, chiropractors, sports centers and nursing homes in a region with a population of 2.8 million people. At various times, the waste was transported by locked cargo trucks to Pennsylvania, New York City and Connecticut for disposal. In over 20 years of operation, the company was never cited for any violations of the strict laws and regulations imposed on medical and hazardous waste transporters in New York

State. Alex Zaleski has 40 years of experience with the design and construction of business facilities and residential housing. He has intimate knowledge of the construction techniques and equipment used by the medical marijuana growing and production industry. In particular, he is overseeing all the planning and construction of Breakwater PF's facility in New Jersey. His experience in these techniques will be applied in all growing, drying, trimming, bulk and packaged storage, processing and security areas at the Production Facility in Connecticut.

These combined business experiences, spanning decades, makes Alex very well qualified to run a Production Facility that will securely deliver medical marijuana to licensed dispensaries.

Jonathan Fisher, Esq., Director & Treasurer, is a graduate of Boston University Law School and Tufts University. Prior to entering private practice, Mr. Fisher worked for the enforcement division of the New York Stock Exchange where he served as compliance counsel. Jonathan specializes in all areas of commercial law including drafting contracts and preparing licensing agreements. Jonathan has served as legal counsel real estate developers and investment companies drafting operating agreements, business plans, offering plans, loan documents, subscription agreements and employment contracts.

Mr. Fisher's clientele include a commercial pharmacy, various retail stores, and has recently overseen the development and construction of one of the largest auction houses in New York. Jonathan presently represents real estate developers covering all areas of real estate construction from the initial purchase of raw land through construction and sale.

Joseph Bender, Chief Horticulturist, has received a Bachelor of Horticulture Science from the University of Florida, Gainesville. His areas of expertise included Entomology, Plant Pathology, Advanced Organic and Sustainable Crop Production, Horticultural Crop Production, Soils, Plant Propagation, World Herbs and Vegetables, Micro propagation of Horticultural Crops, Field Techniques in Integrated Pest Management, Horticultural Physiology I and II, Nutrition of Horticultural Crops, Genetics, Fruit Crop Production, and Safety in Agriculture.

Joe brings over 11 years of extensive horticultural and consulting experience to Breakwater PF. He has toured and studied numerous grow rooms and growing facilities, plant growth chamber labs, and outdoor horticultural sites. Joe owned his own medical marijuana-consulting firm in Colorado. As part of his consulting work, Joe has served as a horticultural consultant to Breck Cannabis Club, Lotus Dispensary and several other Medicinal Marijuana distributors in Colorado. Joe directly contributed to the drafting of our New Jersey state application adding critical technical information that played an essential role in our receipt of the license.

Joe has developed Breakwater PF's grow room plans using his expert knowledge in production design and horticulture. With over 11 years of experience with various equipment systems and supplies, Joe has expertly and meticulously designed many state-of-the-art grow rooms.

BREAKWATER PRODUCTION FACILITY

Supplementary Information to the Business Plan

As set forth in the Business Plan, Breakwater PF estimates its gross income to be based upon the maximum allowed 2.5 ounces per patient per month of approximately \$8,250 per year (\$275 per ounce). The initial plan requires the development of an office, distribution area and operation of a production facility capable of servicing no less than 1,408 patients receiving the maximum allowed 2.5 ounces per month within the initial leased facility with the ability, based upon funds raised, to service approximately 12,710 full paying patients. With the total 30,000 square foot production facility capable of servicing no less than 2,291 patients receiving the maximum allowed 2.5 ounces, Breakwater PF projects initial potential gross revenues of approximately \$18,902,400 per annum based on the fully built out space initial leased space. The initial 30,000 square foot production facility is specifically designed to accommodate for the rapid expansion of the patient base, anticipated by Breakwater PF.

The committed investment of \$4,000,000 will be used as follows: Approximately \$2,500,000 will cover the construction and purchase of machinery and equipment necessary to operate the initial approx. 22,300 square foot production facility with the allowance for adequate reserves. Reserve funds will cover future equipment costs, development and expansion of the requisite facilities (additional 6,000 square foot grow room). Initial operating expenses of \$1,500,000 will cover the lease and funding required for operating costs during the first 12 months of operation.

Pursuant to the Business Plan, the production facility is in a location with access to major highways. Our Production Facility is located in an ideal location in Connecticut. The population density of Waterbury and its surrounding region and the ease of access to highways make distribution from our Waterbury location to the majority of cities across the State of Connecticut secure and practical.

The attached schedule provides an itemization of the capital to be incurred in developing and operating the initial production facility.

Initial Capital Expenditures

Breakwater PF

Capital Requirement	\$ 2,500,000
Initial Development of Production Facility:	
<i>Electrical Upgrade</i>	\$ 75,000
<i>Stamped Plans</i>	\$ 28,500
<i>Permits & Certificates</i>	\$ 18,883
<i>General Contractor</i>	\$ 40,000
Build-out	
<i>Construction of Walls and Interior Finishings</i>	\$ 622,765
<i>Electrical</i>	\$ 65,000
<i>Plumbing</i>	\$ 45,000
<i>HVAC</i>	\$ 373,000
Grow Equipment Cost	
<i>Grow Lighting</i>	\$ 135,000
<i>Grow Light Bulbs</i>	\$ 9,857
<i>Irrigation</i>	\$ 150,000
<i>Benching & Environmental Equipment</i>	\$ 82,531
Computer System	
<i>Argus Control System & Equipment</i>	\$ 45,650
<i>Centralized Inventory Management System & Equipment</i>	\$ 36,855
<i>Security Equipment</i>	\$ 90,000
<i>Processing Machinery & Equipment</i>	\$ 296,600
Sub Total for Production Facility Development	\$ 2,114,642
Development of Office Space:	\$ 89,300
Startup Costs: Cost of obtaining lease, upfront costs, security deposit, legal, etc.	\$ 175,000
Capital Expenditures	\$ 2,378,942
Reserve Fund	\$ 121,058
Capital Expenditure Funding	\$ 2,500,000

Operating Costs (First 12 Months)

Breakwater PF

Capital Requirement	\$ 1,500,000
Facility Rent*	\$ 167,100
Marijuana Production:	
<i>Growing Supplies</i>	\$ 78,870
<i>Electric, Natural Gas, Water, etc.</i>	\$ 191,323
<i>Production, Labeling & Packaging Supplies</i>	\$ 134,182
<i>Crop, Equipment & Liability Insurance</i>	\$ 29,228
<i>Bulb Replacement</i>	\$ 30,468
Facility Security:	
<i>Security Personnel</i>	\$ 46,800
<i>Alarm System Monitoring</i>	\$ 3,600
Security Transport:	
<i>Security Personnel</i>	\$ 12,600
<i>Travel Expenses</i>	\$ 1,980
<i>Alarm System Monitoring</i>	\$ 4,000
Labor	\$ 299,948
Maintenance	\$ 3,300
Office Expenses	\$ 23,385
Office Supplies	\$ 7,203
Licensing	\$ 75,000
Medical Insurance (4 Months)	\$ 40,050
Marketing	\$ 9,000
Information Technology	\$ 22,500
Travel	\$ 13,900
Professional Services	\$ 36,000
Board/Advisory Board Expenses	\$ 3,000
Total Operating Expenditures	\$ 1,233,436
Reserve Fund	\$ 266,564
Funds for Operating Expenses	\$ 1,500,000

*Breakwater PF has a 30,000 sq. ft. lease at an initial rate of \$5.57 per square foot inclusive of CAM. The lease has escalations of \$5.82 in year two and then 3% increases thereafter.

Breakwater Production Facility LLC

Pro Forma

	(4 months of Sales)	Year 1	Year 2	Year 3	Year 4
		Year 1	Year 2	Year 3	Year 4
Average # of Monthly Patients	1,000	1,225	1,890	2,545	
REVENUES					
Sales:					
Marijuana Product Sales*	\$ 2,750,000	\$ 10,106,250	\$ 15,592,500	\$ 20,996,250	
Gross Sales	\$ 2,750,000	\$ 10,106,250	\$ 15,592,500	\$ 20,996,250	
COST OF GOODS SOLD					
Facility Rent**	\$ 167,100	\$ 174,600	\$ 179,838	\$ 185,233	
Marijuana Production:					
Growing Supplies	\$ 78,870	\$ 168,839	\$ 199,574	\$ 240,522	
Electric, Natural Gas, Water, etc.	\$ 191,323	\$ 303,602	\$ 430,404	\$ 461,206	
Production, Labeling & Packaging Supplies	\$ 134,182	\$ 62,271	\$ 54,104	\$ 54,104	
Crop, Equipment & Liability Insurance	\$ 29,228	\$ 41,057	\$ 55,929	\$ 64,580	
Bulb Replacement	\$ 30,468	\$ 30,468	\$ 68,865	\$ 47,412	
Security Agency:					
Security Personnel	\$ 46,800	\$ 49,140	\$ 51,480	\$ 53,820	
Alarm System Monitoring	\$ 3,600	\$ 3,600	\$ 3,900	\$ 4,200	
Security Transport:					
Security Personnel	\$ 12,600	\$ 44,520	\$ 54,600	\$ 60,480	
Alarm System Monitoring	\$ 1,980	\$ 6,996	\$ 8,580	\$ 9,504	
Vehicle Leasing	\$ 4,000	\$ 9,600	\$ 10,400	\$ 12,000	
Salaries	\$ 299,948	\$ 519,121	\$ 617,440	\$ 714,671	
Maintenance	\$ 3,300	\$ 6,000	\$ 7,000	\$ 8,000	
Office Expenses	\$ 23,385	\$ 25,540	\$ 27,040	\$ 27,040	
Office Supplies	\$ 7,203	\$ 13,090	\$ 16,908	\$ 21,170	
Licensing	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	
Total COGS	\$ 1,108,986	\$ 1,533,443	\$ 1,861,062	\$ 2,038,941	
Gross Profit	\$ 1,641,014	\$ 8,572,807	\$ 13,731,438	\$ 18,957,309	
OTHER OPERATING EXPENSES					
Medical Insurance	\$ 40,050	\$ 84,150	\$ 100,800	\$ 132,200	
Marketing	\$ 9,000	\$ 36,000	\$ 42,000	\$ 48,000	
Information Technology	\$ 22,500	\$ 39,000	\$ 48,000	\$ 54,000	
Travel	\$ 13,900	\$ 25,200	\$ 33,000	\$ 36,000	
Professional Services	\$ 36,000	\$ 48,000	\$ 54,000	\$ 60,000	
Board/Advisory Board Expenses	\$ 3,000	\$ 5,700	\$ 7,200	\$ 7,800	
Total Other Operating Expenses	\$ 124,450	\$ 238,050	\$ 285,000	\$ 338,000	
PRETAX INCOME	\$ 1,516,564	\$ 8,334,757	\$ 13,446,438	\$ 18,619,309	

*Based on the maximum allowed 2.5 ounces per patient per month.

**Breakwater PF has a 30,000 sq. ft. lease at an initial rate of \$5.57 per square foot inclusive of CAM. The lease has escalations of \$5.82 in year two and then 3% increases thereafter.

Revenue Projections

(projection based upon an eventual patient population equal to approximately 1% of the total Connecticut population)

	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6	MONTH 7	MONTH 8	MONTH 9	MONTH 10	MONTH 11	MONTH 12	TOTAL
YEAR 1													
Marijuana Product Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 481,250	\$ 515,625	\$ 550,000	\$ 584,375
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 481,250	\$ 515,625	\$ 550,000	\$ 584,375
YEAR 2													
Marijuana Product Sales	\$ 653,125	\$ 687,500	\$ 721,875	\$ 756,250	\$ 790,625	\$ 825,000	\$ 859,375	\$ 893,750	\$ 928,125	\$ 962,500	\$ 996,875	\$ 1,031,250	\$ 10,106,250
TOTAL	\$ 653,125	\$ 687,500	\$ 721,875	\$ 756,250	\$ 790,625	\$ 825,000	\$ 859,375	\$ 893,750	\$ 928,125	\$ 962,500	\$ 996,875	\$ 1,031,250	\$ 10,106,250
YEAR 3													
Marijuana Product Sales	\$ 1,072,500	\$ 1,113,750	\$ 1,155,000	\$ 1,196,250	\$ 1,237,500	\$ 1,278,750	\$ 1,320,000	\$ 1,361,250	\$ 1,402,500	\$ 1,443,750	\$ 1,485,000	\$ 1,526,250	\$ 15,592,500
TOTAL	\$ 1,072,500	\$ 1,113,750	\$ 1,155,000	\$ 1,196,250	\$ 1,237,500	\$ 1,278,750	\$ 1,320,000	\$ 1,361,250	\$ 1,402,500	\$ 1,443,750	\$ 1,485,000	\$ 1,526,250	\$ 15,592,500
YEAR 4													
Marijuana Product Sales	\$ 1,560,625	\$ 1,595,000	\$ 1,629,375	\$ 1,663,750	\$ 1,698,125	\$ 1,732,500	\$ 1,766,875	\$ 1,801,250	\$ 1,835,625	\$ 1,870,000	\$ 1,904,375	\$ 1,938,750	\$ 20,996,250
TOTAL	\$ 1,560,625	\$ 1,595,000	\$ 1,629,375	\$ 1,663,750	\$ 1,698,125	\$ 1,732,500	\$ 1,766,875	\$ 1,801,250	\$ 1,835,625	\$ 1,870,000	\$ 1,904,375	\$ 1,938,750	\$ 20,996,250

Assumptions

Year 1: First 8 months is the grow and development period and last 4 months is the commencement of sales starting in month 9.

*47: Based on \$687.5 per full paying patient per month.

	Estimated Operating Costs												
	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6	MONTH 7	MONTH 8	MONTH 9	MONTH 10	MONTH 11	MONTH 12	TOTAL
OPERATING COSTS	\$1,500,000												
YEAR 1													
Facility Rent	\$ 13,925	\$ 13,925	\$ 13,925	\$ 13,925	\$ 13,925	\$ 13,925	\$ 13,925	\$ 13,925	\$ 13,925	\$ 13,925	\$ 13,925	\$ 13,925	\$ 167,100
<i>Marijuana Production:</i>													
<i>Growing Supplies</i>	\$ 78,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,870
<i>Electric, Natural Gas, Water, etc.</i>	\$ 3,315	\$ 3,234	\$ 3,859	\$ 10,057	\$ 14,019	\$ 21,649	\$ 22,464	\$ 22,836	\$ 22,109	\$ 22,836	\$ 22,109	\$ 22,836	\$ 191,323
<i>Production, Labeling & Packaging Supplies</i>	\$ 1,867	\$ 567	\$ 2,017	\$ 567	\$ 767	\$ 24,108	\$ 17,058	\$ 18,378	\$ 17,258	\$ 17,078	\$ 17,258	\$ 17,078	\$ 134,182
<i>Crop, Equipment & Liability Insurance</i>	\$ 1,558	\$ 1,558	\$ 2,183	\$ 2,183	\$ 2,183	\$ 2,795	\$ 2,795	\$ 2,795	\$ 2,795	\$ 2,795	\$ 2,795	\$ 2,795	\$ 29,228
<i>Bulb Replacement</i>													\$ 30,468
<i>Facility Security:</i>													
<i>Security Guard - Production Facility</i>	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 46,800
<i>Alarm System Monitoring</i>	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 3,600
<i>Security Transport:</i>													
<i>Security Transport Personnel</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,600
<i>Travel Expenses</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,980
<i>Vehicle Leasing</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,000
<i>Salaries</i>	\$ 16,052	\$ 16,052	\$ 16,052	\$ 16,052	\$ 16,052	\$ 16,052	\$ 16,052	\$ 16,052	\$ 16,052	\$ 16,052	\$ 16,052	\$ 16,052	\$ 199,948
<i>Maintenance</i>	\$ 275	\$ 275	\$ 275	\$ 275	\$ 275	\$ 275	\$ 275	\$ 275	\$ 275	\$ 275	\$ 275	\$ 275	\$ 3,300
<i>Office Expenses</i>	\$ 4,400	\$ 550	\$ 3,600	\$ 1,425	\$ 1,545	\$ 1,645	\$ 1,670	\$ 1,670	\$ 1,670	\$ 1,720	\$ 1,720	\$ 1,720	\$ 23,385
<i>Office Supplies</i>	\$ 564	\$ 564	\$ 564	\$ 564	\$ 564	\$ 564	\$ 637	\$ 637	\$ 637	\$ 637	\$ 637	\$ 637	\$ 7,203
<i>Licensing</i>	\$ 75,000												\$ 75,000
<i>Medical Insurance</i>	\$ -	\$ -	\$ 3,150	\$ 3,150	\$ 3,600	\$ 3,600	\$ 4,050	\$ 4,500	\$ 4,950	\$ 4,950	\$ 4,950	\$ 4,950	\$ 40,050
<i>Marketing</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,000
<i>Information Technology</i>	\$ 500	\$ 500	\$ 500	\$ 1,000	\$ 1,000	\$ 1,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 22,500
<i>Travel</i>	\$ 500	\$ 500	\$ 700	\$ 700	\$ 1,000	\$ 1,200	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,800	\$ 1,800	\$ 1,800	\$ 13,900
<i>Professional Services</i>	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 36,000
<i>Board/Advisory Board Expenses</i>	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 3,000
TOTAL	\$ 204,225	\$ 45,124	\$ 54,225	\$ 57,298	\$ 61,879	\$ 94,213	\$ 109,563	\$ 115,721	\$ 114,374	\$ 115,551	\$ 114,944	\$ 146,319	\$ 1,233,436

YEAR 2		Estimated Operating Costs										
Facility Rent	\$ 14,550	\$ 14,550	\$ 14,550	\$ 14,550	\$ 14,550	\$ 14,550	\$ 14,550	\$ 14,550	\$ 14,550	\$ 14,550	\$ 14,550	
Marijuana Production:												
<i>Growing Supplies</i>	\$ 168,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168,839	
<i>Electric, Natural Gas, Water, etc.</i>	\$ 25,111	\$ 23,612	\$ 24,872	\$ 23,967	\$ 24,442	\$ 24,065	\$ 24,673	\$ 24,698	\$ 24,164	\$ 28,063	\$ 27,444	
Production, Labeling & Packaging Supplies	\$ 2,238	\$ 4,566	\$ 12,171	\$ 1,977	\$ 4,768	\$ 2,021	\$ 12,328	\$ 4,611	\$ 8,086	\$ 2,223	\$ 4,835	
Crop, Equipment & Liability Insurance	\$ 3,268	\$ 3,268	\$ 3,268	\$ 3,268	\$ 3,268	\$ 3,353	\$ 3,353	\$ 3,353	\$ 3,768	\$ 3,768	\$ 41,057	
Bulb Replacement									\$ 30,468		\$ 30,468	
Facility Security:												
<i>Security Guard - Production Facility</i>	\$ 4,095	\$ 4,095	\$ 4,095	\$ 4,095	\$ 4,095	\$ 4,095	\$ 4,095	\$ 4,095	\$ 4,095	\$ 4,095	\$ 4,095	
<i>Alarm System Monitoring</i>	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	
Security Transport:												
<i>Security Transport Personnel</i>	\$ 3,360	\$ 3,360	\$ 3,360	\$ 3,360	\$ 3,360	\$ 3,360	\$ 3,360	\$ 3,360	\$ 4,200	\$ 4,200	\$ 4,200	
<i>Travel Expenses</i>	\$ 528	\$ 528	\$ 528	\$ 528	\$ 528	\$ 528	\$ 528	\$ 660	\$ 660	\$ 660	\$ 660	
<i>Vehicle Leasing</i>	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	
Salaries	\$ 38,569	\$ 38,569	\$ 38,569	\$ 38,569	\$ 43,362	\$ 43,362	\$ 43,362	\$ 43,362	\$ 47,849	\$ 47,849	\$ 519,121	
Maintenance	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 6,000	
Office Expenses	\$ 5,670	\$ 1,820	\$ 1,820	\$ 1,820	\$ 1,820	\$ 1,820	\$ 1,770	\$ 1,770	\$ 1,770	\$ 1,820	\$ 1,820	
Office Supplies	\$ 1,091	\$ 1,091	\$ 1,091	\$ 1,091	\$ 1,091	\$ 1,091	\$ 1,091	\$ 1,091	\$ 1,091	\$ 1,091	\$ 1,091	
Licensing	\$ 75,000										\$ 75,000	
Medical Insurance	\$ 5,700	\$ 5,700	\$ 5,700	\$ 6,150	\$ 6,600	\$ 6,600	\$ 6,600	\$ 7,950	\$ 7,950	\$ 8,400	\$ 8,400	
Marketing	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	
Information Technology	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,500	\$ 3,500	\$ 3,500	\$ 39,000	
Travel	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,200	\$ 2,200	\$ 2,200	\$ 25,200	
Professional Services	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 48,000	
Board/Advisory Board Expenses	\$ 450	\$ 450	\$ 450	\$ 450	\$ 450	\$ 450	\$ 450	\$ 500	\$ 500	\$ 500	\$ 5,700	
TOTAL	\$ 362,069	\$ 115,209	\$ 124,075	\$ 113,425	\$ 121,933	\$ 118,845	\$ 130,510	\$ 125,139	\$ 163,086	\$ 131,520	\$ 133,512	\$ 1,771,493

Estimated Operational Costs														
Category	Year 3												Total	
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12		
Facility Rent	\$ 14,987	\$ 14,987	\$ 14,987	\$ 14,987	\$ 14,987	\$ 14,987	\$ 14,987	\$ 14,987	\$ 14,987	\$ 14,987	\$ 14,987	\$ 14,987	\$ 179,838	
Marijuana Production:														
Growing Supplies	\$ 199,574	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 199,574	
Electric, Natural Gas, Water, etc.	\$ 32,414	\$ 30,683	\$ 32,414	\$ 34,612	\$ 35,563	\$ 34,612	\$ 38,074	\$ 38,074	\$ 37,675	\$ 38,074	\$ 39,496	\$ 38,713	\$ 430,404	
Production, Labeling & Packaging Supplies	\$ 2,477	\$ 5,183	\$ 5,698	\$ 2,677	\$ 5,163	\$ 2,697	\$ 10,913	\$ 5,203	\$ 2,897	\$ 5,403	\$ 2,897	\$ 5,403	\$ 54,104	
Crop, Equipment & Liability Insurance	\$ 4,148	\$ 4,148	\$ 4,148	\$ 4,541	\$ 4,541	\$ 4,813	\$ 4,853	\$ 4,853	\$ 4,933	\$ 4,853	\$ 5,166	\$ 4,933	\$ 55,929	
Bulb Replacement				\$ 34,432									\$ 34,432	\$ 68,865
Facility Security:														
Security Guard - Production Facility	\$ 4,290	\$ 4,290	\$ 4,290	\$ 4,290	\$ 4,290	\$ 4,290	\$ 4,290	\$ 4,290	\$ 4,290	\$ 4,290	\$ 4,290	\$ 4,290	\$ 51,480	
Alarm System Monitoring	\$ 325	\$ 325	\$ 325	\$ 325	\$ 325	\$ 325	\$ 325	\$ 325	\$ 325	\$ 325	\$ 325	\$ 325	\$ 3,900	
Security Transport:														
Security Transport Personnel	\$ 4,200	\$ 4,200	\$ 4,200	\$ 4,200	\$ 4,200	\$ 4,200	\$ 4,200	\$ 4,200	\$ 4,200	\$ 4,200	\$ 4,200	\$ 4,200	\$ 54,600	
Travel Expenses	\$ 660	\$ 660	\$ 660	\$ 660	\$ 660	\$ 660	\$ 660	\$ 660	\$ 660	\$ 660	\$ 660	\$ 660	\$ 8,580	
Vehicle Leasing	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 10,400	
Salaries	\$ 49,958	\$ 49,958	\$ 49,958	\$ 49,958	\$ 49,958	\$ 49,958	\$ 49,958	\$ 49,958	\$ 49,958	\$ 49,958	\$ 49,958	\$ 49,958	\$ 617,440	
Maintenance	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 7,000	
Office Expenses	\$ 5,795	\$ 1,945	\$ 1,945	\$ 1,945	\$ 1,945	\$ 1,945	\$ 1,895	\$ 1,895	\$ 1,895	\$ 1,945	\$ 1,945	\$ 1,945	\$ 27,040	
Office Supplies	\$ 1,409	\$ 1,409	\$ 1,409	\$ 1,409	\$ 1,409	\$ 1,409	\$ 1,409	\$ 1,409	\$ 1,409	\$ 1,409	\$ 1,409	\$ 1,409	\$ 16,908	
Licensing	\$ 75,000												\$ 75,000	
Medical Insurance	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 100,800	
Marketing	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 42,000	
Information Technology	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 48,000	
Travel	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 33,000	
Professional Services	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 54,000	
Board/Advisory Board Expenses	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 7,200	
TOTAL	\$ 420,120	\$ 142,671	\$ 144,916	\$ 178,918	\$ 147,923	\$ 144,728	\$ 156,946	\$ 152,208	\$ 154,321	\$ 154,640	\$ 158,880	\$ 189,791	\$ 2,146,062	

YEAR 4		Estimated Operating Costs											
Facility Rent	\$ 15,436	\$ 15,436	\$ 15,436	\$ 15,436	\$ 15,436	\$ 15,436	\$ 15,436	\$ 15,436	\$ 15,436	\$ 15,436	\$ 185,233		
Marijuana Production:													
Groving Supplies	\$ 240,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 240,522		
Electric, Natural Gas, Water, etc.	\$ 38,022	\$ 38,309	\$ 38,022	\$ 34,069	\$ 35,006	\$ 37,503	\$ 34,657	\$ 40,555	\$ 39,480	\$ 42,521	\$ 44,500		
Production, Labeling & Packaging Supplies	\$ 2,477	\$ 5,183	\$ 5,698	\$ 2,677	\$ 5,163	\$ 2,697	\$ 10,913	\$ 5,203	\$ 2,897	\$ 5,403	\$ 2,897		
Crop, Equipment & Liability Insurance	\$ 5,017	\$ 5,330	\$ 5,318	\$ 4,903	\$ 4,903	\$ 5,379	\$ 4,849	\$ 5,644	\$ 5,909	\$ 5,511	\$ 6,174		
Bulb Replacement									\$ 47,412		\$ 47,412		
Facility Security:													
Security Guard - Production Facility	\$ 4,485	\$ 4,485	\$ 4,485	\$ 4,485	\$ 4,485	\$ 4,485	\$ 4,485	\$ 4,485	\$ 4,485	\$ 4,485	\$ 53,820		
Alarm System Monitoring	\$ 350	\$ 350	\$ 350	\$ 350	\$ 350	\$ 350	\$ 350	\$ 350	\$ 350	\$ 350	\$ 4,200		
Security Transport:													
Security Transport Personnel	\$ 5,040	\$ 5,040	\$ 5,040	\$ 5,040	\$ 5,040	\$ 5,040	\$ 5,040	\$ 5,040	\$ 5,040	\$ 5,040	\$ 60,480		
Travel Expenses	\$ 792	\$ 792	\$ 792	\$ 792	\$ 792	\$ 792	\$ 792	\$ 792	\$ 792	\$ 792	\$ 9,504		
Vehicle Leasing	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 12,000		
Salaries	\$ 59,218	\$ 59,218	\$ 59,218	\$ 59,218	\$ 59,218	\$ 59,218	\$ 59,218	\$ 59,218	\$ 59,218	\$ 63,267	\$ 714,671		
Maintenance	\$ 667	\$ 667	\$ 667	\$ 667	\$ 667	\$ 667	\$ 667	\$ 667	\$ 667	\$ 667	\$ 8,000		
Office Expenses	\$ 5,795	\$ 1,945	\$ 1,945	\$ 1,945	\$ 1,945	\$ 1,945	\$ 1,895	\$ 1,895	\$ 1,945	\$ 1,945	\$ 27,040		
Office Supplies	\$ 1,764	\$ 1,764	\$ 1,764	\$ 1,764	\$ 1,764	\$ 1,764	\$ 1,764	\$ 1,764	\$ 1,764	\$ 1,764	\$ 21,170		
Licensing	\$ 75,000										\$ 75,000		
Medical Insurance	\$ 11,100	\$ 11,100	\$ 10,100	\$ 11,100	\$ 11,100	\$ 11,100	\$ 11,100	\$ 11,100	\$ 11,100	\$ 11,100	\$ 132,200		
Marketing	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 48,000		
Information Technology	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 54,000		
Travel	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 36,000		
Professional Services	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 60,000		
Board/Advisory Board Expenses	\$ 650	\$ 650	\$ 650	\$ 650	\$ 650	\$ 650	\$ 650	\$ 650	\$ 650	\$ 650	\$ 7,800		
TOTAL	\$ 483,836	\$ 167,769	\$ 166,986	\$ 160,597	\$ 164,019	\$ 164,476	\$ 169,316	\$ 170,299	\$ 214,380	\$ 170,274	\$ 168,424	\$ 176,567	\$ 2,376,941

SECURITY PLAN

OFFICIAL USE ONLY – SECURITY-RELATED INFORMATION – TO BE EXEMPT FROM
DISCLOSURE UNDER THE CONNECTICUT FREEDOM OF INFORMATION ACT (FOIA)

BREAKWATER PRODUCTION FACILITY

p. 1 of 30

TO BE EXEMPT FROM DISCLOSURE UNDER THE CONNECT ICUT FREEDOM OF INFORMATION ACT (FOIA). We will like to have this information kept confidential since public disclosure would create a security risk for Breakwater PF.

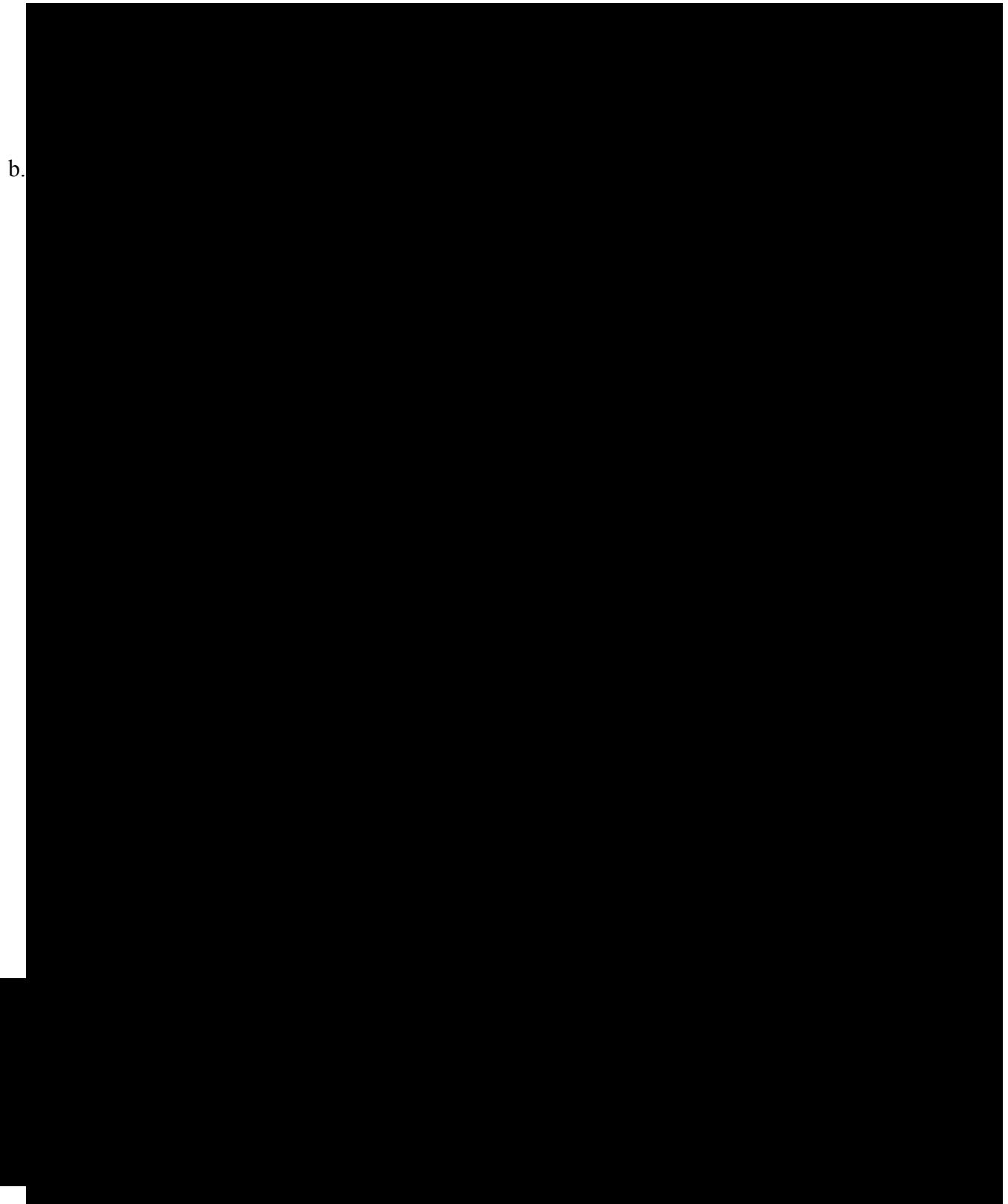
The figure consists of a series of 20 horizontal black bars of varying lengths, arranged in a single row. The bars are set against a white background. The first bar is the longest, followed by a short bar, then a series of 10 bars of intermediate length, then another short bar, and finally 5 bars of varying lengths. There are two small black squares on the left side of the chart.

BREAKWATER PRODUCTION FACILITY

p. 3 of 30

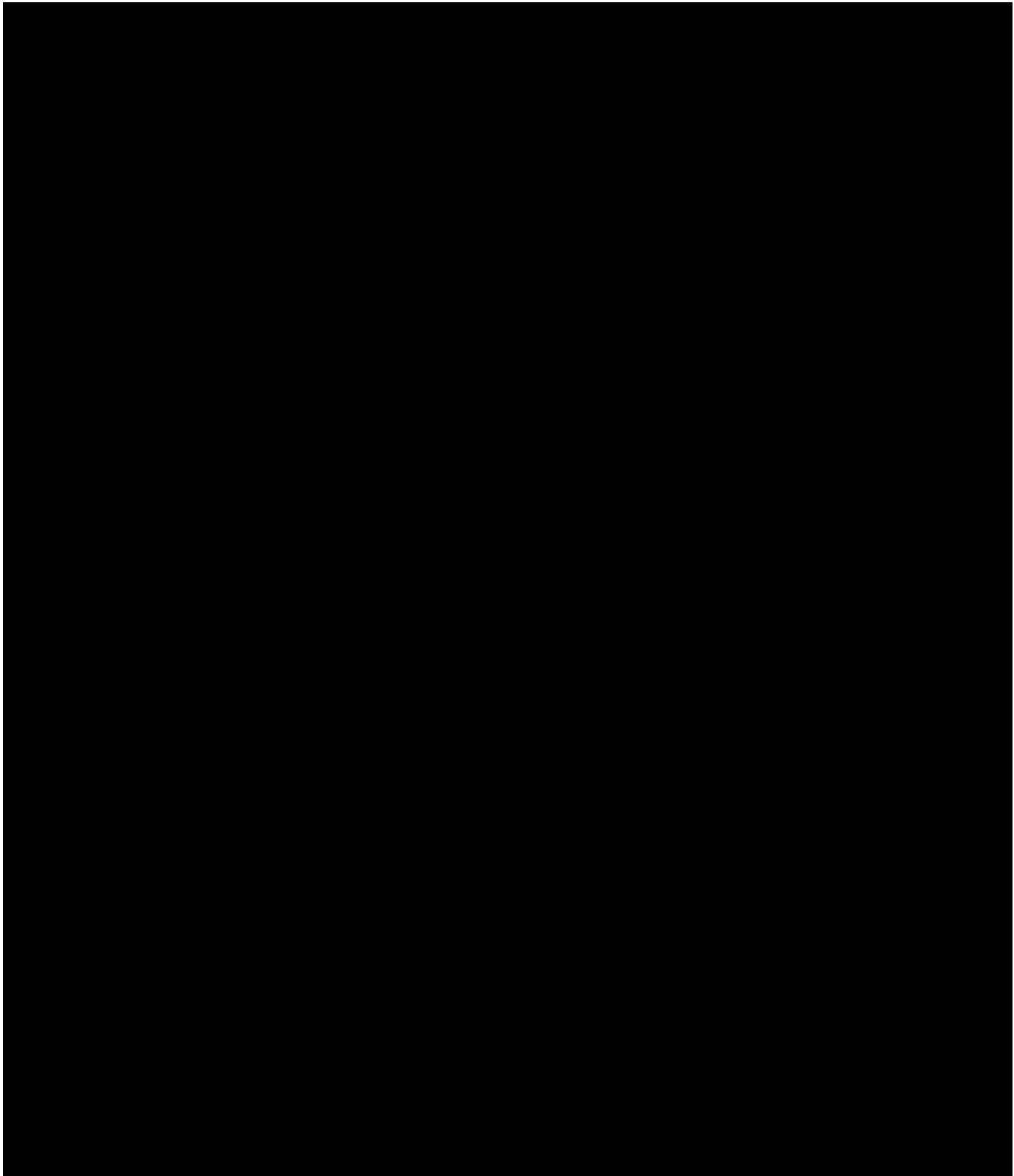
TO BE EXEMPT FROM DISCLOSURE UNDER THE CONNECT ICUT FREEDOM OF INFORMATION ACT (FOIA). We will like to have this information kept confidential since public disclosure would create a security risk for Breakwater PF.

b.



A large grid of black horizontal bars on a white background. The bars are arranged in a grid pattern, with some bars being longer than others. The grid is composed of approximately 10 columns and 20 rows of bars. The bars are black and have a uniform thickness. The grid is centered on the page and occupies most of the white space.

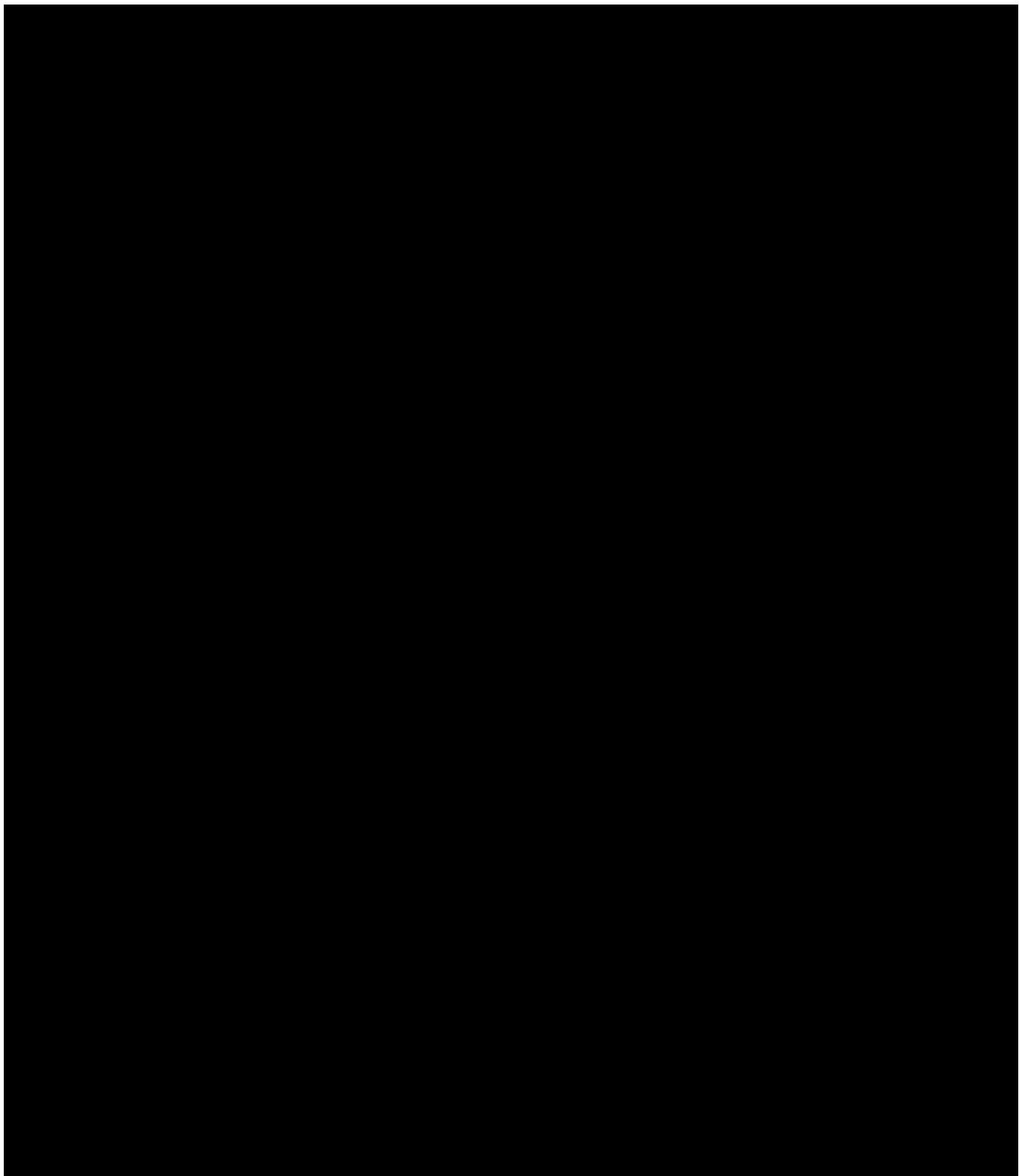
A horizontal bar chart consisting of 20 black bars of varying lengths. The bars are arranged in two columns of 10. The first column has bars of lengths approximately 10, 18, 10, 10, 10, 10, 10, 10, 10, and 10. The second column has bars of lengths approximately 10, 10, 10, 10, 10, 10, 10, 10, 10, and 10. The bars are set against a white background with a thin black border around the entire chart area.

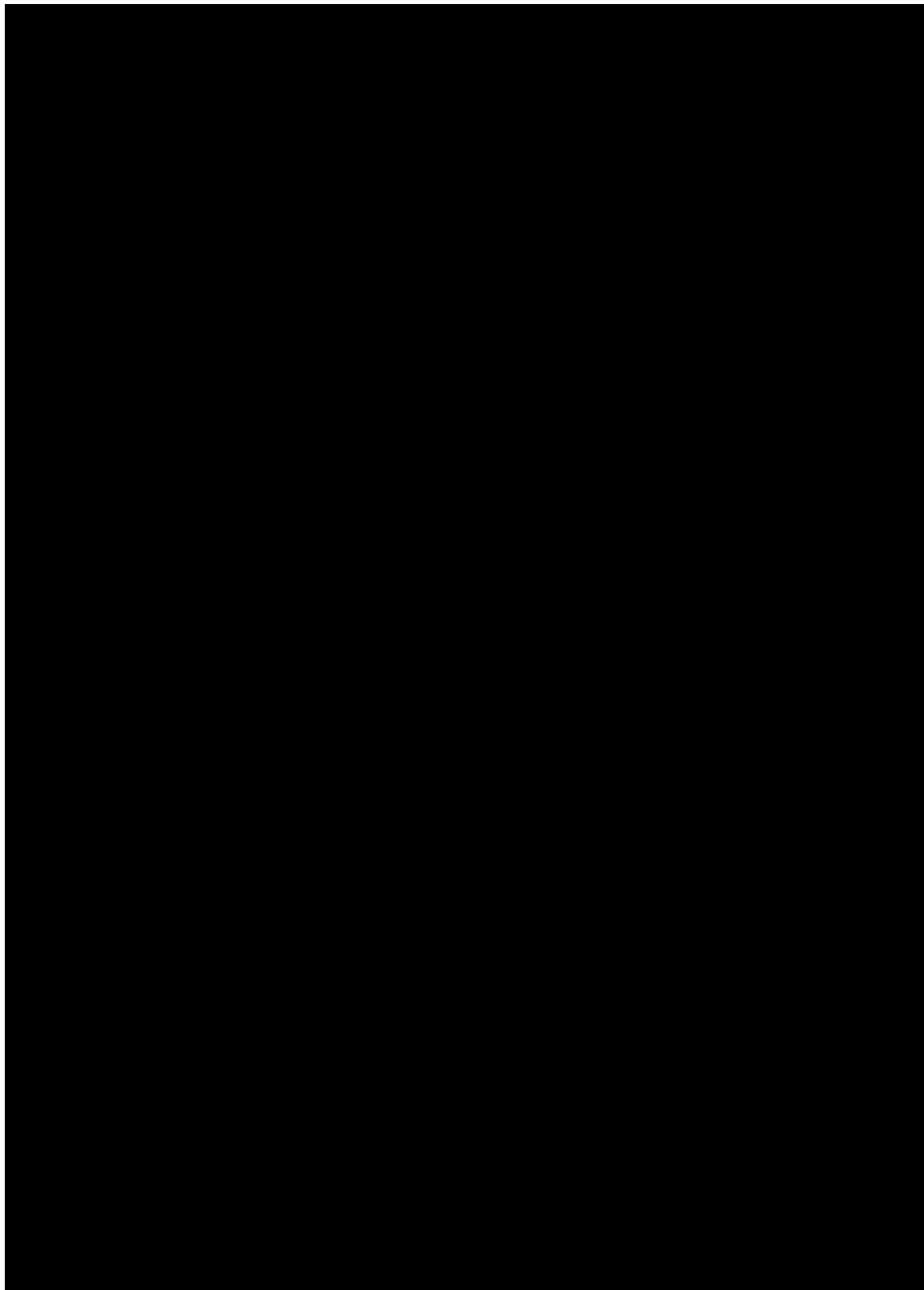


A series of horizontal black bars of varying lengths, likely a redacted document. The bars are positioned in a grid-like pattern, with some bars being significantly longer than others, creating a visual effect of obscured text or data.

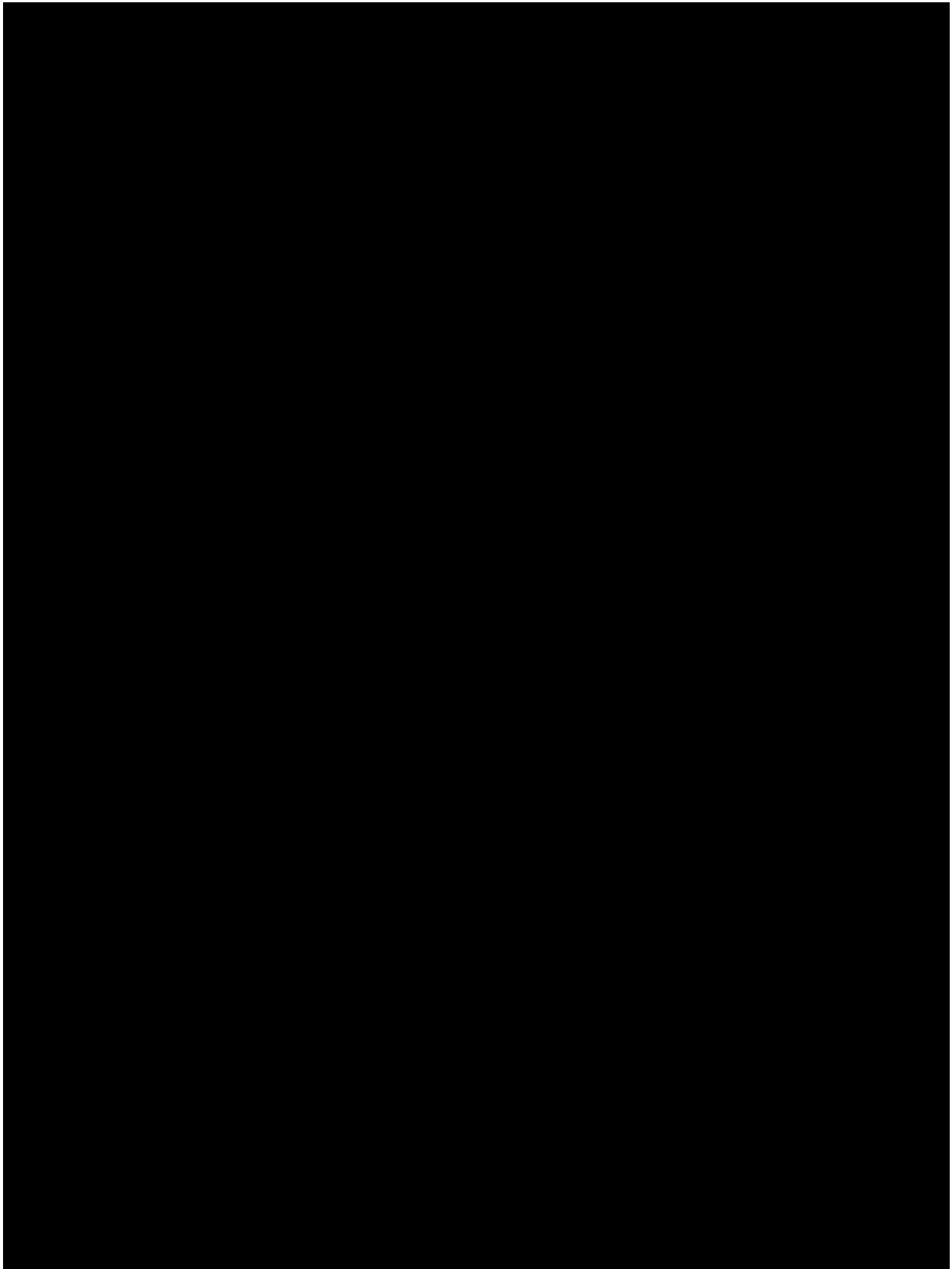
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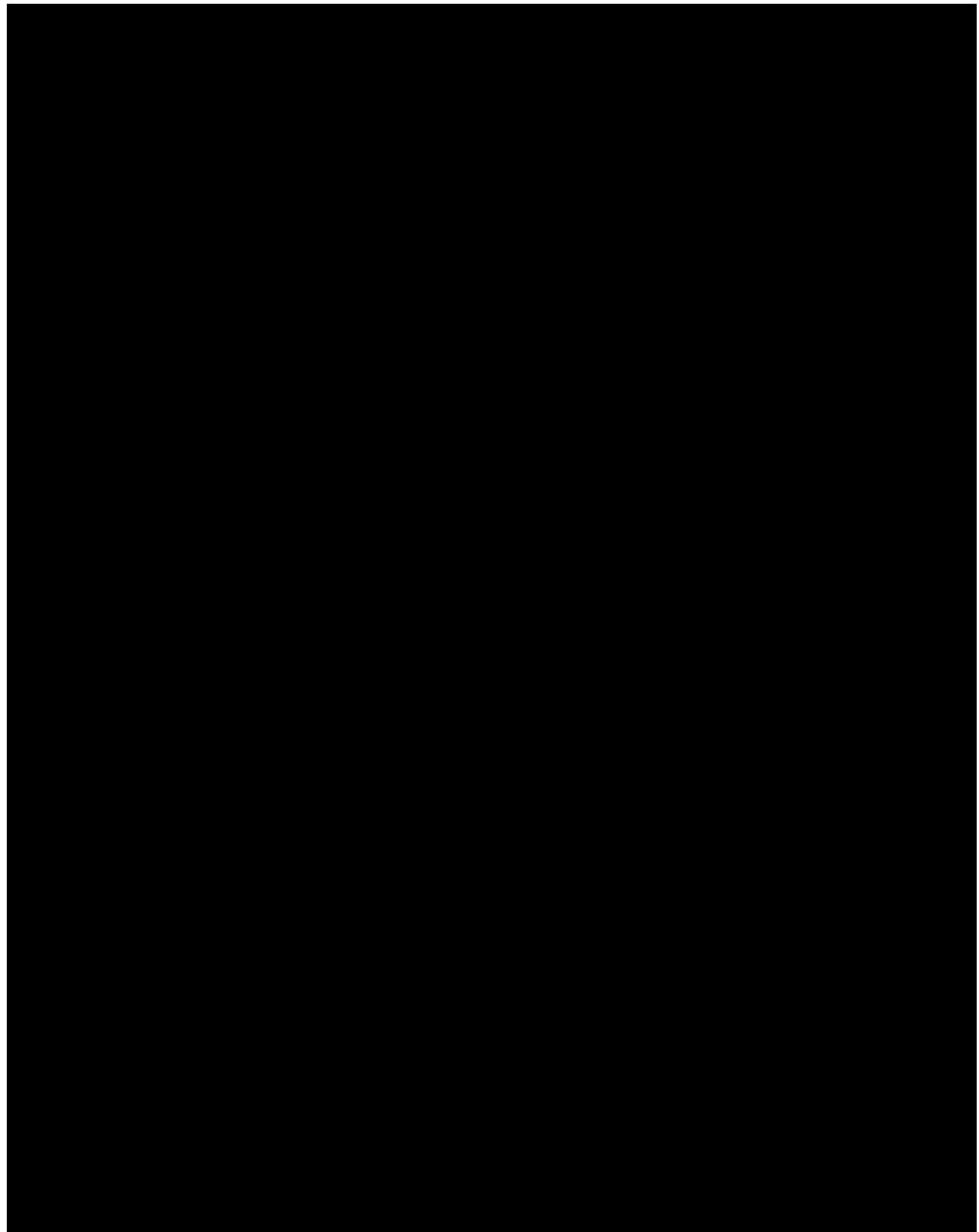
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OPERATIONS MANUAL

**Breakwater Production Facility
Operations Manual**

For Production Site located at

**400 Captain Neville Drive
Waterbury, CT 06705**

Breakwater Production Facility LLC

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SECTION 1

INTRODUCTION

This Manual is designed to acquaint you (employee) with Breakwater Production Facility (Breakwater PF) and provide you with information about working conditions, benefits, and policies affecting your employment. The information contained in this Manual applies to all employees of Breakwater Production Facility. Following the policies described in this Manual is considered a condition of continued employment. However, nothing in this Manual alters an employee's status. The contents of this Manual shall not constitute nor be construed as a promise of employment or as a contract between Breakwater PF and any of its employees. The Manual is a summary of our policies, which are presented here only as a matter of information. You are responsible for reading, understanding, and complying with the provisions of this Manual. Our objective is to provide you with a work environment that is constructive to both personal and professional growth.

This operations manual shall remain available for inspection by the State of Connecticut Department of Consumer Protection and any other authorized government agency upon request.

1.1 CHANGES IN POLICY

This Manual supersedes all previous employee manuals and memos that may have been issued from time to time on subjects covered in this Manual. However, since our business and our organization are subject to change, we reserve the right to interpret, change, suspend, cancel, or dispense, with or without notice, all or any part of our policies, procedures, and benefits at any time. We will notify all employees of these changes. Changes will be effective on the dates determined by the Breakwater Production Facility, and after those dates all superseded policies will be null. No individual supervisor or manager has the authority to change policies at any time. If you are uncertain about any policy or procedure, speak with your direct supervisor.

1.2 EMPLOYMENT APPLICATIONS

We rely upon the accuracy of information contained in the employment application and the accuracy of other data presented throughout the hiring process and employment. Any misrepresentations, falsifications, or material omissions in any of this information or data may result in exclusion of the individual from further consideration for employment or, if the person has been hired, termination of employment.

1.3 EMPLOYMENT RELATIONSHIP

You enter into employment voluntarily, and you are free to resign at any time for any reason or no reason. Similarly, Breakwater Production Facility is free to conclude its relationship with any employee at any time for any reason or no reason. Following the probationary period, employees are required to follow the Employment Termination Policy (See Section 3.13).

SECTION 2

REGULATIONS OF THE OPERATIONS OF A PRODUCTION FACILITY

As a Production Facility in the State of Connecticut, Breakwater Production Facility will meet the following regulations of operation as defined by Section 21a-408-52 found in the State of Connecticut Regulation of the Department of Consumer Protection concerning Palliative Use of Marijuana:

- (a) Only a producer shall own and operate a production facility.
- (b) A producer shall not:
 - (1) Produce or manufacture marijuana in any place except its approved production facility;
 - (2) Sell, deliver, transport or distribute marijuana from any place except its approved production facility;
 - (3) Produce or manufacture marijuana for use outside of Connecticut;
 - (4) Sell, deliver, transport or distribute marijuana to any place except a dispensary facility located in Connecticut;
 - (5) Enter into an exclusive agreement with any dispensary facility;
 - (6) Refuse to deal with any dispensary facility that is willing to deal with such producer on the same terms and conditions as other dispensary facilities with whom the producer is dealing; or
 - (7) Either directly or indirectly discriminate in price between different dispensary facilities that are purchasing a like, grade, strain, brand, and quality of marijuana or marijuana product, provided nothing herein shall prevent differentials which only make due allowance for differences in the cost of manufacture, sale or delivery resulting from the differing methods or quantities in which such marijuana or marijuana products are sold or delivered to such dispensary facilities.
- (c) A producer license shall permit the licensee to operate at a single production facility location. Prior to operating a production facility at a different location, a producer shall obtain an additional producer license in accordance with the producer license selection and application process set forth in sections 21a-408-20 to 21a-408-21 of the Regulations of Connecticut State Agencies, except that if the maximum number of producer licenses allowed under the Act have been issued, the commissioner may permit additional production facilities to be operated by a currently licensed producer.
- (d) A producer shall establish and maintain an escrow account in a financial institution in Connecticut, obtain a letter of credit from a financial institution in Connecticut, or obtain a surety bond issued by a surety company licensed by the state of Connecticut Department of Insurance and of a capacity and rating acceptable to the commissioner, upon terms approved by the commissioner, in the amount of two million dollars. The money secured by the escrow account, letter of credit or surety bond shall be payable to the state of Connecticut in the event the producer fails to timely and successfully complete the construction of a production facility or to continue to operate such facility in a manner that provides an uninterrupted supply of marijuana or marijuana products to its usual dispensary facility customers during the term of the license. The commissioner may reduce or eliminate the escrow account, letter of credit or surety bond

in accordance with the terms set forth in section 21a-408-29 of the Regulations of Connecticut State Agencies.

SECTION 3

DEFINITIONS OF EMPLOYEES STATUS

“EMPLOYEES” DEFINED

An “employee” of Breakwater Production Facility is a person who regularly works for Breakwater PF on a wage or salary basis. “Employees” may include exempt, non-exempt, regular full-time, regular part-time, voluntary and temporary persons, and others employed with the Breakwater PF who are subject to the control and direction of Breakwater PF in the performance of their duties.

EXEMPT

Employees whose positions meet specific criteria established by the Fair Labor Standards Act (FLSA) and who are exempt from overtime pay requirements.

NON-EXEMPT

Employees whose positions do not meet FLSA criteria and who are paid one and one-half their regular rate of pay for hours worked in excess of 40 hours per week.

REGULAR FULL-TIME

Employees who have completed the 90-day probationary period and who are regularly scheduled to work 35 or more hours per week. Generally, they are eligible for the Breakwater Production Facility’s benefit package, subject to the terms, conditions, and limitations of each benefit program.

REGULAR PART-TIME

Employees who have completed the 90 day probationary period and who are regularly scheduled to work less than 35 hours per week. Regular part-time employees are eligible for some benefits sponsored by the Breakwater Production Facility, subject to the terms, conditions, and limitations of each benefit program.

TEMPORARY (FULL-TIME or PART-TIME)

Those whose performance is being evaluated to determine whether further employment in a specific position or with the Breakwater Production Facility is appropriate or individuals who are hired as interim replacements to assist in the completion of a specific project or for vacation relief. Employment beyond any initially stated period does not in any way imply a change in employment status. Temporary employees retain that status until they are notified of a change. They are not eligible for any of the Breakwater PF’s benefit programs.

PROBATIONARY PERIOD FOR NEW EMPLOYEES

A new employee whose performance is being evaluated to determine whether further employment in a specific position or with Breakwater Production Facility is appropriate. When an employee completes the probationary period, the employee will be notified of his/her new status with Breakwater PF.

SECTION 4

EMPLOYMENT POLICIES

4.1 NON-DISCRIMINATION

In order to provide equal employment and advancement opportunities to all individuals, employment decisions at Breakwater Production Facility will be based on merit, qualifications, and abilities. Breakwater PF does not discriminate in employment opportunities or practices because of race, color, religion, sex, national origin, age or disability. Breakwater PF will make reasonable accommodations for qualified individuals with known disabilities unless doing so would result in an undue hardship. This policy governs all aspects of employment, including selection, job assignment, compensation, discipline, termination, and access to benefits and training. Employees with questions or concerns about discrimination in the workplace are encouraged to bring these issues to the attention of their supervisor. Employees can raise concerns and make reports without fear of reprisal. Anyone found to be engaging in unlawful discrimination would be subject to disciplinary action, including termination of employment.

4.2 NON-DISCLOSURE/CONFIDENTIALITY

The protection of confidential business information and trade secrets is vital to the interests and success of Breakwater Production Facility. Such confidential information includes, but is not limited to, the following examples: Compensation Data, Financial Information, Marketing Strategies, Pending Projects and Proposals, Proprietary Growing and Production Processes, Personnel/Payroll Records, and Conversations between any persons associated with the Breakwater PF. All employees are required to sign a non-disclosure agreement as a condition of employment.

Employees who improperly use or disclose trade secrets or confidential business information will be subject to disciplinary action, including termination of employment and legal action, even if they do not actually benefit from the disclosed information.

4.3 NEW EMPLOYEE ORIENTATION

Orientation is a formal welcoming process that is designed to make the new employee feel comfortable, informed about the Breakwater Production Facility, and prepared for their position. New employee orientation is conducted by a Human Resources representative, and includes an overview of the Breakwater PF history, an explanation of the Breakwater PF core values, vision, and mission; and Breakwater PF goals and objectives. In addition, the new employee will be given an overview of benefits, tax, and legal issues, and complete any necessary paperwork. Employees are presented with all personal key codes, keys, biometrics setup and procedures needed to navigate within the workplace. The new employee's supervisor then introduces the new hire to staff throughout the Breakwater PF, reviews their job description and scope of position, explains the Breakwater PF's evaluation procedures, and helps the new employee get started on specific functions.

4.4 PROBATIONARY PERIOD FOR NEW EMPLOYEES

The probationary period for regular full-time and regular part-time employees lasts up to 90 days from date of hire. During this time, employees have the opportunity to evaluate our Breakwater Production Facility as a place to work and management has its first

opportunity to evaluate the employee. During this introductory period, both the employee and the Breakwater PF have the right to terminate employment without advance notice. Upon satisfactory completion of the probationary period, a 90-day review will be given and benefits will begin as appropriate. All employees, regardless of classification or length of service, are expected to meet and maintain Breakwater PF standards for job performance and behavior (See Section 4, Standards of Conduct).

4.5 OFFICE HOURS

Breakwater Production Facility is open for business from 9 am to 6 pm Monday through Friday, and 10 am to 3 pm on Saturday (based on our production schedule and/or local ordinances), except for Holidays (See Section 6.7, Holidays). The standard workweek is 40 hours of work (see Section 5.3, Overtime). In the computation of various employee benefits, the employee workweek is considered to begin on Sunday (starting at 12:01 a.m.) through Saturday (ending at 12:00 a.m.), unless a supervisor makes prior other arrangement with the employee.

4.6 LUNCH PERIODS

Employees are allowed a one-hour lunch break. Lunch breaks generally are taken between the hours of 11 a.m. and 2:00 p.m. on a staggered schedule so that your absence does not create a problem for co-workers.

4.7 BREAK PERIODS

Breakwater Production Facility does not provide for employees to break during production activities except for the above outlined lunch period. If employees have unexpected personal business to take care of, they must notify their direct supervisor to discuss time away from work and make provisions as necessary. Personal business should be conducted on the employee's own time. Employees who do not adhere to the break policy will be subject to disciplinary action, including termination.

4.8 PERSONNEL FILES

Employee personnel files include the following: job application, job description, résumé, records of participation in training events, salary history, records of disciplinary action and documents related to employee performance reviews, coaching, and mentoring. Personnel files are the property of Breakwater Production Facility, and access to the information is restricted. Management personnel of Breakwater PF who have a legitimate reason to review files are allowed to do so. Employees who wish to review their own file should contact their supervisor or Human Resources Representative. With reasonable advance notice, the employee may review his/her personnel file in Breakwater PF's office and in the presence of their supervisor or Human Resources Representative.

4.9 PERSONNEL DATA CHANGES

It is the responsibility of each employee to promptly notify their supervisor or Breakwater Production Facility Human Resources Department of any changes in personnel data such as Mailing address, Telephone numbers, Name and number of dependents, and Individuals to be contacted in the event of an emergency. An employee's personnel data should be accurate and current at all times.

4.10 INCLEMENT WEATHER/EMERGENCY CLOSINGS

At times, emergencies such as severe weather, fires, or power failures can disrupt Breakwater Production Facility's operations. The decision to close the office will be made by the Executive Staff. When the decision is made to close the office, employees will receive official notification from their supervisors. Time off from scheduled work due to emergency closings will be unpaid for all non-exempt employees. However, if employees would like to be paid, they are permitted to use vacation time if it is available to them.

4.11 EMPLOYEE PERFORMANCE REVIEW AND PLANNING SESSIONS

Supervisors will conduct performance reviews and planning sessions with all regular full-time and regular part-time employees after six months of service. Supervisors may conduct informal performance reviews and planning sessions more often if they choose. Performance reviews and planning sessions are designed for the supervisor and the employee to discuss his/her current job tasks, encourage and recognize attributes, and discuss positive, purposeful approaches for meeting work-related goals. Together, employee and supervisor discuss ways in which the employee can accomplish goals or learn new skills. The planning sessions are designed for the employee and his/her supervisor to make and agree on new goals, skills, and areas for improvement. Breakwater Production Facility directly links wage and salary increases with performance. Employee's performance review and planning sessions will have a direct effect on any changes in an employee's compensation. For this reason among others, it is important to prepare for these reviews carefully, and participate in them fully. New employees will be reviewed at the end of their probationary periods (see Section 3.3, Probationary Period for New Employees). After the initial review, the employee will be reviewed according to the regular semi-annual schedule.

4.12 OUTSIDE EMPLOYMENT

Employees may hold outside jobs in non-related businesses or professions as long as the employee meets the performance standards of their job description with Breakwater PF. Unless an alternative work schedule has been approved by Breakwater Alternative Production Facility, employees will be subject to the Breakwater Production Facility's scheduling demands, regardless of any existing outside work assignments. Breakwater PF's office space, equipment, and materials are not to be used for outside employment.

4.13 CORRECTIVE ACTION

Breakwater Production Facility holds each of its employees to certain work rules and standards of conduct (see Section 4). When an employee deviates from these rules and standards, Breakwater PF expects the employee's supervisor to take corrective action. Corrective action at Breakwater PF is progressive. That is, the action taken in response to a rule infraction or violation of standards typically follows a pattern increasing in seriousness until the infraction or violation is corrected. The usual sequence of corrective actions includes an oral warning, a written warning, probation, and finally termination of employment. In deciding which initial corrective action would be appropriate, a supervisor will consider the seriousness of the infraction, the circumstances surrounding the matter, and the employee's previous record. Though committed to a progressive

approach to corrective action, Breakwater PF considers certain rule infractions and violations of standards as grounds for immediate termination of employment. These include but are not limited to: theft in any form, insubordinate behavior, vandalism or destruction of Breakwater PF property, being on Breakwater PF property during non-business hours, the use of Breakwater PF equipment and/or Breakwater PF vehicles without prior authorization by Executive Staff, untruthfulness about personal work history, skills, or training, divulging Breakwater PF business practices, and misrepresentations of Breakwater PF to a patient, a prospective patient, the general public, or an employee.

4.14 EMPLOYMENT TERMINATION

Termination of employment is an inevitable part of personnel activity within any organization, and many of the reasons for termination are routine. Below are a few examples of some of the most common circumstances under which employment is terminated:

- **Resignation** – voluntary employment termination initiated by an employee.
- **Termination** – involuntary employment termination initiated by Breakwater Production Facility.
- **Layoff** – involuntary employment termination initiated by Breakwater Production Facility for non-disciplinary reasons.

When a non-exempt employee intends to terminate his/her employment with Breakwater Production Facility is based on mutual consent, both the employee and Breakwater PF have the right to terminate employment at will, with or without cause during the Introductory/Probationary Period for New Employees (See Section 3.3, Introductory/Probationary Period for New Employees). Any employee who terminates employment with Breakwater PF shall return all files, records, keys, and any other materials that are property of Breakwater PF. No final settlement of an employee's pay will be made until all items are returned in appropriate condition. The cost of replacing non-returned items will be deducted from the employee's final paycheck. Furthermore, any outstanding financial obligations owed to Breakwater PF will also be deducted from the employee's final check. Employee's benefits will be affected by employment termination in the following manner. All accrued vested benefits that are due and payable at termination will be paid. Some benefits may be continued at the employee's expense (See Section 5, Benefits) if the employee elects to do so. The employee will be notified of the benefits that may be continued and of the terms, conditions, and limitations.

4.15 SAFETY

Breakwater Production Facility provides information to employees about workplace safety and health issues through regular internal communication such as:

- Training sessions
- Team meetings
- Bulletin board postings
- Memorandums
- Other written communications

Each employee is expected to obey safety rules and exercise caution and common sense while performing all work activities. Employees must immediately report any unsafe conditions to their supervisor. Employees who violate safety standards, cause hazardous or dangerous situations, or fail to report, or where appropriate, remedy such situations, may be subject to disciplinary action including termination of employment. In the case of an accident that results in injury, regardless of how insignificant the injury may appear, employees should notify their supervisor (See Section 3.16, Employee Requiring Medical Attention).

4.16 HEALTH-RELATED ISSUES

Employees who become aware of any health-related issue, including pregnancy, should notify their supervisor and Human Resources Representative of health status. This policy has been instituted strictly to protect the employee. A written “permission to work” from the employee’s doctor is required at the time or shortly after notice has been given. The doctor’s note should specify whether the employee is able to perform regular duties as outlined in his/her job description. A leave of absence may be granted on a case-by-case basis. If the need arises for a leave of absence, employees should notify their supervisor and Human Resources Representative.

4.17 EMPLOYEE REQUIRING MEDICAL ATTENTION

In the event an employee requires medical attention, whether injured or becoming ill while at work, the employee’s personal physician must be notified immediately. If it is necessary for the employee to be seen by the doctor or go to the hospital, a family member or emergency contact will be called to transport the employee to the appropriate facility. If an emergency arises requiring Emergency Medical Services to evaluate the injury/illness of an employee on-site, the employee will be responsible for any transportation charges. Furthermore, Breakwater Production Facility’s employees will not be responsible for transportation of another employee due to liabilities that may occur. A physician’s “return to work” notice may be required.

4.18 BUILDING SECURITY

All employees who are issued keys to the office are responsible for their safekeeping. These employees will sign a Building Key Disbursement form upon receiving the key. The last employee, or a designated employee, who leaves the office at the end of the business day assumes the responsibility to ensure that all doors and security access points (i.e. safe) are securely locked, the alarm system is armed, thermostats are set on appropriate evening and/or weekend setting, and all appliances and lights are turned off with exception of the lights normally left on for security or operational purposes. Employees are not allowed on Breakwater Production Facility property after hours without prior authorization from the Executive Staff.

4.19 INSURANCE ON PERSONAL EFFECTS

All employees should be sure that their own personal insurance policies cover the loss of anything occasionally left at the office. Breakwater Production Facility assumes no risk for any loss or damage to personal property.

4.20 SUPPLIES; EXPENDITURES; OBLIGATING THE BREAKWATER PF

Only authorized persons may purchase supplies in the name of Breakwater Production Facility. No employee whose regular duties do not include purchasing shall incur any expense on behalf of Breakwater PF or bind Breakwater PF by any promise or representation without written approval.

4.21 EXPENSE REIMBURSEMENT

Expenses incurred by an employee must have prior approval by a supervisor. Reimbursements under \$25.00 will be included in the employee's next regular payche ck. An example of such an expense would include mileage. If the amount is more than \$25.00, the reimbursement request will be processed like an invoice. All completed reimbursement request forms should be turned in to Accounts Payable/Payroll Department.

4.22 PARKING

Employees must park their cars in areas indicated and provided by the Breakwater Production Facility.

4.23 VISITORS IN THE WORKPLACE

To provide for the safety and security of employees, visitors, and the facilities at Breakwater Production Facility, only authorized visitors are allowed in the workplace. Restricting unauthorized visitors helps ensure security, decreases insurance liability, protects confidential information, safeguards employee welfare, and avoids potential distractions and disturbances.

All visitors must enter through the main reception area, sign-in, and sign-out at the front desk and receive a 'Visitor' badge to wear while on premises. Authorized visitors will be escorted to their destination and must be accompanied by an employee at all times.

4.24 IMMIGRATION LAW COMPLIANCE

Breakwater Production Facility employs only United States citizens and those non-U.S. citizens authorized to work in the United States in compliance with the Immigration Reform and Control Act of 1986. Each new employee, as a condition of employment, must complete the Employment Eligibility Verification Form I -9 and present documentation establishing identity and employment eligibility. Former employees who are rehired must also complete the form if they have not completed an I-9 with Breakwater Production Facility within the past three years or if their previous I-9 is no longer retained or valid.

SECTION 5

STANDARDS OF CONDUCT

The work rules and standards of conduct for Breakwater Production Facility are important and we take them very seriously. All employees are urged to become familiar with these rules and standards. In addition, employees are expected to follow the rules and standards faithfully in doing their own jobs and while conducting the Breakwater PF's business while off the premises. Please note that any employee who deviates from these rules and standards will be subject to corrective action, up to and including

termination of employment (see Section 3.12, Corrective Action). While not intended to list all the forms of behavior that are considered unacceptable in the workplace, the following are examples of rule infractions or misconduct that may result in disciplinary action, including termination of employment. Theft or inappropriate removal or possession of property; Falsification of timekeeping records (See Section 5.2, Timekeeping); Working under the influence of alcohol or illegal drugs (See Section 4.6, Substance Abuse); Possession, distribution, sale, transfer, or use of alcohol or illegal drugs in the workplace (See Section 4.6, Substance Abuse); Fighting or threatening violence in the workplace; Boisterous or disruptive activity in the workplace; Negligence or improper conduct leading to damage of Breakwater PF-owned or employee-owned property; Insubordination or other disrespectful conduct; Violation of safety or health rules; Smoking in the workplace; Sexual or other unlawful or unwelcome harassment (See Section 4.3, Harassment, Including Sexual Harassment); Excessive absenteeism or any absence without notice (See also, Section 4.1 Attendance/Punctuality and 4.2, Absence without Notice); Unauthorized use of telephones, or other Breakwater PF-owned equipment (See Section 4.4, Telephone Use); Using Breakwater PF equipment for purposes other than business (i.e. playing games on computers or personal Internet usage); Unauthorized disclosure of business “secrets” or confidential information; Violation of personnel policies; and Unsatisfactory performance or conduct.

5.1 ATTENDANCE/PUNCTUALITY

The Breakwater Production Facility expects that every employee will be regular and punctual in attendance. This means being in the office, ready to work, at their starting time each day. Absenteeism and tardiness places a burden on other employees and on the Breakwater PF. If you are unable to report for work for any reason, notify your supervisor before regular starting time. You are responsible for speaking directly with your supervisor about your absence. It is not acceptable to leave a message on a supervisor’s voice mail, except in extreme emergencies. In the case of leaving a voice mail message, a follow-up call must be made later that day. Should undue tardiness become apparent, disciplinary action may be required. If there comes a time when you see that you will need to work some hours other than those that make up your usual work week, notify your supervisor at least seven working days in advance. Each request for special work hours will be considered separately, in light of the employee’s needs and the needs of the Breakwater PF. Such requests may or may not be granted.

5.2 ABSENCE WITHOUT NOTICE

When you are unable to work owing to illness or an accident, please notify your supervisor. This will allow the Breakwater Production Facility to arrange for temporary coverage of your duties, and helps other employees to continue work in your absence. If you do not report for work and the Breakwater PF is not notified of your status, it will be assumed after two consecutive days of un-notified absence that you have resigned, and you will be removed from the payroll. If you become ill while at work or must leave the office for some other reason before the end of the workday, be sure to inform your supervisor of the situation and check out with the manager.

5.3 HARASSMENT, INCLUDING SEXUAL HARASSMENT

Unwelcome verbal or physical conduct based on race, color, religion, sex (whether or not of a sexual nature and including same-gender harassment and gender identity harassment), national origin, age, disability (mental or physical), sexual orientation, or retaliation constitutes harassment when:

1. The conduct is sufficiently severe or pervasive to create a hostile work environment; or
2. A supervisor's harassing conduct results in a tangible change in an employee's employment status or benefits (for example, demotion, termination, failure to promote, etc.).

A hostile work environment occurs when unwelcome comments or conduct based on sex, race or other legally protected characteristics unreasonably interfere with an employee's work performance or creates an intimidating, hostile or offensive work environment. Anyone in the workplace might commit this type of harassment – a management official, co-worker, or non-employee, such as a contractor, vendor or guest. The victim can be anyone affected by the conduct, not just the individual at whom the offensive conduct is directed.

Examples of actions that may create sexual hostile environment harassment include:

- Leering, i.e., staring in a sexually suggestive manner
- Making offensive remarks about looks, clothing, body parts
- Touching in a way that may make an employee feel uncomfortable, such as patting, pinching or intentional brushing against another's body
- Telling sexual or lewd jokes, hanging sexual posters, making sexual gestures, etc.
- Sending, forwarding or soliciting sexually suggestive letters, notes, emails, or images

Breakwater Production Facility is committed to providing a work environment that is free of discrimination and unlawful harassment. Actions, words, jokes, or comments based on an individual's sex, race, ethnicity, age, religion, or any other legally protected characteristic will not be tolerated. If you believe you have been the victim of harassment, or know of another employee who has, report it immediately. Employees can raise concerns and make reports without fear of reprisal. Any supervisor who becomes aware of possible harassment should promptly advise their supervisor or the Human Resources Representative who will handle the matter in a timely and confidential manner.

5.4 TELEPHONE USE

Breakwater Production Facility telephones are intended for the use of serving our dispensaries and suppliers and in conducting other Breakwater PF business. Personal usage during business hours is discouraged except for extreme emergencies. All personal telephone calls should be kept brief to avoid congestion on the telephone line. To respect the rights of all employees and avoid miscommunication in the office, employees must inform family members and friends to limit personal telephone calls during working

hours. If an employee is found to be deviating from this policy, he/she will be subject to disciplinary action (See Section 3.12, Corrective Action).

5.5 PUBLIC IMAGE

A professional appearance is important anytime that you come in contact with clients or potential clients. Employees should be well groomed and dressed appropriately for our business and for their position in particular. The following items are considered inappropriate working attire for the Breakwater Production Facility: Open-toed sandals, Spaghetti-strapped shirts, Tank tops or revealing shirts, Short miniskirts, Sheer clothing, T-shirts with inappropriate or offensive gestures or advertising. When meeting with a client, the dress code is more business-oriented, including attire such as: Slacks and dress shirt or blouse and dress or skirt and blouse, unless you are required to wear pocketless clothing in your particular position and/or unit (production team). If management occasionally designates "casual days," appropriate guidelines will be provided to you. Consult your supervisor if you have any questions about appropriate business attire.

5.6

SUBSTANCE ABUSE

The Breakwater Production Facility is committed to providing a safe and productive workplace for its employees. In keeping with this commitment, the following rules regarding alcohol and drug abuse have been established for all staff members, regardless of rank or position, including both regular and temporary employees. The rules apply during working hours to all employees of the Breakwater PF while they are on Breakwater PF premises or elsewhere working on Breakwater PF business.

So that there is no question about what these rules signify, please note the following definitions:

Breakwater PF property: All Breakwater PF owned or leased property used by employees.

Controlled substance of abuse: Any substance listed in Schedules I-V of Section 202 of the Controlled Substance Act, as amended.

Drug: Any chemical substance that produces physical, mental, emotional, or behavioral change in the user.

Drug paraphernalia: Equipment, a product, or material that is used or intended for use in concealing an illegal drug, or otherwise introducing into the human body an illegal drug or controlled substance.

Illegal drug:

- a. Any drug or derivative thereof whose use, possession, sale, transfer, attempted sale or transfer, manufacture, or storage is illegal or regulated under any federal, state, or local law or regulation.
- b. Any drug, including – but not limited to – a prescription drug, used for any reason other than that prescribed by a physician.
- c. Inhalants used illegally.

Under the influence: A state of not having the normal use of mental or physical faculties resulting from the voluntary introduction into the body of an alcoholic beverage, drug, or substance of abuse.

Employee Alcohol and Drug Policy

The foundation of one of our business practices is the establishment of a "zero tolerance policy" with regard to alcohol and drug use in the work place. Any employee found to have violated this policy will be immediately terminated.

The manufacture, distribution, possession, sale, or purchase of controlled substances or abuse of, on Breakwater Production Facility property is strictly prohibited. Being under the influence of illegal drugs, alcohol, or substances of abuse on Breakwater PF property is prohibited. Working while under the influence of prescription drugs that impair performance is likewise prohibited.

The causes for termination shall include but not be limited to the following activities:

- The use, possession, solicitation or sale of narcotics, other illegal drugs or prescription medication without an authorized prescription on Breakwater Production Facility premises or while performing job duties.
- Conviction of a crime directly related to the possession, sale or distribution of narcotics, other illegal drugs or unauthorized prescription drugs.
- The presence of any detectable amount of prohibited substances in the employee's system while at work, while on the premises of Breakwater Production Facility, or representing Breakwater PF in any business-related capacity. "Prohibited substances" include illegal drugs, alcohol, or prescription drugs not taken in accordance with an authorized medical prescription given to the employee.

Breakwater Production Facility will conduct drug and/or alcohol tests in accordance with any or all of the following procedures:

- RANDOM TESTING: Employees may be selected for drug and/or alcohol testing at any time during their employment with Breakwater Production Facility.
- FOR-CAUSE TESTING: Breakwater Production Facility may ask an employee to submit to a drug and/or alcohol test at any time it feels that the employee may be under the influence of drugs or alcohol, including, but not limited to, the following circumstances: evidence of drugs or alcohol on or about the employee's person or in the employee's vicinity, unusual conduct on the employee's part that suggests impairment or influence of drugs or alcohol, negative performance patterns, or excessive and unexplained absenteeism or tardiness.
- POST-ACCIDENT TESTING: Any employee involved in an on-the-job accident or injury under circumstances that suggest possible use or influence of drugs or alcohol in the accident or injury event may be asked to submit to a drug and/or alcohol test. "Involved in an on-the- job accident or injury" means not only the one who was or could have been injured, but also any employee who potentially contributed to the accident or injury event in any way.
- If an employee is tested for drugs or alcohol outside of the employment context and the results indicate a violation of this policy, or if an employee refuses a request to submit to testing under this policy, the employee may be subject to appropriate disciplinary action, up to and including discharge from employment. In such a case, the employee will be given an opportunity to explain the circumstances prior to any final employment action becoming effective.

Consistent with the rules listed above, any of the following actions constitutes a violation of the Breakwater Production Facility's policy on drugs and may subject an employee to disciplinary action, up to and including immediate termination. Using, selling,

purchasing, transferring, manufacturing, or storing an illegal drug or drug paraphernalia, or attempting to or assisting another to do so, while in the course of employment.

Working or reporting to work, conducting Breakwater PF business or being on Breakwater PF property while under the influence of an illegal drug or alcohol, or in an impaired condition.

5.7 TOBACCO PRODUCTS

The use of tobacco products is not permitted anywhere on the Breakwater Production Facility's premises.

5.8 INTERNET USE

Breakwater Production Facility employees are allowed use of the Internet and e-mail when necessary to serve our clients and conduct Breakwater PF's business. Employees may use the Internet when appropriate to access information needed to conduct the business of the Breakwater PF. Employees may use e-mail when appropriate for Breakwater PF business correspondence. Use of the Internet must not disrupt operation of the Breakwater PF computer network. Use of the Internet must not interfere with an employee's productivity. Employees are responsible for using the Internet in a manner that is ethical and lawful. Internet messages are public and not private. Breakwater PF reserves the right to access and monitor all files and messages on its systems.

SECTION 6

WAGE AND SALARY POLICIES

6.1 WAGE OR SALARY INCREASES

Each employee's hourly wage or annual salary will be reviewed at least once each year. The employee's review date will usually be conducted on or about the anniversary date of employment or the date of the previous compensation review. Such reviews may be conducted more frequently for a newly created position, or based on a recent promotion. Increases will be determined on the basis of performance, adherence to Breakwater Production Facility policies and procedures, and ability to meet or exceed duties per job description and achieve performance goals (See Section 3.10, Performance Review/Planning Sessions). Although the Breakwater PF's salary ranges and hourly wage schedules will be adjusted on an ongoing basis, Breakwater PF does not automatically grant "cost of living" increases. Performance is the key to wage increases in the Breakwater PF.

6.2 TIMEKEEPING

Accurately recording time worked is the responsibility of every non-exempt employee. Time worked is the time actually spent on a job(s) performing assigned duties. Each client job is assigned a job number as posted in the Employee Message Center. Employees are responsible for accurately documenting their time spent on individual jobs. Breakwater Production Facility does not pay for extended breaks or time spent on personal matters. The time clock is a legal instrument. Altering, falsifying, tampering with time records, or recording time on another team member's time record will result in disciplinary action, including termination of employment. Authorized personnel will

review time records each week. Any changes to an employee's time record must be approved by his/her supervisor. Questions regarding the timekeeping system or time cards should be directed to the manager or president.

Time Cards / Check in – Non-exempt employees will be issued a time card on their first day of employment. The employee will be given thorough instructions on usage and instructions on what to do should a problem occur. Employees will be financially responsible for replacing the card if it is lost or stolen.

6.3 OVERTIME

Breakwater Production Facility is open for business 50 hours per week. Overtime compensation is paid to non-exempt employees in accordance with federal and state wage and hour restrictions. Overtime is payable for all hours worked over 40 per week at a rate of one and one-half times the non-exempt employee's regular hourly rate? Time off on personal time, holidays, or any leave of absence will not be considered hours worked when calculating overtime. In addition, vacation time does not constitute hours worked. All overtime work performed by an hourly employee must receive the supervisor's prior authorization. Overtime worked without prior authorization from the supervisor may result in disciplinary action. The supervisor's signature on a timesheet authorizes pay for overtime hours worked.

6.4 PAYDAYS

All employees are paid every two weeks. In the event that a regularly scheduled payday falls on a weekend or holiday, employees will receive pay on the next day of operation. If a regular payday falls during an employee's vacation, the employee's paycheck will be available upon his/her return from vacation. Paychecks will not, under any circumstances, be given to any person other than the employee without prior written authorization. Paychecks may also be mailed to the employee's address or deposited directly into an employee's bank account upon request.

SECTION 7

BENEFITS AND SERVICES

Breakwater Production Facility offers group health and life insurance benefits for its eligible full-time employees working at least 30 hours a week.

7.1 GROUP HEALTH INSURANCE

Breakwater PF offers the following health insurance programs for eligible FULL-TIME employees.

HEALTH INSURANCE

- Coverage begins on the first of the month following 90 days of employment.
- The Breakwater PF pays 50% of the premium.
- The employee pays 50 % of the premium.
- The employee premium is paid through payroll deduction.

7.2 COBRA BENEFITS

Breakwater PF will adhere to the Connecticut law, which requires each group health insurance policy, regardless of the number of insureds, to provide continuation of

coverage for the periods as set forth in COBRA. Continuation of coverage is available to an employee and his or her covered dependents if the employee is laid-off, is given reduced work hours, takes a leave of absence, or terminates employment, for other than gross misconduct. The employee's spouse and dependent children can continue coverage under a group health plan if the employee dies; there is a divorce, court ordered annulment, or legal separation; or the child loses dependent status. Coverage will continue for 18 or 36 months, depending on the qualifying event, or longer if the person has a disability. In addition coverage will continue for 30 months (instead of 18 months) after a layoff, reduction of hours, leave of absence, or employment termination. And an employee and his or her covered dependents also are entitled to continue coverage until midnight of the day preceding the employee's eligibility for Medicare if the employee's reduced hours, leave of absence, or employment termination results from his or her eligibility for Social Security income.

An individual may be required to pay the premium, up to 102% of the group rate, for the continued coverage.

Breakwater PF is aware that Connecticut law also provides limited continuation coverage for people with disabilities after a group health plan terminates. Regardless of a person's eligibility for other group insurance, when a group health plan terminates, coverage for covered individuals who were totally disabled on the date the plan terminated continues for 12 calendar months without payment of premium, provided a claim for coverage is submitted within one year of the termination. Coverage continues only for claims related to the disability. If a person is not totally disabled on the date the plan terminates, state law does not require coverage continuation.

State law also requires each group health insurance policy to give Connecticut residents the right to convert to an individual policy. In Connecticut, most plans offer conversion through the Health Reinsurance Association (HRA), the state's high-risk pool.

Breakwater PF will provide each eligible employee with a written notice describing rights granted under Connecticut state law and COBRA when the employee becomes eligible for coverage under Breakwater PF's health insurance plan. The notice contains important information about the employee's rights and obligations.

7.3 SOCIAL SECURITY/MEDICARE

Breakwater Production Facility will withhold income tax from all employees' earnings and participates in FICA (Social Security) and Medicare withholding and matching programs as required by law.

7.4 VACATION

Paid vacation is available to regular full-time and regular part-time employees following their first-year anniversary with Breakwater Production Facility and is provided based on the following calculation: During the first 2 (two) years of employment, vacation time will be earned at the rate of .0192 hours per hour worked. Earned vacation can be taken after 1 (one) year of continuous employment. During the 3rd (third) through 5th (fifth)

years of employment, paid vacation time will be earned at the rate of .0384 hours per hour worked. During the 6th (sixth) and following years of employment, vacation time will be earned at the rate of .0586 hours per hour worked. The vacation policy applies to all regular full-time employees. Paid vacation time of regular employees will be earned on a fractional basis. Fractional vacation weeks will correspond to the average number of hours worked during the preceding year. Example: Employee "A" works 25 hours per week for 52 continuous weeks, $25 \times 52 = 1,300$ hours, Earned vacation equals 1,300 hours worked $\times .0192 = 25$ hours. Earned vacation leave cannot be taken before it is accrued and approved. Vacation may be taken in half-day increments of time. Upon termination, unused earned vacation will be paid in a lump sum in the employee's final paycheck. Only one week paid vacation may be carried over from one calendar year to the next. However, no more than one week of vacation may be taken at one time, except under extraordinary circumstances. Requests for more than one week of vacation should be in writing at least ninety days prior to the beginning of the requested vacation period.

7.5 RECORD KEEPING

The Human Resources Department or specific supervisory staff maintains vacation days accrued and used. Each employee is responsible for verifying his/her pay stub to make sure the correct amount of hours appear.

7.6 HOLIDAYS

Breakwater Production Facility observes the following paid holidays per year for all employees: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

7.7 JURY DUTY/MILITARY LEAVE

Employees will be granted time off to serve on a jury or military leave without pay. However, all regular employees, both full-time and part-time, will be kept on the active payroll until their civic duties have been completed. A copy of the jury duty summons and all other associated paperwork are required for the personnel file.

Educational benefits

7.8 EDUCATIONAL ASSISTANCE

Breakwater PF recognizes that the skills and knowledge of its employees are critical to the success of the Company and the medical marijuana industry as a whole. Breakwater PF offers educational assistance programs, the GED Program and tuition reimbursement. Breakwater PF offers educational assistance programs to encourage personal development, improve job-related skills and enhance an employee's ability to compete for reasonably attainable jobs within the Company.

Think Ahead: At Breakwater PF we always believe there is already a wealth of information and experience to share among our existing employees. Coaching and mentoring: encourage managers to coach employees on specific skill areas where they need help, and pair employees with more experienced ones who can mentor them. Build confidence, shorten learning curves, clarify expectations and boost employee retention rates.

Breakwater PF recognizes the value of professional development and personal growth for employees. Therefore, Breakwater PF encourages its employees who are interested in continuing education and job specific training to research these options further and get approval before signing up for the seminars or courses.

7.9 TRAINING, PROFESSIONAL DEVELOPMENT, AND CONTINUING EDUCATION

At Breakwater PF we understand that the education and training of our employees is essential to maintain the highest standards we set for our entire operation. As part of our commitment to our production and production team, we will implement rigorous training, professional development and continuing education of Breakwater PF's personnel. Our objective is to achieve the goal set forth in our Mission Statement, to produce unadulterated pharmaceutical grade medical marijuana, and to prevent the diversion, theft or loss of marijuana or marijuana product. This can only be achieved through proper employee training and oversight.

Employees impact Breakwater PF's Objectives as follows:

- Provide safe, dignified and affordable access to medical cannabis by approved licensed dispensaries in the State of Connecticut.
- Create a community-oriented organization that provides Connecticut licensed dispensaries and their patients with safe access to high quality unadulterated medicine, wellness services and educational resources.
- Maintain a model facility that operates in full compliance with the law, maintains the highest standards of professional conduct and fully services the needs of licensed dispensaries and their patients within the State of Connecticut.

Prior to commencing work at the production facility, an employee will be required pass a Basic Training program encompassing the following steps:

BASIC TRAINING:

- The Employee will receive a complete review of the Mission Statement, goals, objectives, and organizational structure of Breakwater PF. This provides the employee an understanding of where he/she fits into Breakwater PF.
- Outline policies and procedures of Breakwater PF such as Employment Policies, Standards of Conduct, Wages and Salary Policies, Benefits and Services, Employee Communications, Human Resource Policies and Contacts, Security Policies, and role of the Safety Department.
- Instruct all employees on the State of Connecticut's Department of Consumer Protection Regulations on the Palliative Use of Marijuana.
- Define "Pharmaceutical grade marijuana" to employees as defined by the State of Connecticut's Department of Consumer Protection:
 - Marijuana or marijuana products that are not adulterated
 - Products that are processed, packaged and labeled according to the Food and Drug Administration's "Current Good Manufacturing Practice in

Manufacturing, Packaging, Labeling, or Holding Operations for Dietary Supplements,” 21 CFR 111;

- Products that are labeled with the results of an active ingredient analysis, a microbiological contaminants analysis, a mycotoxin analysis, a heavy metal analysis and a pesticide chemical residue analysis which have been completed on a batch basis by an independent laboratory; and where each step of the production, cultivating, trimming, curing, manufacturing, processing and packaging method has been documented by using established standard operation procedures approved by the commissioner
- Expand on Security Policies at Breakwater PF, explain why Security is of the upmost importance, detail on how an employee must report security breaches through the company’s Critical Incident Reporting system and train employees on how to respond in an emergency. Explain the duress alarm (entry of a special code that informs the monitoring station that an employee is being forced to turn off the alarm), panic button alarms (issued to every employee and worn at all times), holdup alarm (generates a silent alarm signal that a robbery or an attempted robbery is in progress) and the automatic voice dialer (sends a prerecorded voice message requesting immediate dispatch of police or emergency personnel).
- Provide an overview of the sections from Breakwater PF’s Security Plan that apply to the employee’s role and responsibilities. The full Security Plan will not be available to employees. It will only be available to executives or appropriate security personnel, since keeping the entirety of the plan confidential is a necessary security measure.
- Provide detailed training of the employee’s specific role within the company. All job descriptions, roles, and responsibilities are also made available in Breakwater PF’s Operations Manual.
- Review standards of employment for each employee on a regular basis.
- The employee will spend a day meeting with all of Breakwater PF’s executives including the CEO, COO, CFO, and Chief Horticulturalist. This is in order for the new employee to become acquainted with management as well as understand the overarching roles of each division. During this day, the employee will also be a tutorial and information seminar regarding the medical marijuana industry in Connecticut. There will also be a staff meeting attended by all employees, the CEO, COO, CFO, and Chief Horticulturist no less than twice a month.

After basic training is complete, the employee will spend one week shadowing a current employee in his/her role. This will provide the employee with one-on-one training that will help engrain the daily processes and responsibilities of the employee before he/she begins full-time employment.

CONTINUING EDUCATION AND TRAINING:

Breakwater PF will provide continuing education and training for all employees in order for them to stay up to date with the latest evolutions and innovations in the medical marijuana industry. This will be done through biyearly one-day workshops, information seminars, tutorials on techniques and sciences for the production of medical marijuana (these tutorials will be videotaped and eventually be part of an online education portal available to employees). We will also include presentations by experts in the field of

medical marijuana production. Training that involves any non-employees will be held at offsite locations.

Random Security Drills:

Breakwater PF will conduct random unannounced security drills, which will reinforce procedures and policies to be followed by employees in the case of an emergency or situation which could compromise the ability of the employees to produce unadulterated, pharmaceutical grade marijuana, or result in the diversion, theft, or loss of marijuana.

Bi-annual Reviews:

Employees will have bi-annual review meetings with their team managers for feedback on performance as well as to review the following topics:

- The protocol for using security tools such as a duress alarm (entry of a special code that informs the monitoring station that an employee is being forced to turn off the alarm), panic button alarms (issued to every employee and worn at all times), holdup alarm (generates a silent alarm signal that a robbery or an attempted robbery is in progress) and an automatic voice dialer (sends a prerecorded voice message requesting immediate dispatch of police or emergency personnel).
- The ridged standards for manufacturing unadulterated, pharmaceutical grade marijuana
- The rules and regulations set forth by the Department of Consumer Protection concerning the Use of Palliative Marijuana, highlighting any updated rules or regulations.

Continuing Education Programs:

Breakwater PF will offer employees Continuing Education Programs. Breakwater PF will maintain a record of following information: The name of the person receiving the training, the dates of the training, a general description of the topics covered, and the name of the person supervising the training.

▪ Bi-annual One-Day Workshop

This bi-annual workshop will be a mandatory event. The workshop will be led by our Executive team, including our Chief Horticulturalist, and will cover all aspects of the production of Medical Marijuana, including cultivation, handling and storage, transportation, security, and security breach responses. Employees will also be educated on the latest regulations set forth by the Department of Consumer Protection as well as the latest standards set forth by the Food and Drug Administration regarding current Good Manufacturing Procedures. The workshop will be held during non-operating hours and at an offsite location.

▪ Information Seminars

Information seminars will be held by our Chief Horticulturalist during non-operating hours. The topics of these seminars will range from production techniques to the latest published literature in the medical marijuana field. These are optional, onsite, seminars that will be recorded, should employees wish to view at another time.

- **Tutorials**

Each unit within the production facility will be given tutorials regarding operations as pertained to their functions and roles. A tutorial will be given to a team when new members join or when management determines that a tutorial review is required. The Tutorial will be mandatory, will be onsite, and will be recorded should employees wish to reference the tutorial in the future.

- **Guest Speakers**

Guest speakers will be invited to speak to employees and management. Speakers will generally be industry leaders, leading physicians, or testimonials regarding the use of medical marijuana. These are optional, offsite, and will be recorded should employees wish to view at another time.

EMPLOYEE ADVANCEMENT AND CAREER ACCELERATION:

Breakwater PF's employees are an important asset to our operation and well-trained, dedicated employees are essential to producing unadulterated, pharmaceutical grade medical marijuana. Furthermore, we know that employee loyalty and trust is an essential aspect of maintaining strict security and preventing the theft or loss of marijuana. We plan to take measures to avoid employee turnover by providing a positive work place with high employee morale, and strong employee incentives.

Breakwater PF offers the following Employee incentives, please speak with a Human Resource representative for further details:

- Regular salary increases with seniority
- Profit sharing plan with employees based on production and efficiency
- Executive Club Program
- Management Career Track Opportunity

Executive Club Program:

This is a program where employees have the opportunity to have lunch with management once a month. During this lunch, employees are encouraged to give feedback, advice, and voice any concerns regarding Breakwater PF's operations. This is a great opportunity for employees to showcase their analytical skills and thought processes, as well as an opportunity for management to gain feedback on all aspects of our operation. This program will give the employees a "voice" in the company.

Management Career Track Opportunity:

This program is intended to provide selected employees with an opportunity to become part of Breakwater PF's management team. This selective program involves:

- A six-month rotational program where the employee operates in all roles throughout the production process and facility.
- Shadowing of executives through daily operations and responsibilities.
- Develop understanding on how to communicate effectively and adhere to standards set forth by the Department of Consumer Protection, understanding relationships and standards in dealing with any equipment suppliers and understanding how to deal

with confidential information involving Breakwater PF's proprietary growing operations.

- Advanced education regarding growing and production techniques.

After successful completion of the program, employees will be assigned to a supervisory role within a selected department.

SECTION 8

EMPLOYEE COMMUNICATIONS

8.1 STAFF MEETINGS

Quarterly staff meetings will be held on the first Monday of each quarter. These informative meetings allow employees to be informed on recent Breakwater Production Facility activities, changes in the workplace and employee recognition.

8.2 BULLETIN BOARDS

Bulletin boards placed in designated areas provide employees access to important posted information and announcements. The employee is responsible for reading necessary information posted on the bulletin boards.

8.3 SUGGESTION BOX

Breakwater Production Facility encourages employees who have suggestions that they do not want to offer orally or in person to write them down and leave them in the suggestion box. If this is done anonymously, every care will be taken to preserve the employee's privacy.

8.4 PROCEDURE FOR HANDLING COMPLAINTS

Under normal working conditions, employees who have a job-related problem, question or complaint should first discuss it with their immediate supervisor. At this level, employees usually reach the simplest, quickest, and most satisfactory solution. If the employee and supervisor do not solve the problem, Breakwater Production Facility encourages employees to contact the Manager.

SECTION 9

PRODUCTION FACILITY OVERSIGHT

9.1 INTRODUCTION

The Production Facility shall have an on-site manager during all hours of operation. It is anticipated that the Production Facility will be open from 9 am to 6 pm, Monday through Friday, and 10 am to 3 pm on Saturday. After hour contact information will be provided to local and state police and fire officials and to the Department of Consumer Protection. The manager shall conduct an inventory of medical cannabis products, and all processed marijuana, at the beginning of each day, prior to the delivery of any medical cannabis and again at the end of the day. All inventory data will be entered into an electronic barcode tracking inventory control system, which will be consolidated with a centralized inventory management system. By using an inventory control management software system, our barcode record system will update our inventory based on each delivery and

transaction made throughout the operating day. Breakwater Production Facility will use a bridge between the centralized inventory management system to the security video and monitoring system. This means that all activity recorded is overlaid onto the recorded video. This process is aimed at addressing any discrepancy discovered that is not consistent with the inventory and recorded sales.

9.2 DAILY & WEEKLY DUTIES

On a daily basis, the manager shall verify that the security alarm system is operational and that each employee is in possession of his or her Breakwater Production Facility-issued personal alarm panic button. The manager shall personally verify the eligibility of each all individuals on site. The manager will prepare daily and weekly reports indicating the number of shipments made, the type and quantity of medical cannabis distributed, and the gross revenue generated. All Production Facility site reports will be submitted electronically to the President on a daily and weekly basis. Breakwater Production Facility Executives will conduct random visits in each of the Production Facility Units (ie: Grow Rooms, Processing Rooms, etc.) to ensure compliance with the stated policies.

9.3 OPEN DOOR POLICY

The Breakwater Production Facility will have an open door policy regarding inspections. Breakwater PF welcomes any input from state officials that may result from these inspections.

SECTION 10

MARKETING DEPARTMENT

10.1 OPERATIONS MANUAL OVERVIEW

This section delineates the policies and procedures for the Marketing Department of this Breakwater Production Facility. All employees working in the Marketing Department must follow these policies and procedures.

10.2 THE ROLE OF THE MARKETING DEPARTMENT

Marketing Department

Breakwater Production Facility is limited to selling its products exclusively to licensed dispensaries exclusively. Our plans for marketing and advertising are likewise limited in scope.

We have no plans to join with any other person or entity to market our products for the purpose of influencing a patient regarding their selection of a physician, dispensary or marijuana product. We will be growing specific strains and offering various products based upon experience and research and anticipate greater positive results. We hope to validate these hypotheses through research programs funded by Breakwater PF. We know without continued research and the funding of these efforts, the medical marijuana industry will remain static.

All promotional materials will strictly present the factual information supported by properly conducted research.

With strong backgrounds in Law and horticulture making up the core of the Breakwater PF Team, we remain confident that we will strictly follow all requirements set forth by the department of Consumer Protection, including those limitations on advertising and promotion. Although not required by the regulations, *prior* to any publication Breakwater PF will always submit copies of all advertising or marketing plans to the Commissioner of Consumer Protection for pre-approval. . Any proposed advertisement submitted to the Commissioner for review will fully and completely comply with the requirements of Sec.21a-408-66(d). Thereafter, Breakwater PF will comply with any requirements regarding the advertising that may be imposed by the Commissioner. Sec. 21a-408-66(f).

Breakwater PF is fully aware of the dearth of verified clinical trials regarding medical marijuana. Any statements considered for publication will be verified and will refer only to the products that we actually sell and their effects on specific conditions afflicting registered patients in the State of Connecticut. We will not make any statements regarding the safety or efficacy of medical marijuana. Nor will Breakwater PF offer any type of inducement to a patient, caregiver or doctor regarding the purchase of marijuana or securing a physician's certification. We will always adhere to the remaining requirements of Sec. 21a-408-66(a through c).

After the awarding of dispensary licenses and upon approval by the Commissioner, we will provide the dispensaries with a complete list of the products we will sell. At this time we envision a general announcement to the public that we have opened our production business and list the products that we intend to produce. The listing would be completely factual in nature and without any representations regarding efficacy. After a thorough laboratory analysis by an independent laboratory (following all the regulations set forth on laboratory testing), the list would include the percentage of THC and percentage of CBD for each product, together with other relevant factual information.

Our marketing will be primarily to the licensed dispensaries and very rarely to the public at large. We will rely on our website, licensed dispensary facilities and physician to be the avenues with which our product marketing materials reach the Connecticut patient community. As previously stated, any marketing material would be distributed only after the Commissioner's approval. At all times we will fully comply with the requirements of Sec. 21a-408-67.

Our team has endured personal experience witnessing loved ones and friends who have struggled with drug abuse and have witnessed the impact pharmaceutical and illegal drugs can have on communities. As a result, we remain cognizant and proactive of who and where our marketing material will reach, directly or indirectly. Our audience is the medical marijuana patient community in need of care, understanding and compassion.

Any future marketing will always present a balance view. We understand the power and impact Medicinal Marijuana can have on non-intended users, and will be careful not to intentionally or unintentionally market to groups that could be easily influenced, such as teenagers. We will stay clear of any injury content, overconsumption content, addiction content, sex-related content and violation of industry regulations as set forth. Breakwater PF finds it obscene when these tactics are used to promote alcohol, pharmaceutical drugs and in particular products that have existed in certain states where medical marijuana and/or marijuana is legal. The industry requires a professional approach. Breakwater PF

embodies the needed professionalism to properly produce and sell Medical Marijuana. We share this same understanding with the State of Connecticut, given the history and experience the State, as well as the current Commissioner of the Department of Consumer Protection, have had in fighting the marketing tactics by tobacco companies employed in the late 1990s. Furthermore, our team has a connection with non-profit organizations such as the Drug Policy Alliance (DPA). We will support local and national causes and organizations with the messages and programs that we believe properly target drug and alcohol abuse and help the victims of substance-abuse through treatment and support.

Breakwater PF will work to provide patients access to medical marijuana resource centers through partnerships with patient group organizations. Prior to and with continuous monitoring, Breakwater PF will ensure that any organization we fund is adhering to all HIPPA compliance protocols. Funding services that are designed to ensure a patient's transition to the use of medical marijuana from their existing medical treatment is based on knowledge and compassion. Breakwater PF will provide licensed dispensaries with free educational literature on medical cannabis developed by Breakwater PF in partnership with medical and scientific research programs (hospitals, universities, laboratories, etc.) for licensed dispensaries, their patients as well as physicians. All these reading materials will be available at the resource centers regarding topics such as cannabinoids research, specific cultivar (strain) information, pain and stress management, and holistic approaches to health and wellness. Breakwater PF donations and/or funding will help fund services including in-depth consultations and solutions by compassionate caregivers and legal support administered through a patient group organization's legal services programs. Our goal is simple – Positive Patient Outcomes. As members of the medical marijuana community, the Breakwater Production Facility staff will help fund programs that help people who have a qualifying medical condition become a legal medical marijuana patient especially to those who are experiencing financial difficulties. We are committed to funding only high quality patient services.

Breakwater Production Facility will provide product information literature to all licensed dispensaries that purchase any medical marijuana products from our facility. Breakwater PF will make available to each registered qualifying patient and their registered primary caregiver, if any, a variety of source material regarding the various methods of ingestion (vaporizer, smoking, eating, tincture, tea and marijuana compress) of medical marijuana accompanied by validated research studies on the health effects of each. These materials may include a take home DVD, printed information, web-based information, and brochures. The DVD and any printed materials will be available for viewing on our website. Breakwater PF will compile a list of outside individuals and entities that can provide instruction and offer counseling on these topics. All opinion-based research regarding health side effects of ingesting medical marijuana will be presented in a balanced (pros and cons) fashion so that the patient can make an informed decision. A comprehensive listing of web sites covering these topics will be made available to physicians, licensed dispensaries, patients and caregivers alike.

At the licensed dispensaries, each patient will be presented with a Breakwater PF informational brochure, which will detail the various ingestion options, safe smoking techniques and all potential side effects for the medical cannabis products available at the

licensed dispensaries. In addition to the brochure, we will provide all requested information and answer in writing any questions a licensed dispensary may have via email. We will also work with the Department of Consumer Protection to provide a list of Frequently Asked Questions concerning the Medical Marijuana Program.

As stated, Breakwater PF will provide a list of suggested websites and online videos to assist in their initial research. Key search topics, such as, marijuana side effects, marijuana long term side effects, marijuana overdose, marijuana effects, marijuana addiction, marijuana facts, marijuana long term effects and marijuana physical side effects will be suggested as starting points for obtaining additional information. These search topics will be updated on a regular basis and any important new research results will be immediately provided to physicians, dispensaries, patients and caregivers.

Breakwater PF will take pride in the care, compassion and understanding provided to licensed dispensaries for their patients. Educating on the safest methods of ingestion is a key component in making a patient comfortable and providing the most effective means of obtaining the optimum results for pain management and the treatment of other conditions. Breakwater PF will offer instructional literature on the multiple methods and product options for the ingestion of medical cannabis.

10.3 PRODUCT KNOWLEDGE

Please see the following pages “Using Your Medicine”

Bracketed numbers (ex. [1]) refers to “References” listed at the end of this section

Note: Any issues with statements herein or with any other Breakwater PF proposed advertising/marketing by the Department of Consumer Protection will be addressed and rectified immediately.

Using Your Medicine (Educational Materials)

The federal government classifies cannabis as a schedule 1 drug; a classification that implies that cannabis has no legitimate medical use. Many believe this classification should be changed because cannabis is recommended by a multitude of physicians for the treatment of many medical conditions. Furthermore, THC (the primary active compound in cannabis) is FDA approved and is called dronabinol [6]. Dronabinol is marketed using the trade name Marinol [6].

There are many methods of using cannabis for the treatment of medical conditions. The following information is intended to inform medical cannabis patients about the various options available to them.

Please note: The only form options that Breakwater PF offers currently are flower/bud form, lozenges and topical formulations. The following is provided for educational purposes only.

Raw Marijuana- Breakwater PF will produce top quality raw marijuana. It will be packaged into glass jars containing 1/16 oz, 1/8 oz, 1/4 oz, and 1 oz quantities of marijuana. These jars will have child resistant lids, and will be amber to resist the entry of light.

Smoking Cannabis

Smoking is popular among patients for several reasons:

1. Rapid onset: Smoking delivers active compounds quickly into the bloodstream and to receptor sites via the lungs [4].
2. Simplicity: Compared to other dosage methods, smoking cannabis is simple, requiring very little preparation time. Before smoking cannabis, the patient must simply separate the buds into individual flowers and remove any stems [2]. Doing so ensures an even burn and less need for flame application (less unwanted fumes=better-tasting, more healthful smoke). To make this easy, use a handheld herb grinder or a pair of scissors and a shot glass [2].
3. Easy dosage determination: smoked cannabis is effective almost immediately, allowing the user to titrate the dose one puff at a time. This allows the user to get just the right dose by gradually increasing the dose until effective [7].

Methods of smoking

a. Joint: (a.k.a. “marijuana cigarette” or “reefer”) Convenience of joints is key, as joints burn for multiple puffs worth of cannabis after only being lit once and are easily transportable [2]. Joints also taste pleasant to most patients, and they don’t require breakable, expensive, or conspicuous equipment [2]. A huge plus is efficient delivery of cannabinoids [3]. This is perhaps due to a joint’s lack of a filter or long piping before the mouth, to which sticky cannabinoids adhere easily, reducing the amount of medicine that actually reaches the patient’s body [3]. It is a skill to roll a good joint, however, novices uninterested in learning how to do so should buy a joint-rolling machine or pre-rolled joints [2]. Before rolling a joint, the patient should break the bud(s) into small, uniform pieces about the size of the individual bud flowers or slightly smaller [2]. Stems should be removed from the flowers to avoid foul, acrid smoke and possible holes poked in the rolling paper [2]. To roll a joint, practice, practice, practice...or ask an expert at your licensed dispensary or Patient Organization for help. Some joint smokers prefer unbleached rolling papers, hemp rolling papers, or clear, cellulose-based papers, which may taste better and contain fewer impurities than traditional, bleached-white rolling papers.

**Patients should note that, while still remarkably safe, joints are not the healthiest methods of dosage because they burn paper and adhesive along with cannabis, exposing users to impurities not presented in other dosage methods [2]. Another downside is waste: Some smoke is inevitably lost between inhalations, and there is usually leftover cannabis in the “roach”, or the small, undesirable leftover part of a burned joint [2]. However, joints’ efficient delivery of cannabinoids—relative to other smoking methods—should compensate for such waste [3].

- b. Pipes: Pipes are an easy way to smoke cannabis, and can be broken down into two basic categories: 1) Dry “Hand” pipes, and 2) Waterpipes [2].
- c. Hand Pipes: These come in a (possibly overwhelming) variety of shapes, sizes, and materials, but the basic mechanics are universal. To smoke a cannabis pipe:
 1. Pack prepared buds into the bowl

2. Hold a flame directly over the medicine while simultaneously inhaling through the mouthpiece [2].
3. Waterpipes: Mechanically, these are nearly identical to hand pipes, but use a chamber of water to filter and cool the smoke before it is inhaled [2]. There are two main types: bongs and bubblers, classified by either a large or a small filling chamber, respectively, in which the smoke collects. The main proven advantage over dry pipes or joints is comfort; smoke is cooled and free of hot ashes and particles [3]. *BEWARE: large “hits” of smoke will cause light-headedness and an inclination to blacking out, and waterpipes make accidentally taking a bigger than-expected dose a possibility. Waterpipes are supposed by many smokers to be a safer alternative to dry pipes or joints because the water filters tar out of the smoke [2]. Unfortunately, as one test points out, water filtration removes THC and other desirable active compounds more so than tar [3]. This means “in order to obtain the same effective dose of THC, a smoker would end up taking in at least 30% more tars from a waterpipe than from an unfiltered joint” [2]. However, water filtration may remove water-soluble toxic gases such as carbon monoxide, which is linked to heart disease, and aldehydes, which promote cancer [3], so more research is required to determine whether waterpipes are beneficial or counterproductive [2].

**A problem with all pipe smoking is that you must suck on one side of the pipe, pulling air and, along with the flame—lighter fluid fumes—over the cannabis, through the pipe, and into your lungs to light the cannabis on fire. Grind your bud to minimize the need for a starting flame. To avoid lighter fluid fumes, some patients light their pipe with an organic, beeswax-covered hemp wick, or a magnifying glass under bright sunlight.

If this is your first time smoking medical marijuana, use discretion. Breakwater PF's cannabis can be highly potent, depending on the strain. Don't be alarmed though; this is good news for the patient because it allows him or her to burn less plant material to get an effective dose than with lower-potency cannabis [3, 2]. This also means that, if the patient is new to smoking, it may only take one substantial inhalation to get an effective dose. Start with a small inhale. Inhale deeply, exhale immediately (it is a myth that holding in the smoke will be more effective), and WAIT for several minutes to feel the effects of the inhale before taking the next so as to minimize the dose [4].

In summary, if a patient wants the quickest relief possible (easy preparation, plus onset in seconds [4]), and understands and accepts the possible risks inherent to smoking his or her medicine, a pipe is the utensil of choice.

Our growing process and drying process are designed to prevent problems associated with fungi that would affect the safety of our medicine. Buds will be inspected upon trimming and after drying for the presence of mold, and samples from every Breakwater PF harvest will be sent to an independent laboratory for testing.

Vaporization

Breakwater Production Facility highly recommends this method to all patients. Good vaporizers allow patients quick-onset relief and oral satisfaction similar to smoking but without the health risks associated with smoke [1]. They do this by delicately heating the

cannabis to the point that THC and other therapeutic substances change physical form, becoming gaseous [1]. The gas, or vapor, is then inhaled like smoke. The process leaves behind dry, slightly browned buds that, rather than having gone up in smoke, simply lack richness in medicinal compounds [2]. Studies show vaporizers significantly reduce carcinogens (cancer-causing agents), carbon monoxide (linked to cardiovascular disease), and tar [1,2,3].

Oral Administration

Not just brownies: In theory, cannabis food can be anything that contains substantial butter, oil, milk, or alcohol, because cannabinoids are oil and fat -soluble and thus dissolve in these ingredients [2].

- a. **Tinctures-** Cannabis can be administered orally using cannabis tinctures. There are three types of cannabis tinctures, made using alcohol and/or glycerine as solvents. All three of these solutions may be taken under the tongue with an eyedropper. They are absorbed through the mucus membranes of the mouth, and take effect in five to ten minutes. Tincture dosage varies greatly depending on the concentration of cannabis in the tincture. Glycerine tinctures have the advantages of tasting sweeter than alcohol tinctures, and being well suited for those who do not consume alcohol. Alcohol tinctures have the advantage of being significantly more potent than glycerine tinctures, thus less needs to be used for the desired effect. Glycerine/alcohol tinctures combine the advantages and disadvantages of glycerine tinctures and alcohol tinctures.
- b. **Cigarettes-** We will produce cigarettes made using ‘Smoke Cones’ cigarette production system. Smoke Cones sells pre-rolled cones that we’ll fill with marijuana using simple machines also sold by Smoke Cones. This system allows companies to produce cigarettes without licking them to seal them, thus providing a hygienic product. The cigarettes will then be sealed in child resistant containers.
- c. **Concentrated Extracts-** Concentrated extracts are excellent for those who require large doses of medicinal marijuana for symptom relief. Concentrates can be vaporized for quick relief via inhalation, and for such usage, Breakwater PF will sell activated (de-carboxylated) cannabinoid oils in small jars. Activated concentrates can also be placed into gel capsules, to be swallowed for long-lasting symptom relief. Breakwater PF will sell such gel capsules. Breakwater PF will produce activated cannabinoid oil concentrates using a state-of-the-art ‘Cold Finger’ extraction machine--a product of Eden Labs. Eden Labs is known for producing safe, high-quality extraction machines for the cannabis industry. Their machines produce very high quality cannabinoid concentrates that do not contain solvent residues.

Eating food enriched with cannabis offers patients several advantages:

1. No risk of damage to respiratory system.
2. Longer-lasting relief (up to 10 hrs.) [4]
3. Can be made with leaf, which costs less than high-grade bud [2]

Eating cannabis-laden foods also has distinct disadvantages for some patients:

1. Slower onset of effects (15min-3hrs) [2]
2. Proper dosage is difficult to gauge; many variables at play [4]
3. Cooking THC makes it slightly more psychoactive [2]
 - a. **Lozenges** are made in several ways. One way is to use edible gum such as Tragacanth or Acacia to make a basic mucilage. We mix in a dried form of medicinal marijuana butter solution, milk solution, oil solution or one of the three tincture solutions into the mucilage to make a paste [2,4,8]. When the paste has cooled slightly, we cut the paste into various size lozenges, depending on dose desired. When it dries it is ready to be packaged and then stored in an airtight container. We will offer sugar-free or unrefined brown sugar forms. [8] They are absorbed through the mucus membranes of the mouth and take effect in five to ten minutes [2,4].
 - b. **Tinctures**- Cannabis can be administered orally using cannabis tinctures [2]. Cannabis tinctures have a long history of medical use in the United States [5]. As early as the 1850's American physicians prescribed tincture of cannabis with successful results [5]. There are three types of cannabis tinctures made using alcohol and/or glycerine as solvents [4]. All three of these solutions may be taken under the tongue with an eyedropper [2]. They are absorbed through the mucus membranes of the mouth and take effect in five to ten minutes [2,4]. Tincture dosage varies greatly depending on the concentration of cannabis in the tincture [4]. Glycerine tinctures have the advantages of tasting sweeter than alcohol tinctures, and being well suited for those who do not consume alcohol [4]. Alcohol tinctures have the advantage of usually being more concentrated than glycerine tinctures. Thus, less needs to be used for the desired effect [4]. Glycerine/alcohol tinctures combine the advantages and disadvantages of glycerine tinctures and alcohol tinctures [4]. Shake glycerine/alcohol tinctures to counteract separation [4].

Dosage

Cannabis can be administered using tinctures, ingestion, smoking, vaporizing, and by other methods. The effect of each method and the rate of onset when using each method varies. Smoking and vaporization provide the fastest onset of effects of any method of administering cannabis [4]. Effects can be felt almost instantly [4]. Tinctures are slightly slower to take effect than inhalation methods; they start to take effect in five minutes or less [2]. Eating cannabis infused foods or capsules is the slowest method of medicating with cannabis but it provides longer lasting effects than other methods [2]. The effects of ingested cannabis may take from 30 minutes to longer than an hour to be noticeable and may maintain peak intensity for one to two hours before gradually diminishing over several hours [2]. The effects imparted by eating cannabis are also pharmacologically different from those produced by other intake methods, because THC is converted to 11-hydroxyl-THC in the liver when cannabis is eaten [2].

When using any cannabis preparation start with a small quantity, wait the proper amount of time for the effects to take place and then take more if necessary [5]. Dosage determination is most easily accomplished using inhalation and tincture methods [2]. It is more difficult to determine ingestion dosage than inhalation or tincture dosage, because the onset of effects is much less rapid with ingestion [2]. The amount of food and type of

food in the digestive tract also play roles in determining effective ingestion dosage, further complicating the task [4]. Whatever the method of intake, a lethal overdose of cannabis cannot be achieved [5]. Overdosing on cannabis may produce unpleasant feelings such as drowsiness or anxiety, but users experiencing such feelings should stay calm and wait for the effects of cannabis to diminish [4]. Users who fear the possibility of unpleasant feelings from an overdose may wish to avoid cannabis edibles, as eating cannabis is the most likely intake method to cause an overdose [2].

Potency

All of the varieties that Breakwater PF will offer will be of high, medium and low potency*. This is a Breakwater PF policy for several reasons. One reason is high potency will save caretakers money by allowing them to use less medicine. Another reason is highly potent varieties are healthier for those who choose to smoke their medicine, because less plant material must be smoked to get the same dose of active compounds [2]. We will also produce only highly potent varieties, as this will aid in simplifying the caretaker's task of choosing the right varieties for their individual needs. Another reason for this policy is that it will help caretakers determine the appropriate dosage of each variety.

*Each variety we offer is of different potency and unique medicinal effects.

Tolerance

Heavy cannabis use will, over time, result in lowered sensitivity to the drug [2]. However, most patients lose side effects over time, not medicinal efficacy [2]. To avoid gaining tolerance to cannabis, patients should try different varieties of cannabis and different intake methods [2].

Addiction

Cannabis isn't physically addictive, however psychological dependence may occur [2]. This means cannabis use may become habitual in some users [2]. When discontinuing cannabis use, long-term heavy users may experience mild withdrawal symptoms including anxiety, difficulty sleeping, and irritability [2].

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SECTION 11

PROCESSING, PACKAGING, AND LABELING DEPARTMENT OPERATIONS

11.1 OPERATIONS MANUAL OVERVIEW

This section delineates the policies and procedures for the Processing Department of this production facility. All employees working in the Processing Department must follow these policies and procedures.

11.2 THE ROLE OF THE PROCESSING DEPARTMENT

Every morning, hours before Breakwater PF opens, the Inventory Department determines which medicines and products should be available for transport (and how much of each). Once that decision is made, Inventory provides to the Processing Department bulk units of each of those medicines and products. It is the job of the Processing Department to take each bulk unit and divide it into individually packaged units for sale to licensed dispensaries. This is what we refer to as “Processing” the medicine.

The processing of bulk bud and bulk concentrates is the most complicated processing task. Broadly speaking, it includes weighing the medicine into smaller, sellable units, registering weighed medicine into POS system, inspecting the medicine to ensure quality, and placing the weighed and inspected medicine into individual labeled packages.

Our employee-training curriculum will provide critical procedures and instruction to employees to ensure all systems are in place to dispense medical cannabis safely. These systems also ensure that every employee understands how to implement these systems accurately. In addition, there are sanitation, product quality, and quantity accuracy checkpoints to ensure that errors or problems are caught and remedied long before patients receive their medicine.

Our Processing Department utilizes a Product Quality Assurance Program that provides weight charts and other tools to ensure accuracy as well as photographs of what to look for when determining if the medicine being processed meets our high quality standards. Close range photographs depicting mildew, mold, wet medicine and other problems are utilized for prevention purposes. Additionally, strict sanitation standards are built into each processing stage, including the use of hair nets, sanitized uniforms, frequent and proper hand washing, gloves for handling medicine, and sanitation of containers and scale platforms.

One of the most important tools we will implement is our Laboratory Analysis Program. This testing program has two main components: safety screening and potency quantification. Safety screening analyzes and detects contamination of pathogenic molds

that can threaten the health of patients with compromised immune systems. Potency quantification provides the percentages of three major cannabinoids: THC, CBD and CBN. Later stages of the program will include the use of anonymous patient surveys to develop a comprehensive database of the efficacy of medical cannabis.

Dispensary patients are able to access the testing results in three ways: labels in display cases, labels on products, and a book of complete test results. Labels include percentages for THC, CBD and CBN, and are posted in medicine display cases, as well as affixed to the products themselves. A book containing complete spectrometry reports for each product is available at the service counter for those patients who desire more detailed analytical results.

11.3 TYPICAL DAY IN PROCESSING

A typical day in the Processing Department begins at 8:30am when a member of management prepares for the shift. That includes:

- Turning on the computer.
- Logging in to the centralized inventory management system and electronic communication modes.
- Calibrating the triple-beam scale.

Protecting Patients through Quality Assurance

- Processing is the last point of careful inspection before medicine gets to patients. Processing Associates ensure that medicine is free from mold, bug feces, hair, too much moisture, excessive butane fumes, etc. The Breakwater PF's commitment to the quality assurance process is critical to patient safety.

Extraordinary Medical Care, Honesty, and Friendliness

Processing department staff members express their commitment to extraordinary medical care, honesty, and friendliness through the following:

- Ensuring actual medicine weights are consistent with the advertised weights on the packaging, and that the actual contents of each package are what the packages say they are.
- Ensuring safe, quality medicine through careful inspection and adherence to sanitation guidelines.
- Taking care in the visual presentation of our medicine, which is an outward expression of our respect for our patients and the medicine we provide them.

11.4 MISC. PROCESSING ROOM POLICIES

- Your scale must be properly calibrated and leveled at all times.
- Always clean and sterilize your utensils and surfaces that come in contact with the medicine.
- Always wear a hairnet and latex gloves when coming in contact with the medicine.
- Never have more than 1/4 lb of bulk bud in the processing pan at any given time. This helps prevent the loss of water weight due to evaporation.
- Never place medicine directly on the scale platform. This ensures weigh accuracy and longevity of the scale.

11.5 INDIVIDUAL PROCESSING “STYLES”

Every Processing Associate in the Processing Department has the exact same overall objective:

- *Consistently place the precise weight of quality medicine in the correct, properly labeled packaging, and do this in the least amount of time possible.*
- Although the objective is the same, the method for achieving this objective may be quite different from one employee to the next. Each Processing Associate discovers his or her own unique “processing style” during the first few weeks and months of working in the department.

11.6 PROCESSING OPENING CHECKLIST

- Upon arrival
 - Do not clock in yet. Store your non-essential personal items. No backpacks or other bags are allowed on the processing or break room floor.
 - Check the posted schedule for any changes. If you haven’t already, approve your schedule by initialing in the space requested. If there’s a problem with the schedule, discuss it with your supervisor.
 - Notify/remind your supervisor of any important issues, such as break restrictions, appointments, or personal needs for today’s shift.
- Clock in
 - Once you’ve stored your personal belongings and are ready to start working, you may clock in.
 - Prepare Work Station. Ensure you have all of the supplies you will need and that your workstation is clean and organized.
 - Gram Bag Labels. Begin labeling gram bags while your supervisor is preparing the day’s projects.
 - Get Project Assignment(s). Check in with your supervisor about your projects for the day.
 - Receive Project & Bar Codes. Your supervisor will give you your project along with the appropriate bar codes.
 - Begin the labeling for your project.
 - Calibrate your scale before beginning the project.
 - Put on your hair net and latex gloves before handling medicine.
 - Begin the project, turn it into your supervisor when completed, and rotate to your next assigned project.

11.7 MANAGER ONLY DUTIES

- Check in with Inventory Manager about POS Inventory Item List to determine inventory levels and project priorities for the day.
- Calibrate triple beam scale.
- Daily log of cart contents.
- Figure out the unit ratio per project; enter that information into the computer and print bar codes.
- Assign projects with input from the Processing Associates based on their interest and skill level.

- Split projects as needed (if they are too large to process); data entry of breakdowns.

11.8 PROCESSING CLOSING CHECKLIST

- Clean & Sanitize Workstation.
- Stock, organize, and put away supplies as needed.
- Sanitize utensils, trays, baskets, and scale and put them away.
- “Air can” the crevices so that they can be vacuumed by the cleaning crew in the morning.
- Sanitize all workstation surfaces.
- Disconnect Scale.
- Turn Off Workstation Light.
- Delegated Tasks. Check in with your supervisor about any tasks they need completed, such as restocking, trash compacting, shredding, etc.
- Clock Out. Clock out and then gather your personal belongings.

11.9 MANAGER ONLY DUTIES

- Oversee the cleaning and sanitizing of the Processing Room.
- Delegate to Associates storage room restocking as needed.
- Verify the Daily Log against projects completed.
- Ensure nothing is left in the Project Bin; if yes, send back to Inventory.
- Check in with Inventory to resolve discrepancies and enter adjustments in the computer system.

SECTION 12

MARIJUANA TRANSPORT

12.1 TRANSPORT SERVICE POLICY

Marijuana Transport will be a key aspect to Breakwater PF’s operations, as delivering marijuana products in a timely and secure fashion is essential in ensuring the substantially uninterrupted supply of marijuana to Breakwater PF’s licensed dispensary facility customers. Breakwater PF’s Transportation operations will be supervised by COO, H. Alexander Zaleski. The experience H. Alexander Zaleski brings to the Breakwater PF team in medical waste transportation, employee screening and hiring, and in implementing security measures, makes him highly qualified to run a medical marijuana Production Facility, and in overseeing the Transportation operations.

Additionally, Breakwater Production Facility believes it is of paramount importance to maintain full control over our medical transport team. Breakwater PF will do its own hiring of qualified individuals who will be required to pass a thorough background check, conducted by an outside third party agency as well as internal investigations, various employee testing and interviews. Breakwater PF is committed to creating new jobs in the Waterbury community and thereby adding to its economic strength and vitality.

Breakwater Production Facility will meet and exceed the standards set forth by the Department of Consumer Protection concerning the Palliative Use of Marijuana with regard to Transportation of Marijuana (Section 21a-408-60).

12.1 Transport Service Policy and Procedure:

Breakwater PF shall transport only electronically inventoried prepackaged usable marijuana from the production facility to the licensed dispensary facilities according to a delivery plan approved by the Department.

1. The transport driver will remain with the transport vehicle at all times when there is marijuana on board.
2. A security guard will accompany all drivers.
3. All drivers must have a clean driving and criminal record.
4. Plans to hire Connecticut State Police or retired local Law Enforcement (i.e. Waterbury Police).

Security personnel are in the prevention business. It is their job to act as a deterrent to crime, to watch for impending danger and to report crimes they may encounter.

- **Visibility:** Security guards should remain visible as a deterrent to criminals. Thefts, damage and injuries can be thwarted when the perpetrators see a security guard.
- **Alert:** Security guards must remain alert to watch for abnormal activity or hear any unusual sounds.
- **Record:** Instead of rushing into a dangerous situation, security guards are required to record events, take down license plate numbers and remember features to report the findings to the appropriate local and state authorities.
- **Report:** Security guards should always have access to a phone and/or radio to report suspicious activity or crimes in progress at all times.
- **Inspection:** On some posts, security guards are required to check employees and visitors, badges and access authority. They may be asked to check bags of employees leaving a facility.

Delivery Driver Checklist:

- Track mileage using Breakwater Production Facility's mileage log.
- Medication must remain locked at all times in the truck safe.
- Driver must carry copies of Breakwater Production Facility's seller's license and business license in addition to delivery driver employee insurance information.
- Transport Driver will carry a portable Breakwater Production Facility laptop hooked to our centralized inventory management system on which to record deliveries.
- Transport Driver will carry a portable Breakwater Production Facility GPS system for navigation purposes.
- Transport Drivers must obey all Connecticut state speed limits and traffic laws.
- Transport Drivers must not use any mind-altering substances while on deliveries, nor can they begin deliveries if their sobriety is in question.

Breakwater PF will staff each transport vehicle with a delivery team consisting of at least two registered Breakwater PF employees. At least one delivery team member (Security team member) will remain with the vehicle at all times. Each delivery team member will have access to a secure form of communication with the Breakwater PF, such as a cellular telephone, at all times that the vehicle contains medicinal marijuana. Additionally, each transport vehicle will have a GPS tracking system so that management can remotely track Breakwater PF trucks at all times.

Each delivery team member will possess his or her Breakwater PF employee identification card at all times and will produce it to Department staff or law enforcement officials upon demand. Each transport vehicle will be equipped with a secure lockbox or locking cargo area, which will be used for the sanitary and secure transport of medicinal marijuana. The driver/company will maintain a current commercial automobile liability insurance policy in the amount of one million dollars per incident.

The vehicles used to transport medicinal marijuana will bear no markings that would either identify or indicate that the vehicle is used to transport medicinal marijuana.

Breakwater will ensure that all transports are completed in a timely and efficient manner. The transport vehicle will proceed from the cultivation site where the medicinal marijuana is loaded directly to the treatment center where the medicinal marijuana is unloaded without intervening stops or delays. Breakwater will report any vehicle accidents, diversions, losses, or other reportable events that occur during transport to the permitting authority, forthwith.

Breakwater will maintain a record of each transport of medicinal marijuana in a transport logbook as well as on our centralized inventory management system to ensure a written and electronic copy which will record:

1. The date and time that the transport began and ended;
2. Track mileage using Breakwater PF's mileage log
3. Medication must remain locked at all times in secure lockboxes.
4. The names of the Breakwater PF employees comprising the delivery team;
5. The weight of the medicinal marijuana transported;
6. The lot number of the medicinal marijuana, the name of the strain, whether it is high, medium, or low potency; and
7. The signatures of the Breakwater PF employees comprising the delivery team.

Medical Marijuana Transport Team (Security Guard / Driver & Transport Handler):

The team consists of two like qualified individuals who shall carry with them at all times official department issued identification (different colored) cards and have a clear understanding of their distinct roles:

Security Guard / Driver: Will be primarily responsible for the transportation (driving) of the medical cannabis transport vehicle from the production facility to the licensed dispensary facilities.

Procedures to follow:

- All forms of medicinal marijuana will be placed in separate approved metal lockboxes for transportation from the Storage room at the production facility.

- First and foremost the driver will stay in constant contact with the production facility's security monitoring headquarters during the entire transporting process.
- He will program the on board GPS navigation system with all destination locations.
- He will the last used route to the destination and use the GPS "Alternate Route" feature and select a route different from the last one used, to enhance the security of our transportation methodology.
- He will compare the previously printed suggested route (attached to tracking manifest) with the route suggested by the on board GPS. He will determine which route is most efficient if there is a discrepancy. He will enter his selection on the transport manifest.
- He will note the time of the last delivery to the dispensary and insure that the current delivery time is significantly different from that of the last delivery. He will insure that the product is locked in the transport secure box (which shall be permanently attached to the transport vehicle) and that the vehicle is securely locked prior to departure.
- When transporting marijuana, the driver shall travel directly to the dispensary without any intervening stops, except to another licensed dispensary.
- He will direct the Transport Handler when to call the destination facility so they can prepare for the arrival of the medical cannabis. This position requires the individual to always remain with the vehicle when assets are being transported.

Transport Handler: Will be responsible for managing the transfer of medical cannabis from the cultivation site to the licensed dispensary site(s).

Procedures to follow:

- At all times during the transportation of marijuana he shall maintain ready access to secure communication (secure GSM cell phone with AES 256 bit symmetric data protection) between the vehicle and our production facility.
- He shall insure that only marijuana products are shipped by Breakwater PF.
- His duties include preparing a state approved shipping manifest and securely transmitting same (together with a RFID printout) to the licensed dispensary at least 24 hours prior to the transport.
- All shipping manifests, recorded in both electronic and hard copies, shall be maintained and made available for inspection by authorized state representatives for a minimum of three years.
- The medical marijuana packages will first be assembled for shipment as ordered by the dispensary.
- **Packaging for Transport**
 - The individual items will then be placed in a clear plastic bag together with a copy of the order form and a copy of the shipping manifest. Also placed into the clear bag will be a scanable RFID tag that will show all products within the bag via a printout of the contents. The printout will be emailed to the licensed dispensary facility.
 - This bag will then be placed in a shipping box secured with a zip tie with a stamped unique serial number on it. This number will have already been

recorded on the shipping manifest and witnessed by the two transport team members.

- The transport handler will then be responsible for loading the medical cannabis shipping box into a larger secure box (welded to the transport vehicle and not visible from the outside), on the transfer vehicle and unloading it at the dispensary.
- He is also responsible for preparing the transport tracking manifest and insuring proper execution at departure and after arrival at the destination.
- The cutting of the serial numbered zip tie shall only be done in the presence of the dispensary representative.
- The dispensary facility representative must confirm that the serial number on the zip tie and recorded on the manifest do in fact match and must attest to that on the shipping manifest.
- Note, only the original shipping manifest possessed by the transport handler will contain the dispensary certification that the serial numbers match. The use of this serial number system will prevent transport personnel from gaining access to the medical marijuana prior to its delivery.
- This position requires the individual to manage, file and keep track of all transport records (including hard copies).

SECTION 13

HUMAN RESOURCES & EMPLOYEE SECURITY POLICIES

13.1 EACH EMPLOYEE'S RESPONSIBILITY

Safety can only be achieved through teamwork. Each employee must practice safety awareness by thinking defensively, anticipating unsafe situations and reporting unsafe conditions immediately.

Please observe the following precautions:

1. Notify your manager of any emergency situation. If you are injured or become sick at work, no matter how slightly, you must inform your manager immediately.
2. The use of alcoholic beverages or illegal substances during working hours will not be tolerated. The possession of alcoholic beverages or illegal substances on Breakwater Production Facility property is forbidden.
3. Use, adjust and repair machines and equipment only if you are trained and qualified.
4. Know the proper lifting procedures. Get help when lifting or pushing heavy objects.
5. Understand your job fully and follow instructions. If you are not sure of the safe procedure, don't guess; just ask your manager.
6. Know the locations, contents and use of first aid and fire-fighting equipment.
7. Wear personal protective equipment in accordance with the job you are performing.

Comply with OSHA standards and/or applicable state job safety and health standards as written in our safety procedures manual.

A violation of a safety precaution is in itself an unsafe act. A violation may lead to disciplinary action, up to and including discharge.

13.2 DOOR PROTOCOL

Any door with access control must remain closed at all times except for the moment when somebody is actually walking through it. This is a safety precaution to keep areas within the Production Facility secure and to only allow authorized personnel access to those areas. If you ever see one of these doors open, close it immediately, notify management and log in an incident report.

13.3 WORKPLACE VIOLENCE

Violence by an employee or anyone else against an employee, manager or member of management will not be tolerated. The purpose of this policy is to minimize the potential risk of personal injuries to employees at work and to reduce the possibility of damage to Breakwater Production Facility property in the event someone, for whatever reason, may be unhappy with a Breakwater PF decision or action by an employee or member of management.

If you receive or overhear any threatening communications from an employee or outside third party, report it to your manager at once. Do not engage in either physical or verbal confrontation with a potentially violent individual. If you encounter an individual who is threatening immediate harm to an employee or visitor to our premises, contact an emergency agency (such as 911) immediately.

All reports of work-related threats will be kept confidential to the extent possible, investigated and documented. Employees are expected to report and participate in an investigation of any suspected or actual cases of workplace violence and will not be subjected to disciplinary consequences for such reports or cooperation.

Violations of this policy, including your failure to report or fully cooperate in The Breakwater PF's investigation, may result in disciplinary action, up to and including discharge.

13.4 WORKPLACE SEARCHES

To protect the property and to ensure the safety of all employees, patients and the organization, The Breakwater Production Facility reserves the right to conduct personal searches consistent with state law, and to inspect any packages, parcels, purses, handbags, brief cases, lunch boxes or any other possessions or articles carried to and from Breakwater PF property. In addition, The Breakwater PF reserves the right to search any employee's office, desk, files, equipment or any other area or article on our premises. In this regard, it should be noted that all offices, desks, files, equipment, etc. are the property of The Breakwater PF, and are issued for the use of employees only during their employment. Inspection may be conducted at any time at the discretion of The Breakwater PF.

Persons entering the premises who refuse to cooperate in an inspection conducted pursuant to this policy may not be permitted to enter the premises. Employees working on or entering or leaving the premises who refuse to cooperate in an inspection, as well as

employees who after the inspection are believed to be in possession of stolen property or illegal substances, will be subject to disciplinary action, up to and including discharge, if upon investigation they are found to be in violation of The Breakwater PF's security procedures or any other Breakwater PF rules and regulations.

13.5 NO WEAPONS IN THE WORKPLACE

Possession, use or sale of weapons, firearms or explosives on work premises, while operating Breakwater Production Facility machinery, equipment or vehicles for work-related purposes or while engaged in Breakwater PF business off premises is forbidden except where expressly authorized by The Breakwater PF and permitted by state and local laws. This policy applies to all employees, including but not limited to, those who have a valid permit to carry a firearm.

Employees who are aware of violations or threats of violations of this policy are required to report such violations or threats of violations to your manager immediately.

Violations of this policy will result in disciplinary action, up to and including discharge.

13.6 IN AN EMERGENCY

In the event of an emergency, employees are expected to follow the applicable Emergency Preparedness Plan. Emergencies include all accidents, medical situations, bomb threats, other threats of violence, the smell of smoke, and natural disasters. Your supervisor should be notified immediately when an emergency occurs. If your supervisor is unavailable, contact the nearest manager.

Should an emergency result in the need to communicate information to employees outside of business hours, your manager will contact you. Therefore, it is important that you keep your personal emergency contact information up to date. Notify your manager and the General Manager when this information changes.

Please direct any questions you may have about The Breakwater Production Facility's emergency procedures to the General Manager.

13.7 TOBACCO SMOKING IN THE WORKPLACE

In consideration of the health and safety of all our staff members, The Breakwater Production Facility maintains a tobacco free workplace. Smoking is permitted outside of the Breakwater PF building, and should always be done at least twenty feet from a main exit, entrance, or operable window, or otherwise in conformance with the local law. All cigarette butts must be thrown away in a provided exterior trash can when finished smoking.

13.8 SUBSTANCE ABUSE

The Breakwater Production Facility has vital interests in ensuring a safe, healthy and efficient working environment for our employees, their co-workers and the patients we serve. The unlawful or improper presence or use of controlled substances or alcohol in the workplace presents a danger to everyone. For these reasons, we have established as a condition of employment and continued employment with The Breakwater PF the following substance abuse policy.

Employees are prohibited from reporting to work or working while intoxicated or using illegal or unauthorized substances. Employees are prohibited from reporting to work or working when the employee uses any controlled substance, except when the use is pursuant to a doctor's orders and the doctor advised the employee that the substance does not adversely affect the employee's ability to safely perform his or her job duties.

In addition, employees are prohibited from engaging in the unlawful or unauthorized manufacture, distribution, sale or possession of illegal or unauthorized substances and alcohol in the workplace including: on Breakwater PF paid time, on Breakwater PF premises, in Breakwater PF vehicles, or while engaged in Breakwater PF activities. Our employees are also prohibited from reporting for duty or remaining on duty with any alcohol in their systems. Employees are further prohibited from consuming alcohol during working hours, including meal and break periods.

Your employment or continued employment with The Breakwater PF is conditioned upon your full compliance with the foregoing substance abuse policy. Any violation of this policy may result in disciplinary action, up to and including discharge. Furthermore, any employee who violates this policy who is subject to discharge, may be permitted in lieu of discharge, at The Breakwater PF's sole discretion, to participate in and successfully complete an appropriate treatment, counseling or rehabilitation program as recommended by a substance abuse professional as a condition of continued employment and in accordance with applicable federal, state, and local laws.

Consistent with its fair employment policy, The Breakwater PF maintains a policy of nondiscrimination and reasonable accommodation with respect to recovering addicts and alcoholics, and those having a medical history reflecting treatment for substance abuse conditions. We encourage employees to seek assistance before their substance or alcohol use renders them unable to perform their essential job functions or jeopardizes the health and safety of themselves or others. The Breakwater PF will attempt to assist its employees through referrals to rehabilitation, appropriate leaves of absence and other measures consistent with The Breakwater PF's policies and applicable federal, state or local laws.

The Breakwater PF further reserves the right to take any and all appropriate and lawful actions necessary to enforce this substance abuse policy including, but not limited to, the inspection of Breakwater PF issued lockers, desks or other suspected areas of concealment, as well as an employee's personal property when The Breakwater PF has reasonable suspicion to believe that the employee has violated this substance abuse policy.

This policy represents management guidelines. For more information, please speak to your manager.

13.9 JOB DESCRIPTIONS

The Breakwater Production Facility maintains a job description for each position in the organization. The job description outlines the essential duties and responsibilities of the position. When the duties and/or responsibilities of a position change, the job description is revised to reflect those changes. If you have any questions or wish to obtain a copy of your position's job description, please see your manager.

Chief Executive Officer (CEO)

Responsible to carry out the strategic plans and policies as established by the Board of Directors. The chief executive reports to the Board of Directors and Medical Advisory Board.

Chief Operating Officer (COO)

Responsible for oversight of all activities at the dispensary and the cultivation site. Responsibilities include implementing cultivation and harvesting protocols, inventory management, report generation, patient management, data entry supervision, sales tax reports and fire and police liaison.

Secretary

Responsible for oversight of all financial aspects of the Breakwater PF.

Vice President of Finance

Works with and reports to CFO. Jointly responsible for oversight of all financial aspects of the Breakwater PF and in particular day-to-day tracking of financials.

Accountant

Works with and reports to the Treasurer. Job responsibilities include tax preparation, record keeping, internal auditing, and working in conjunction with the VP of Finance for any financial reporting requirements.

Manager of Production Facility

Will be responsible for the supervision of all Production Facility employees to assure that they are properly performing their duties. The manager will also be responsible for preparing weekly inventory and sales reports. In addition, the manager will be the primary person responsible for the reporting of a fire, intrusion or other emergency.

Chief Horticulturist

Has direct control over all aspects of the growing, harvesting, curing, processing process and storage of medical marijuana and will conduct routine inspections of all equipment to assure that it is in proper working order. The Chief Cultivator takes direction from the CEO and COO and reports all matters to them.

Senior Cultivator (Horticulturist)

As the Senior Cultivator the individual takes direction from the Chief Cultivator and helps oversee all aspects of the growing, harvesting, curing, processing process and storage of medical marijuana and will conduct routine inspections of all equipment to assure that it is in proper working order.

Horticulturalist Assistants

Will take direction from their manager (Chief Cultivator & Senior Cultivator) as well as follow directions from senior management. Job duties include checking nutrient levels and evidence of pest infestations, performing the cloning, harvesting, trimming, drying, curing, processing and packaging of all medical cannabis.

Product, Packaging, and Labeling Assistants

Will take direction from their manager (Production Facility Manager) as well as follow directions from senior management. Job duties include functions around the final products, packaging, and labeling.

Marketing Manager

Will take direction from COO. The Marketing Manager is responsible for all functions revolving Breakwater PF's marketing efforts and community outreach programs.

Chief Product Producer

Will be responsible for all marijuana lozenge and products. The Chief Product Producer must follow the recipes and fully disclose all ingredients used. In conjunction with a cultivation assistant, the Chief Product producer is responsible for all packaging of products and ensuring proper labels are attached.

Receptionist

Employee is responsible for administrative tasks during business hours. A bi-lingual (Spanish) employee will answer the phones, receive and transfer calls to staff, answer inquiries received by email, and adhere to Breakwater PF policies regarding what can and cannot be shared over the phone. Employee will maintain the aesthetics of the reception area, ensuring a clean, organized, and well-stocked environment. The employee will also ensure that the overall aesthetics meet our standard of excellence (flowers, etc.). Additionally, the employee will make sure all documents are on file for employees and on file for other operating business needs.

Security Personnel

It is Breakwater Production Facility's intention to employ retired law enforcement officers for the role of transporters. Law enforcement personnel are very experienced in keeping detailed records and at data entry. Additionally, they are trained in personal safety issues and the importance of safety in the workplace.

Security personnel are in the prevention business. It is their job to act as a deterrent to crime, to watch for impending danger and to report crimes they may encounter.

- **Visibility:** Security guards should remain visible as a deterrent to criminals. Thefts, damage and injuries can be thwarted when the perpetrators see a security guard.
- **Alert:** Security guards must remain alert to watch for abnormal activity or hear any unusual sounds.
- **Record:** Instead of rushing into a dangerous situation, security guards are required to record events, take down license plate numbers and remember features to report the findings to the appropriate local and state authorities.
- **Report:** Security guards should always have access to a phone and/or radio to report suspicious activity or crimes in progress at all times.
- **Inspection:** On some posts, security guards are required to check employees and visitors, badges and access authority. They may be asked to check bags of employees leaving a facility.

Note: Bags will be kept in a locker outside of the production areas.

Production Facility Guards

Production Facility security guards will be present during the hours of operation and through the opening and closing of the facility.

Medical Marijuana Transport Team (Security Guard / Driver & Transport Handler):

The team consists of two like qualified individuals who shall carry with them at all times official department issued identification cards and have a clear understanding of their distinct roles:

Security Guard / Driver: Will be primarily responsible for the transportation (driving) of the medical cannabis transport vehicle from the production facility to the licensed dispensary facilities.

Procedures to follow:

- All forms of medicinal marijuana will be placed in separate approved metal lockboxes for transportation from the Storage room at the production facility.
- First and foremost the driver will stay in constant contact with the production facility's security monitoring headquarters during the entire transporting process.
- He will program the on board GPS navigation system with all destination locations.
- He will the last used route to the destination and use the GPS "Alternate Route" feature and select a route different from the last one used, to enhance the security of our transportation methodology.
- He will compare the previously printed suggested route (attached to tracking manifest) with the route suggested by the on board GPS. He will determine which route is most efficient if there is a discrepancy. He will enter his selection on the transport manifest.
- He will note the time of the last delivery to the dispensary and insure that the current delivery time is significantly different from that of the last delivery. He will insure that the product is locked in the transport secure box (which shall be permanently attached to the transport vehicle) and that the vehicle is securely locked prior to departure.
- When transporting marijuana, the driver shall travel directly to the dispensary without any intervening stops, except to another licensed dispensary.
- He will direct the Transport Handler when to call the destination facility so they can prepare for the arrival of the medical cannabis. This position requires the individual to always remain with the vehicle when assets are being transported.

Transport Handler: Will be responsible for managing the transfer of medical cannabis from the cultivation site to the licensed dispensary site(s).

Procedures to follow:

- At all times during the transportation of marijuana he shall maintain ready access to secure communication (secure GSM cell phone with AES 256 bit symmetric data protection) between the vehicle and our production facility.
- He shall insure that only marijuana products are shipped by Breakwater PF.

- His duties include preparing a state approved shipping manifest and securely transmitting same (together with a RFID printout) to the licensed dispensary at least 24 hours prior to the transport.
- All shipping manifests shall be maintained and made available for inspection by authorized state representatives for a minimum of three years.
- The medical marijuana packages will first be assembled for shipment as ordered by the dispensary.
- **Packaging for Transport**
 - The individual items will then be placed in a clear plastic bag together with a copy of the order form and a copy of the shipping manifest. Also placed into the clear bag will be a scanable RFID tag that will show all products within the bag via a printout of the contents. The printout will be emailed to the licensed dispensary facility.
 - This bag will then be placed in a shipping box secured with a zip tie with a stamped unique serial number on it. This number will have already been recorded on the shipping manifest and witnessed by the two transport team members.
 - The transport handler will then be responsible for loading the medical cannabis shipping box into a larger secure box (welded to the transport vehicle and not visible from the outside), on the transfer vehicle and unloading it at the dispensary.
- He is also responsible for preparing the transport tracking manifest and insuring proper execution at departure and after arrival at the destination.
- The cutting of the serial numbered zip tie shall only be done in the presence of the dispensary representative.
- The dispensary facility representative must confirm that the serial number on the zip tie and recorded on the manifest do in fact match and must attest to that on the shipping manifest.
- Note, only the original shipping manifest possessed by the transport handler will contain the dispensary certification that the serial numbers match. The use of this serial number system will prevent transport personnel from gaining access to the medical marijuana prior to its delivery.
- This position requires the individual to manage, file and keep track of all transport records (including hard copies).

13.10 EMPLOYMENT CONTRACTS

PLEASE SEE SECTION 18

SECTION 14

SAFETY DEPARTMENT

14.1 OPERATIONS MANUAL OVERVIEW

This manual delineates the policies and procedures for the Safety Department at this dispensary. All employees working in the Safety Department must follow these policies and procedures.

14.2 ROLE OF THE SAFETY DEPARTMENT

The Safety department is critical to the success and well-being of the Production Facility.

There are two overarching responsibilities that fulfill the role of the safety department:

1. It is the primary responsibility of all Safety Associates to constantly remain aware of their surroundings and take immediate preventive measures to reduce the likelihood of injury to anyone within the Production Facility..
2. The secondary responsibility of Safety Associates is to protect Production Facility property from theft, damage, or acts of vandalism, as well as maintaining a safe physical environment for all staff, patients, and visitors.

To fulfill this overarching role, the dispensary has been divided into several “safety zones,” each with their own unique guidelines and duties to be followed by the Safety Associate(s) assigned that zone. These zone-specific duties are called “Post Orders.”

Although these Post Orders are general in nature, they shall be considered policy, and followed as any other Breakwater PF policy where applicable. As with any general order, the Safety Post Orders may be modified or revised temporarily or permanently only by H. Alexander Zaleski (COO), other senior management or Safety Department Head.

Temporary modifications may be verbal or written, permanent modifications shall be written and added to the Safety Operations Manual.

14.3 OUR APPROACH TO SAFETY & SECURITY

At the beginning and end of each day the functionality of the alarm system, mantrap entry & exit doors, camera system, landline telephone and cell phone shall be confirmed. On premises security shall include emergency automatic lights in the event of a power failure. Intrusion alarms will sound on the premises, inside and outside and automatically notify a private off-site central alarm, Breakwater Production Facility, and police. In case of fire employees shall, if possible, use the preprogrammed landline to speed dial the local fire department and then contact 911. In the event that the installed automatic sprinklers fail to activate then an in-house fire hose shall be employed. All employees shall be trained in its use through quarterly training courses. The facility entrance shall be clearly and conspicuously posted with a notice indicating that smoking, ingesting or consuming medical cannabis on the premises or in the vicinity of the facility is prohibited. Breakwater PF will conduct monthly safety training and emergency preparedness sessions for all employees.

14.4 EMPLOYEE SECURITY

All employees shall be provided with personal panic alarm buttons. Activation of the personal panic button will automatically notify a private off-site central alarm and Breakwater Production Facility of a pending emergency. Entry to the premises will be controlled by closed circuit cameras together with remote controlled door locks. All employees will be trained to manually activate the alarm system in case of any emergency and to notify the appropriate public agency. Breakwater PF will keep and maintain an accurate OSHA incident log to record any workplace injuries. All employees will receive training in the areas of confidentiality, ethics, security, and professional conduct, as part of their employment orientation process.

14.5 PRODUCT SAFETY

Summary

Breakwater Production Facility is fully committed to providing dispensaries with safe, medically effective, and cost effective medicinal cannabis. Through industry leading cultivation techniques and state-of- the-art quality control policies, procedures, and systems, our Chief Cultivator/Horticulturalist will ensure that Breakwater PF produces the highest quality, organic and disease free medicinal cannabis.

Ensuring Quality Medical Marijuana:

Introduction

Breakwater PF will select stock plants carefully. Our Chief Horticulturalist will germinate the seeds of world-renowned cultivars and will then select the best female(s) as the stock plant(s) for that cultivar. This is the best way to obtain pest -free and pathogen-free stock plants, as virtually all plant pests and most plant pathogens are not transmitted via seeds but rather while most pests and diseases are transmitted via cuttings. Joe will then clone the stock plant(s) of each cultivar via cuttings or micropropagation, in order to provide a steady supply of genetically identical females of each cultivar. Breakwater PF will take great care to ensure that its selection of cultivars encompasses the full spectrum of genetic variation and medical benefits available in cannabis. Clonally propagating each cultivar will allow Breakwater PF to produce lines of marijuana products that each contain unique, uniform quantities of cannabinoids.

Organic Growing Methods

Breakwater Production Facility will consistently supply qualifying dispensaries with high quality, pesticide free, organically grown cannabis. Breakwater PF's cultivation techniques are organic, efficient, and have minimal impact on the environment and avoid the use of non-renewable resources such as peat. Medical cannabis must be cultivated by a knowledgeable and experienced individual dedicated to providing safe, top-quality medicine. Our horticulturalist will oversee the cultivation of medical cannabis for Breakwater Production Facility. He possesses a wealth of knowledge and has formal training in the areas of horticultural crop production, entomology, nematology, plant pathology, mycology, plant nutrition, organic and sustainable vegetable production, plant propagation, micro propagation of horticultural crops/tissue culture, integrated pest management, plant physiology, ethnobotany, grow room management, and orchidology. He holds a degree in Horticultural Science from the University of Florida and is active in the medical cannabis industry. He participates in industry conventions and exchanges ideas and growing techniques with some of the most influential individuals and organizations in the industry. His expertise will help Breakwater PF avoid issues often encountered by less experienced cultivators, such as mold, pest infestations and deficiencies in the growing environment. His knowledge and experience will ensure that Breakwater PF produces premium quality medical cannabis in a cost-effective and environmentally friendly manner. Breakwater Production Facility will provide patients with medical cannabis of the very highest quality in the industry.

Steadily Supplying Medical Cannabis

Our individual grow rooms will be harvested on a staggered cycle, so that harvesting will be a process that occurs year round. Additionally, each individual room will be completely harvested and cleaned when the plants finish their life cycle. This will help prevent pests or diseases from multiplying in the grow rooms. Many growers continually harvest individual rooms, with plants at various life stages always present in each room. In that scenario, it is nearly impossible to eradicate even a minor pest problem, without using pesticides. Our grow rooms are designed with pest insect/mite prevention and disease prevention in mind: they'll use air doors, bleach solution filled shoe-cleaning trays, air filters, and sealed grow room technology, to prevent the entry of pests and pathogens, and provide an environment that is not conducive to disease. However, if a pest or disease were to begin to establish itself in one of our grow rooms, our production cycle methodology will allow pests found on a crop to be controlled via mechanical removal, the addition of beneficial predator and parasitoid mites and insects, and/or other measures, until the harvest of that crop, at which point the room will be thoroughly cleaned, thereby eliminating the pests.

The grow rooms will employ computerized environmental controls (Argus Environmental Control Systems) to regulate the growing environment. We will keep the relative humidity of the grow rooms in a range that prevents the development of fungal diseases. Our horticulturist has designed a plan for plant spacing that will thwart plant diseases that can develop as a result of crowded leaves and buds. Proper air circulation around the plants will be achieved using circulation fans, which will prevent the spread of pathogens, while accelerating plant growth. We will employ a reverse osmosis water system that will provide clean water that is free of pollutants that could otherwise contaminate our marijuana plants.

Our horticulturist carefully selected all of the cultivars to help us achieve our production standard, which is providing only the highest quality medicinal marijuana to patients. Breakwater PF purchased seeds from a licensed distributor of seeds from world-renowned seed companies. The companies are legitimate breeders who have been awarded multiple times for their cultivars. Breakwater PF will germinate seeds and grow seedlings of each selected cannabis cultivar to the end of the plants' flowering stage. We will cut clones of each female prior to flowering. Using laboratory testing, we will evaluate the cannabis harvested from each seedling female for its cannabinoid content. We will further evaluate the females for additional beneficial characteristics, and (a) stock plant(s) for each variety will be chosen. Our selection process will ensure that our stock plants have all the traits we desire including disease resistance, potency, vigorous growth, and flavor/aroma. We will also obtain a well -balanced variety of stock plants with medical effects ranging from sleep inducing to stimulating.

We are confident that our grow rooms design will yield over 125 pounds of cannabis at the minimum. It is likely to yield closer to 150 pounds. Once in the production cycle it will take about 13 weeks between the harvest of the last plants to ripen in a room and the harvest of the first buds of the next cycle. Using our centralized inventory management program designed for the Medical Marijuana industry, we will be able to construct as many grow rooms as necessary to keep up with patient demand.

Utilizing the features of our custom grow room design, carefully selecting cultivars, and using sound cultural practices are all strategies that we will employ to ensure that diseases and pests don't affect the availability of medicine for authorized patients. Our expert horticulturist carefully selected all of the cultivars that we will use with the prevention of fungal diseases being a major consideration in his selection process. The growth habit of a cultivar has a strong influence on the susceptibility that cultivar has to fungal bud rot. Our horticulturalist only selected cultivars that are not prone to developing problems with fungal bud rot. Stock plants of each variety will be selected that have moderately sized buds. Avoiding cultivation of plants with overly large buds will be one strategy used to avoid fungal bud rot pre and post-harvest. Our fertilization/irrigation practices will be done in a manner that will not favor diseases or insects and mites. For instance, we will avoid excessive fertilization, which can encourage pests and diseases to attack plants. We will use pruning strategies that will prevent disease development. For example, we will thin out overly crowded branches. We will emphasize careful grow room sanitation and pest exclusion strategies to prevent pest entry. Reverse door fans (air curtains) will be used throughout the production facility to prevent pests from entering through doorways. Trays containing bleach solution will be located at doorways before entering the production areas and at grow and processing room entryways for workers to step in and sanitize the bottom of their shoes. Diligent scouting/monitoring for pests and diseases will ensure that any presence of pests or disease is recognized before it becomes a problem. We will use blue sticky card traps to assist in monitoring for thrips, and yellow sticky card traps to assist in monitoring for aphids and whiteflies. If insects or mites are found, beneficial predators and/or parasitoids will be released to combat the problem.

We put a strong emphasis on the efficiency of our grow rooms, which will lower our variable costs and thus effectively allow us to produce medical marijuana at the most competitive price. Although we could purchase modular grow room structures and possibly supply medicine to patients more rapidly, we desire that our grow room facilities have unique, custom design features that will ensure our grow rooms are as energy efficient as possible and provide an optimal growing environment. Dispensaries will be able to depend on the quality of our medicine because we are committed to excellence. Quality medicine combined with efficient production will translate into customers getting more value for their money, thereby providing the best treatment for their maladies.

Disease Prevention

Our plants will be carefully protected from plant diseases caused by plant pathogens, including but not limited to, *Pythium* spp. and *Botrytis cinerea*. This will be accomplished through four main strategies: careful grow room design, good cultural practices including sanitation of the growing environment, selection of disease resistant cultivars, and the manipulation of environmental conditions in a way that is unfavorable for disease development. Automated grow room controls will assist in manipulating the conditions of the growing environment. Post-harvest processing will utilize atmospheric controls and proper drying techniques, to ensure that the medicine remains unspoiled by fungi.

Methods to keep environment free from flowering male plants

As previously discussed our production grow rooms will only be populated by female clones from carefully selected stock plants that have undergone evaluation for hermaphroditism and show no hermaphroditic tendencies.

Procedures for proper sanitation practices to minimize plant disease, and to promptly dispose of diseased plant material in a secured disposal area.

Any pathogen-infected or pest infested plant material that is discovered in the grow rooms will be immediately segregated until it can be properly disposed of, unless the infestation has already significantly spread throughout the crop, in which case we may need to address the problem differently. In order to properly dispose of infected plant material, Breakwater PF will recommend using an on-site incinerator to burn it in the presence of an authorized representative of the commissioner Sec. 21a-408-64. Burning plant materials infested with pests or pathogens is an effective way of destroying the pests and/or potential disease inoculum. It will also ensure the secure disposal of any potentially psychoactive plant materials. Records , as required by the regulations, will be kept of all destroyed plants and marijuana products.

Record keeping of any cultural measures used for plant pest or disease control, including disposal of culled plants

Sticky cards will be located in multiple locations throughout Breakwater PF's grow rooms to assist in monitoring for flying insect pests. The sticky cards will feature square grids for more efficient counting of the insects on each card. Once each week a grow room manager will collect the cards and record the number of insects per card. The information recorded each week will be stored in a computer file. Using this record keeping technique will provide an early indication of the possibility of a growing insect pest population such as a population of fungus gnats. Managers will release beneficial arthropods into the grow rooms to control pests when necessary. Records of when releases are made and how many arthropods are released will be kept on file.

Grow room management will scout for arthropod pests and for diseases daily to ensure that infestations of pests or diseases are detected early if they do occur. Managers will keep a record of their observations in a notebook.

Proper nutrient management including irrigation management is important for plant health and performance. Plant problems that are caused by a lack or excess of nutrients and/or water are considered to be abiotic diseases (disease not caused by pathogen infection). Abiotic plant disease can often be a precursor to biotic plant disease due to suppression or interference with the plants normal immune system responses. In order to prevent abiotic and biotic plant diseases related to nutrients or water, grow room managers will utilize a carefully planned fertilization/irrigation schedule. To ensure the proper performance of the fertilization/irrigation schedule the plants nutrient status will be carefully monitored and so will nutrient solution concentrations in reservoirs. Plants sap will be sampled frequently for nitrate and potassium ion concentrations to monitor for deficiencies or excesses within plant tissues, thus allowing for changes in fertilization to be made as necessary. The temperature of the grow room air will be measured frequently using a highly accurate handheld thermo-hygrometer. The measured air temperatures will

also be compared against leaf temperature measurements measured by a highly accurate handheld infrared thermometer. Calculating the difference between the air and leaf temperature will provide grow room managers with information about the health of the plant before problem symptoms become evident and will provide a very good measure of the irrigation schedule's success. Managers will record the measured air and leaf temperatures and store the data for later use and evaluation.

Regulating the conditions of the growing environment is also important to prevent plant diseases. Plant diseases favor certain environmental conditions. For instance, the fungus *Botrytis cinerea* (the cause of grey mold) favors relative humidity above seventy percent. Managers will measure relative humidity and dew point in the grow rooms using a thermo-hygrometer. The thermo-hygrometer measurements will indicate to the grow room management when to make changes to the settings of the automated environmental controls of the grow room, in order to prevent disease development. As an example, if the grow room is significantly above 70 percent relative humidity, the grower may change the settings of the environmental controls to keep the humidity level down. Managers will record thermo-hygrometer measurements and store the information in case further analysis becomes necessary.

Breakwater PF will keep records of any plants removed from the grow rooms due to suspicion of the presence of pests or biotic disease. Each plant will be labeled with its own code number when started, which will allow the life history of each plant to be followed through Breakwater PF's records. Although Breakwater PF will incinerate (pursuant to Sec. 21a-408-64) pest infested or pathogen infected plants on-site (culled plants), we will keep records of doing so, in order to comply with the mandated disposal regulations.

Laboratory Analysis

Breakwater Production Facility will provide product security and purity to its patients through detailed laboratory analysis of its medical cannabis products. This effort will be developed in partnership with a Connecticut university or private company that owns and operates a state-of-the-art laboratory testing facility. Breakwater PF will laboratory test all medicinal cannabis products produced and will provide patients with a scientific assessment of the safety and potency of their medicine, prior to ingestion. Breakwater PF will laboratory test flowers and leaves of all cannabis cultivars prior to making lozenges or topical formulations. The testing techniques will include gas chromatography/mass spectrometry and or liquid chromatography. The testing program has two main components: safety screening and potency quantification. Safety screening analyzes and detects contamination of pathogenic or mycotoxin producing molds, which can threaten the health of patients with or without compromised immune systems. Potency quantification provides the percentages of three major cannabinoids: THC, CBD and CBN. Later stages of the program will include the use of patient surveys to develop a comprehensive database of the efficacy of medical cannabis. Breakwater PF intends to develop an in depth patient survey and analysis concerning the ingestion levels, techniques and effects in relation to each particular patient condition in conjunction with a Connecticut college or university. Breakwater PF patients will be able to access product test results in three ways: 1) labels in display cases, 2) labels on products and 3) a book of

complete test results. Product labels will include the percentages for THC, THC-A, CBD, CBD-A and CBN. These percentages will be posted in medicine display cases, as well as affixed to the products themselves. A book containing complete spectrometry reports for each product will be available at the service counter for those patients who desire more detailed analytical results. Testing services will commence with the initial launch period to develop and refine the logistics of sample collection and results identification. After these issues are fully addressed, the testing service results will be made widely available to individual patients and to our academic partner for research purposes. These services will include an independent certification component, so patients can be assured that the medicine they are purchasing has been thoroughly tested and approved.

Laboratory Testing Procedures

Breakwater Production Facility will contract a laboratory that will test and analyze Breakwater PF's marijuana and marijuana products that meet the following requirements:

- (1) Is registered with the department as a controlled substance laboratory;
- (2) Is independent from all other persons involved in the marijuana industry in Connecticut, which shall mean that no person with a direct or indirect interest in the laboratory shall have a direct or indirect financial interest in a dispensary, dispensary facility, producer, production facility, certifying physician or any other entity that may benefit from the production, manufacture, dispensing, sale, purchase or use of marijuana; and
- (3) Has employed at least one person to oversee and be responsible for the laboratory testing who has earned, from a college or university accredited by a national or regional certifying authority, at least a master's level degree in chemical or biological sciences and a minimum of two years of post-degree laboratory experience or a bachelor's degree in biological sciences and a minimum of four years of post-degree laboratory experience.

Additionally, Breakwater Production Facility will ensure independent laboratory testing follows the following procedures:

- (a) Immediately prior to manufacturing any marijuana product or packaging raw marijuana for sale to a dispensary, a producer shall segregate all harvested marijuana into homogenized batches.
- (b) A producer shall make available each such batch at the production facility for a laboratory employee to select a random sample. The laboratory shall test each sample for microbiological contaminants, mycotoxins, heavy metals and pesticide chemical residue, and for purposes of conducting an active ingredient analysis.
- (c) From the time that a batch of marijuana has been homogenized for sample testing and eventual packaging and sale to a dispensary facility, until the laboratory provides the results from its tests and analysis, the producer shall segregate and withhold from use the entire batch of marijuana, except the samples that have been removed by the laboratory for testing. During this period of segregation, the producer shall maintain the marijuana batch in a secure, cool and dry location so as to prevent the marijuana from becoming contaminated or losing its efficacy. Under no circumstances shall a producer include marijuana in a marijuana product or sell it to a dispensary facility prior to the time that the laboratory has completed its testing and analysis and provided those results, in writing, to the producer or other designated production facility employee.

(d) A laboratory shall immediately return or dispose of any marijuana upon the completion of any testing, use, or research. If a laboratory disposes of marijuana, the laboratory shall comply with 21a-408-64 of the Regulations of Connecticut State Agencies.

(e) If a sample of marijuana does not pass the microbiological, mycotoxin, heavy metal or pesticide chemical residue test, based on the standards set forth in this subsection, the producer shall dispose of the entire batch from which the sample was taken in accordance with section 21a-408-64 of the Regulations of Connecticut State Agencies.

Methods to ensure that seed production and/or hybridization is prevented during the cultivation of medicinal marijuana.

Cannabis (marijuana) is dioecious meaning that male and female flowers occur on separate plants. Male flowers are distinct in appearance from female flowers. With the proper knowledge of marijuana anatomy, it is possible to identify and remove male plants from a crop soon after they reach reproductive maturity and begin to flower. Removing the males soon after they show signs of flowering can ensure that none of their staminate flowers open. If no male flowers are permitted to open and release pollen, the female plants will not be pollinated. In this desirable scenario, the female plants will use their photosynthate for flower production instead of seed production. This will allow the female plants to develop large seedless buds. Although it is considered normal for male and female flowers to develop on separate Cannabis plants, hermaphroditic plants are a commonality in the genus. Hermaphroditic plants can cause major problems for growers, and are a common cause of unintended crop pollination. Some cultivars (strains) of marijuana are more prone to hermaphroditism than others. Also, within cultivars of marijuana individual plants can show differences in how inclined they are to exhibit hermaphroditism.

Recently the marijuana seed industry has seen a rise in the popularity of so called "feminized" seeds, and consequently growers have experienced greater incidence of unintended pollination. Feminized seeds offer growers the capability to grow a seed free crop without having to cull male plants. Unfortunately these "feminized" seeds are produced by pollinating females with hermaphrodite pollen and do not always develop into true female plants, thus leading to unintended pollination by hermaphroditic 'females'. To produce "feminized seeds," seed producers force female plants to develop male flowers by stressing the plants. The pollen produced from the male flowers is then used to pollinate female plants. This process creates "feminized" seeds. These seeds produce plants that appear female but have a stronger than usual tendency towards hermaphroditism. Growing a crop from "feminized" seeds is much more likely to result in unintended pollination than growing from conventional seed. Growing from conventional seed however, will not guarantee the absence of hermaphroditic females in a crop. The presence of even a single hermaphrodite male flower must be avoided in order to prevent crop pollination. This can only be achieved consistently by using clonal propagation.

Breakwater PF will avoid pollination of crops by growing clones from carefully selected clonal stock plants (mother plants). We will select our stock plants from seedling females

that have no hermaphroditic tendencies, while also exhibiting all of our other desired phenotypic traits. Clonal propagation of our stock plants will provide us with the necessary number of clones to populate our grow rooms. Clones from well- selected stock plants will provide uniform and consistently high quality, seedless marijuana. Stock plants will be quarantined in their own specially protected grow room, as a measure to prevent them from being infected with diseases that would compromise their ability to supply healthy cuttings (clones).

In the case of Recalls:

Producers shall establish, maintain, and comply with written policies and procedures, approved by the commissioner, for the manufacture, security, storage, inventory, and distribution of marijuana. Such policies and procedures shall include methods for identifying, recording, and reporting diversion, theft or loss, and for correcting all errors and inaccuracies in inventories. Producers shall include in their written policies and procedures, a process for the following:

- (1) Handling mandatory and voluntary recalls of marijuana products. Such process shall be adequate to deal with recalls due to any action initiated at the request of the commissioner and any voluntary action by the producer to remove defective or potentially defective marijuana products from the market or any action undertaken to promote public health and safety by replacing existing marijuana products with improved products or packaging;
- (2) Preparing for, protecting against, and handling any crises that affects the security or operation of any facility in the event of strike, fire, flood, or other natural disaster, or other situations of local, state, or national emergency;
- (3) Ensuring that any outdated, damaged, deteriorated, misbranded, or adulterated marijuana is segregated from all other marijuana and destroyed. This procedure shall provide for written documentation of the marijuana disposition; and
- (4) Ensuring the oldest stock of a marijuana product is distributed first. The procedure may permit deviation from this requirement, if such deviation is temporary and appropriate.

14.6 LIMITING EMPLOYEES TO UNSAFE WORKING CONDITIONS

The primary way that Breakwater PF will minimize the potential for employee exposure to unsafe chemicals will be by minimizing the use of such chemicals. The most dangerous chemical we will use will be sodium hypochlorite (Clorox or household bleach). It will be used, in a dilute water/ sodium hypochlorite solution, to clean worker's shoes, to clean grow rooms and irrigation systems between crops, and to sterilize plant materials for the establishment of tissue cultures. As a secondary measure to prevent worker exposure to unsafe chemicals, we will require that workers wear the appropriate personal protective equipment for any given task that requires the use of chemicals, as instructed on the chemical's label.

To minimize worker exposure to unsafe working conditions, Breakwater PF will make many safety precautions standard procedures. One part of the production process that could present unsafe conditions is the trimming of harvested cannabis. Breakwater PF will use electric hand held trimmers that are unable to cut human skin. Additionally,

employees will wear eye protection to prevent trichomes or other small bits of plant material from getting in their eyes, as well as to prevent eye injury.

Another part of the production process that could be dangerous is the processing of cannabis into medicated edibles, extracts, etc. To prevent worker injury, Breakwater PF will install non-slip surfaces on the floors near any potentially hazardous machines. Also, machines used for making extracts will be of the highest quality, and Breakwater PF will purchase them from industry leading companies such as Eden Labs. Along with proper maintenance, this will prevent potentially dangerous machine failures from occurring.

To prevent workers from falling and hurting themselves when our plants are tall, we will use three-step rolling ladders with railings surrounding the steps to work on the plants (scouting for pests, pruning, harvesting, etc.). This will allow workers to safely access the tops of tall plants.

To prevent workers from slipping and falling from spills, workers will mop up any liquid spill immediately, or will place a wet floor sign by the spill until it is mopped up (which will be as soon as possible).

14.7 DAILY LOG

The Daily Log Folder is kept at the podium and contains a tool called the “Daily Pass On.” The Daily Pass On is completed throughout the prior day and closing, and contains important notes and instructions for the current or following day(s). The daily break schedule is included on the Daily Pass On. Only management may write on the Daily Pass On and all Safety personnel must read the Daily Pass On upon arrival for their shift.

14.8 OPENING PROCEDURE BREAKDOWN

Safety Associate shifts are staggered. Safety Associate who have been authorized to open are scheduled as “openers” and arrive at 9 am exactly so that the Production Facility can be opened for other staff members arriving shortly thereafter. Other Safety personnel arrive between 10:00am and 11:00am.

The opener disarms the alarm, unlocks the appropriate doors, turn on lights and other machinery that needs to be turned on, etc. (Alarm access is limited and is determined by the Safety Department Manager.)

Upon arrival, all Safety staff should appropriately store their personal belongings, clock in, and then immediately read the “Daily Pass On” for notes and instructions about the shift as well as their assigned break times. At their earliest convenience, staff members should also check their Breakwater Production Facility email accounts for Breakwater PF news and information.

14.9 CLOSING PROCEDURE

At the end of each day after the Production Facility is closed, all scheduled Safety Associates have a brief huddle in the lobby to discuss what has happened during the day, resolve issues, etc.

Openers generally leave at 7pm (but may be required to “hold over”). They simply clock out; no other closing duties are required. Any Safety Associates who have not been designated as closers will leave at 8pm. Again, there are no closing duties for these associates. All closers must stay until everyone is out of the building and parking lot(s). There is not an exact shift end time since the needs of the dispensary will vary from day to day.

Once EVERYONE, including staff, is out of the building, the Podium post does the final end-of day internal sweep of the building, walking through the entire building to ensure no one is left in the building, closing and securing all doors and windows, and turning off all lights that need to be turned off. On occasion, certain doors or lights need to stay open or be left on. The Safety Lead will inform the Podium post of any specific instructions.

14.10 PERSONAL SAFETY AND CRIME PREVENTION

Employees will prohibit entry into the Production Facility area to any individual who is noticeably impaired by alcohol or drugs. The police will be notified if any such person refuses to leave the facility. The telephone numbers for the local fire, police and hospital shall be prominently displayed near each telephone in addition to being preprogrammed into each phone. On location will be a first aid kit, CPR mask and an automated external defibrillator (AED). The managers of each Production Facility area will be certified in CPR and defibrillation.

14.11 EMERGENCY PREPAREDNESS PLAN

Policy

Breakwater Production Facility will establish and maintain an Emergency Preparedness Program designed to manage the consequences of natural disasters or other emergencies that disrupt the facility’s ability to ensure the safety and well-being of staff, visitors and patients.

Purpose

It is important for the Production Facility to have a strategy on preparation for emergencies. This strategy must provide an organizational structure so that the facility can effectively prepare for both external and internal disasters that present hazards to staff, visitors and patients.

Structure

Breakwater Production Facility is prepared to assist as needed in case of community emergency. Our Emergency Preparedness Plan is aligned with community disaster plans and our associates will be trained to respond in the event of an emergency. This facility will run one emergency preparedness drill per year.

The Safety Department Head, with the assistance of other managers will tailor the facility Specific Emergency Preparedness Plan to meet the realistic needs of facility employees and personnel as well as the needs of the community where applicable.

Definitions:

External Disaster: A civil catastrophe, either manmade or caused by an act of nature. An external disaster may overwhelm normal facilities. This condition can occur as a result of fires and explosions, storms, civil disorders, earthquakes, and/or floods.

Internal Disaster: An event such as a fire or explosion resulting in internal casualties or circumstances. If the situation requires the evacuation of staff, such evacuation may be coordinated with emergency service personnel from the fire and police agencies.

It is the responsibility of the Safety Department Head or his/her designee to activate the Emergency Preparedness Plan. In the event that total evacuation of the facility is necessary, the Safety Department Head or his/her designee will assume the responsibility for the evacuation. A primary evacuation zone will be established in the front of the facility along with a rear evacuation zone.

Communications: All communication, both inside and outside the facility, will be coordinated through the Safety Department with the assistance of Member Services Staff, as directed by the Safety Department Head or his/her designee.

Disaster Procedures For Facility Staff Members: In the event of either internal or external disaster, the Safety Department Head or any Senior Manager on Duty (SMOD) may initiate the Disaster Call List (telephone tree).

On arrival at the facility, staff members will report to their respective Managers or Safety Department Head to log in and be assigned to whatever tasks are required.

If a regular work shift ends during the declared emergency period, all staff members will stay at their respective assignments until officially relieved.

All staff members will report changes of address and telephone numbers, as well as their response time to the facility, to the personnel coordinator (HR Department) as soon as a change becomes effective. The personnel coordinator will continually update the Disaster Call List and provide it to the Safety Department Head and other designees.

The Safety Department Head or his/her designee will verify that personnel are assigned to call the staff members listed on the Disaster Call List expediently.

These assignments may be appointed to other available staff members until the arrival of the personnel coordinator.

Training Of Staff In Emergency Preparedness Procedures : All facility staff members will receive instructions and training of the disaster, fire, and emergency plans by department managers and subsequent on-the-job training and safety drills.

Internal Disaster Procedures : If there is an occurrence (explosion, bomb threat, fire) requiring evacuation, the Safety Department Head, or his/her designee, if directed, will evaluate the affected area, and if necessary implement the disaster plan.

Upon implementation of the disaster plan Department Managers will direct all available staff to the Safety Department Head for assignment. The primary location will be the

reception area near the front door, if this area has been compromised then use the staff parking lot (east side of building) as the secondary location. Staff members will await further instructions from the Safety Department Head or his designee.

The staff member assigned to activate the staff callback list (if additional staff is required), will obtain approximate response times of each staff member called and have them report to the Safety Department Head, or his/her designee to be assigned as needed.

If additional staff members are necessary and unavailable, the Safety Department Head, or his/her designee will evaluate contacting outside support.

Disaster alert status and function will be maintained until “all clear” is announced or indicated by the Safety Department Head, or his/her designee.

14.12 BOMB THREAT PROCEDURES

Bomb threats should always be taken seriously. An employee receiving a bomb threat should notify their supervisor immediately (preferably while the caller is still on the phone). The supervisor will notify the appropriate Police Department (by dialing 911).

The most common method of transmitting a bomb threat is by telephone. If a bomb threat is received by **mail**, the mailing should be handled only by the person who opens the communication and then be placed between two sheets of paper to preserve fingerprints. Since the bomb threat will probably be communicated by telephone and the call may be made to any of our extensions, it is imperative that all personnel know what to do in case of a bomb threat communicated by telephone.

Bomb Threat Procedures:

- If a bomb threat is received, the Associate receiving the call will follow the instructions on the “Bomb Threat Assessment Form” at the end of this section.
- The Safety Department Head will be notified immediately in person or a landline telephone; do not use a cell phones or portable radios for notification. All available onsite Safety Associates will be notified and begin quiet advisements to all Associates of the threat and collect all portable radios. Safety Associates assigned outside will hold all visitors and request they return at a later time.
- Member Services Associates will maintain a calm demeanor and advise only other Associates of the threat.
- All Associates will passively search their immediate area for items that look out of place but will not move items to search (chairs, desks, computers, waste baskets etc.).
- Associates will make note of any unusual looking item but will not touch or disturb it in any manner.
- The Safety Department Head or his/her designee will prepare an evacuation plan to be initiated on order of the bomb squad or other authority.
- All Associates will take extra care not to upset other Associates or visitors and will assist in the evacuation, if not assigned to other duties by the Safety Department Head on duty.

Upon receiving information of a bomb threat:

- Each employee should check the immediate work area to ascertain if any packages, briefcases, or other items in the vicinity are unusual by their existence at that location.
- If any strange or unidentified objects are found, employees should not touch those objects and should immediately notify supervisory personnel.
- If a decision is made to evacuate one or more areas of the buildings, employees, other personnel, and any visitors will be moved far enough away from the building(s) so that they will be protected from possible flying debris. (This area will be determined and directed by the Safety Manager or OPD.)

14.13 EXTERNAL DISASTER PROCEDURES

If there is a major regional disaster such as an earthquake, fire, chemical/biological/hazard or other “catastrophe” that does not immediately affect the facility, the Safety Department Head on duty may activate the callout list (phone tree). This call out will be informational only, and serve to prepare associates should full activation of the Disaster Plan be necessary.

As the likelihood of these events impacting the facility increase, other components of the Disaster Plan may be implemented by the Safety Department Head on duty.

The Safety Department Head or his/her designee will be the person in charge with the following duties:

1. Approving the implementation of the Emergency Preparedness Plan and evacuations.
2. Maintaining information flow throughout the facility and Associates.
3. Determining the extent of Associates callbacks.
4. Identifying new designated areas if needed and communicating this information to Associates.

The Personnel Coordinator will be the person charged with the following duties:

1. Maintaining a log of resources reporting to the Safety Department Head.
2. Maintaining a record of assignments.
3. Maintaining a quiet, calm atmosphere.
4. Communicating needs for personnel to the Safety Department Head or his/her designee.

Evacuation Procedure

Immediate Evacuation

First, move individuals who are closest to the danger to a safe area near or at a marked emergency exit. Visitors will be the first to evacuate the building followed by Associates. Individuals with mobility issues will be assisted by able Associates. All available Safety Associates will be on hand to assist in the evacuation to ensure no one is left in the building.

Safety Associates should be the last to exit the building whenever possible. After safely exiting the building, all evacuees will proceed directly to one of the established safe evacuation zones to participate in the “roll call” of Associates.

Planned Evacuation

Planned evacuation will be initiated by the Safety Department Head on duty, who will assign a Member Services Associate or Safety Associate to initiate the “call out” list (phone tree). The procedure for the Immediate Evacuation will be followed with the following exceptions.

1. One Safety Associate will be assigned to each emergency exit to assist in the evacuation.
2. Two Safety Associates will check each office/room to ensure everyone is evacuated.
3. A final sweep of the building will be conducted prior to the last Safety Associates exit.

14.14 FIRE PROCEDURES If you discover a fire, you should:

- Immediately signal other employees of the fire and call 9-911 to report the fire.
- Turn off electrical equipment and close doors against the fire.
- Exit the building using the nearest safe exit.
- Inform your supervisor or designee if anyone needs assistance.

14.15 EARTHQUAKE PROCEDURES

If an earthquake takes place, you should:

- Signal surrounding individuals to get under desks, tables, etc., while the earthquake is happening.
- Staff and visitors will remain under desks, tables, etc., until an announcement from the Safety Manager that it is safe to evacuate the building.
- After the announcement to evacuate, staff will line up to move to the parking area.
- Staff will remember to take the **First Aid Kit** with them to the assembly area.
- Staff will assist any visitors to the designated area.
- Staff will take head count to see if there are any missing individuals.
- Management staff will account for all staff.

14.16 TORNADO WARNING PROCEDURES

Upon the notification of a tornado warning, employees and guests should stay in enclosed offices, rooms, and hallways in the interior of the building - away from exterior walls and glassy areas.

Winds up to 200 mph can occur in a tornado. The hazards of a tornado typically are flying objects hazards. For maximum protection in offices, crouch down under a desk or table and cover your head.

SECTION 15

INVENTORY CONTROL DEPARTMENT

Producers shall keep records of all marijuana produced or manufactured and of all marijuana disposed of by them. Such records shall be maintained and made available in accordance with section 21a-408-70 of the Regulations of Connecticut State Agencies and, in each case shall show:

- (1) The brand name, kind and quantity of marijuana involved;**
- (2) The date of such production or removal from production;**
- (3) A record of all marijuana sold, transported or otherwise disposed of;**
- (4) The date and time of selling, transporting or disposing of the marijuana;**
- (5) The name and address of the dispensary facility to which the marijuana was sold;**
- (6) The name of the dispensary who took custody of the marijuana; and**
- (7) The name of the production facility employee responsible for transporting the marijuana.**

15.1 OPERATIONS MANUAL OVERVIEW

This section delineates the policies and procedures for the Inventory Department of Breakwater Production Facility. All employees working in the Inventory Department must follow these policies and procedures.

15.2 THE ROLE OF THE INVENTORY DEPARTMENT

First and foremost, the Inventory Department is responsible for the storing, tracking, counting, and safekeeping of medicine, and other facility products. All medicine is stored within the Inventory Department, before and after it is processed, until it is sold to licensed dispensaries.

15.3 INVENTORY DEPARTMENT ADMINISTRATION

Hours & Scheduling

The Inventory Department is open every day that the facility is open, however the busiest days are Wednesdays, Thursdays, and Fridays. Thursday is busy in anticipation of heavy Friday sales, and Friday is busy in preparation for heavy weekend sales.

The department closes after the facility closes.

15.4 GENERAL INVENTORY DEPT. POLICIES

Any policies that apply to all facility employees also apply to Inventory staff. In addition, the following policies apply specifically to the Inventory Department:

- Never leave large amounts of medicine alone anywhere except in Control.
- All doors must stay locked and closed; only one door to a room may be left open when moving items.
- Control must stay locked unless someone is inside.
- If you receive a call from another department while you are in the middle of something important (ie. counting/sorting products), you must tell that person to

- wait a few minutes or send another IM team member. Do not leave your task. You must finish your current project before beginning a new one.
- Any changes made to the centralized inventory management system must be reviewed and approved by an Inventory Manager (ie., product conversion vouchers, quantity adjustments, shake, byproduct vouchers, physical inventory adjustments, item edits, etc.) Physical Inventories must be conducted on a regular and timely basis, at least once every six (6) weeks.

15.5 INVENTORY ASSOCIATE DAILY DUTIES

Upon Arrival

1. Arrive a couple minutes before Inventory Department open time, but do not clock in yet.
 - a. Store your non-essential personal items. No backpacks or other bags are allowed on the Inventory Dept. floor.
 - b. Check the posted schedule for any changes. If you haven't already, approve your schedule by initialing in the space requested. If there's a problem with the schedule, discuss it with your supervisor.
 - c. Notify/remind your supervisor of any important issues, such as break restrictions, appointments, or personal needs for today's shift.
2. Once you've stored your personal belongings and are ready to start working, you may clock in.
3. Adhere to the break schedule in accordance with the policy set forth in the Employee Handbook and as communicated by the Manager On Duty.
4. The Processing Department closes at approximately 5pm. Upon their closing, all processed and unprocessed items back to secure storage (GM Office or Control). Make labels for the new finished products with Name, Item #, Voucher #, and price (on colored labels). Affix each label on the corresponding product bin.

Dispensary Closing

1. Complete all closing tasks as delegated by the IM or Manager On Duty.

15.6 MONTHLY INVENTORY COUNT

The facility conducts a physical count of all inventory every month to ensure absolute accuracy and accountability. This is a huge undertaking, and therefore the entire Inventory Department is involved. On the morning of an inventory count, the Inventory Manager will bring breakfast in for the entire Inventory team to kick-off the day with a pre-inventory meeting. While inventory counts may be arduous and require absolute precision and concentration, it has a double function as a team-building exercise.

15.7 INVENTORY OPENING CHECKLIST

- Confirm all departments, all equipment, all medicine and all resources are accounted for and ready for business operations.

SECTION 16

EDUCATIONAL DEPARTMENT

We pledge to always put the well-being of our clients (licensed dispensaries), their patients, and the public good foremost in our objectives. We want licensed dispensaries and their patients to be able to use the highest quality medicine available to alleviate the symptoms of illness and will always strive for positive patient utilization outcomes.

The medical marijuana program is similar to introducing a new pharmaceutical drug that is undergoing clinical trials (Phase 1: Clinical Trials, Phase 2 Clinical Trials, etc.).

Breakwater Production Facility's approach to the medical marijuana program is much like the early days of "pharmacy care" which was much more of a hands-on approach to wellness and care.

Breakwater PF will endeavor to provide our licensed dispensaries and their patients with access to a complete medical marijuana resource center.. We believe that the more knowledge we can provide to our licensed dispensaries and their patients, the more power they will have over their lives. Breakwater PF will recommend and provide access to in-depth consultations and solutions by compassionate caregivers, social workers and legal support. Our goal is simple – Positive Outcomes. As active members of the medical marijuana community, the Breakwater PF staff will direct members of the community who have a qualifying medical condition to patient groups and medical services. Our offices are private, confidential and secure. We are committed to providing only high quality to our licensed dispensaries and their patients.

16.1 EDUCATIONAL POLICY

Each licensed dispensary will be presented with a Breakwater Production Facility informational brochure, which will detail the various ingestion options, safe smoking techniques and all potential side effects for the medical cannabis products available from Breakwater PF's production facility. In addition to the brochure, our Production Facility employees will provide all requested information in detail and answer any other questions licensed dispensaries and their patients may have. We will also work with the State of Connecticut Department of Consumer Protection to provide a list of Frequently Asked Questions concerning the Medical Marijuana Program.

Breakwater PF will take pride in the quality of product and service provided to licensed dispensaries. Educating on the safest methods of ingestion is a key component in making licensed dispensaries feel comfortable in passing that information to their clients in order to provide the most effective means of obtaining optimum results for pain management. Breakwater PF will offer multiple methods and product options for the ingestion of medical cannabis.

We believe that vaporization is the best method to "smoke" medical cannabis; however, there are many vaporizers out there. In an effort to help our patients we will always keep our ear to the ground and understand all products on the market. We do trust and believe in the "Volcano" vaporizer is a great product for vaporization purposes.

16.2 TRACKING USEFUL DATA

There is a need to document the self-reported uses and outcomes associated with medically used marijuana and we will fully document and analyze all relevant patient data and use that information to project current and future trends. We will partner, if possible, with a local and state universities to collaborate with us and conduct long-term studies on all aspects of the use of medical marijuana. All facets of our operation will be tracked (cultivation, inventory, curing and sales) utilizing the latest software applications and fully integrate this data with complete licensed dispensary profiles and reactions.

16.3 EXAMPLE OF EDUCATIONAL MATERIALS

Please see the following pages “Using Your Medicine”

Bracketed numbers (ex. [1]) refers to “References” listed at the end of this section

Note: Any issues with statements herein or with any other Breakwater PF proposed advertising/marketing by the Department of Consumer Protection will be addressed and rectified immediately.

Using Your Medicine (Educational Materials)

The federal government classifies cannabis as a schedule 1 drug; a classification that implies that cannabis has no legitimate medical use. Many believe this classification should be changed because cannabis is recommended by a multitude of physicians for the treatment of many medical conditions. Furthermore, THC (the primary active compound in cannabis) is FDA approved and is called dronabinol [6]. Dronabinol is marketed using the trade name Marinol [6].

There are many methods of using cannabis for the treatment of medical conditions. The following information is intended to inform medical cannabis patients about the various options available to them.

Please note: The only form options that Breakwater PF offers currently are flower/bud form, lozenges and topical formulations. The following is provided for educational purposes only.

Raw Marijuana- Breakwater PF will produce top quality raw marijuana. It will be packaged into glass jars containing 1/16 oz, 1/8 oz, 1/4 oz, and 1 oz quantities of marijuana. These jars will have child resistant lids, and will be amber to resist the entry of light.

Smoking Cannabis

Smoking is popular among patients for several reasons:

4. Rapid onset: Smoking delivers active compounds quickly into the bloodstream and to receptor sites via the lungs [4].
5. Simplicity: Compared to other dosage methods, smoking cannabis is simple, requiring very little preparation time. Before smoking cannabis, the patient must simply separate the buds into individual flowers and remove any stems [2]. Doing so ensures an even burn and less need for flame application (less unwanted

fumes=better-tasting, more healthful smoke). To make this easy, use a handheld herb grinder or a pair of scissors and a shot glass [2].

6. Easy dosage determination: smoked cannabis is effective almost immediately, allowing the user to titrate the dose one puff at a time. This allows the user to get just the right dose by gradually increasing the dose until effective [7].

Methods of smoking

d. Joint: (a.k.a. “marijuana cigarette” or “reefer”) Convenience of joints is key, as joints burn for multiple puffs worth of cannabis after only being lit once and are easily transportable [2]. Joints also taste pleasant to most patients, and they don’t require breakable, expensive, or conspicuous equipment [2]. A huge plus is efficient delivery of cannabinoids [3]. This is perhaps due to a joint’s lack of a filter or long piping before the mouth, to which sticky cannabinoids adhere easily, reducing the amount of medicine that actually reaches the patient’s body [3]. It is a skill to roll a good joint, however, novices uninterested in learning how to do so should buy a joint-rolling machine or pre-rolled joints [2]. Before rolling a joint, the patient should break the bud(s) into small, uniform pieces about the size of the individual bud flowers or slightly smaller [2]. Stems should be removed from the flowers to avoid foul, acrid smoke and possible holes poked in the rolling paper [2]. To roll a joint, practice, practice, practice...or ask an expert at your licensed dispensary or Patient Organization for help. Some joint smokers prefer unbleached rolling papers, hemp rolling papers, or clear, cellulose-based papers, which may taste better and contain fewer impurities than traditional, bleached-white rolling papers.

**Patients should note that, while still remarkably safe, joints are not the healthiest methods of dosage because they burn paper and adhesive along with cannabis, exposing users to impurities not presented in other dosage methods [2]. Another downside is waste: Some smoke is inevitably lost between inhalations, and there is usually leftover cannabis in the “roach”, or the small, undesirable leftover part of a burned joint [2]. However, joints’ efficient delivery of cannabinoids—relative to other smoking methods—should compensate for such waste [3].

e. Pipes: Pipes are an easy way to smoke cannabis, and can be broken down into two basic categories: 1) Dry “Hand” pipes, and 2) Waterpipes [2].

f. Hand Pipes: These come in a (possibly overwhelming) variety of shapes, sizes, and materials, but the basic mechanics are universal. To smoke a cannabis pipe:

4. Pack prepared buds into the bowl
5. Hold a flame directly over the medicine while simultaneously inhaling through the mouthpiece [2].
6. Waterpipes: Mechanically, these are nearly identical to hand pipes, but use a chamber of water to filter and cool the smoke before it is inhaled [2]. There are two main types: bongs and bubblers, classified by either a large or a small filling chamber, respectively, in which the smoke collects. The main proven advantage over dry pipes or joints is comfort; smoke is cooled and free of hot ashes and particles [3]. *BEWARE: large “hits” of smoke will cause light-headedness and an inclination to blacking out, and waterpipes make accidentally taking a bigger-than-expected dose a possibility. Waterpipes are supposed by many smokers to be a safer alternative to dry pipes or joints because the water filters tar out of the

smoke [2]. Unfortunately, as one test points out, water filtration removes THC and other desirable active compounds more so than tar [3]. This means “in order to obtain the same effective dose of THC, a smoker would end up taking in at least 30% more tars from a waterpipe than from an unfiltered joint” [2]. However, water filtration may remove water-soluble toxic gases such as carbon monoxide, which is linked to heart disease, and aldehydes, which promote cancer [3], so more research is required to determine whether waterpipes are beneficial or counterproductive [2].

**A problem with all pipe smoking is that you must suck on one side of the pipe, pulling air and, along with the flame—lighter fluid fumes—over the cannabis, through the pipe, and into your lungs to light the cannabis on fire. Grind your bud to minimize the need for a starting flame. To avoid lighter fluid fumes, some patients light their pipe with an organic, beeswax-covered hemp wick, or a magnifying glass under bright sunlight.

If this is your first time smoking medical marijuana, use discretion. Breakwater PF's cannabis can be highly potent, depending on the strain. Don't be alarmed though; this is good news for the patient because it allows him or her to burn less plant material to get an effective dose than with lower-potency cannabis [3,2]. This also means that, if the patient is new to smoking, it may only take one substantial inhalation to get an effective dose. Start with a small inhale. Inhale deeply, exhale immediately (it is a myth that holding in the smoke will be more effective), and WAIT for several minutes to feel the effects of the inhale before taking the next so as to minimize the dose [4].

In summary, if a patient wants the quickest relief possible (easy preparation, plus onset in seconds [4]), and understands and accepts the possible risks inherent to smoking his or her medicine, a pipe is the utensil of choice.

Our growing process and drying process are designed to prevent problems associated with fungi that would affect the safety of our medicine. Buds will be inspected upon trimming and after drying for the presence of mold, and samples from every Breakwater PF will be sent to an independent laboratory for testing.

Vaporization

Breakwater Production Facility highly recommends this method to all patients. Good vaporizers allow patients quick-onset relief and oral satisfaction similar to smoking but without the health risks associated with smoke [1]. They do this by delicately heating the cannabis to the point that THC and other therapeutic substances change physical form, becoming gaseous [1]. The gas, or vapor, is then inhaled like smoke. The process leaves behind dry, slightly browned buds that, rather than having gone up in smoke, simply lack richness in medicinal compounds [2]. Studies show vaporizers significantly reduce carcinogens (cancer-causing agents), carbon monoxide (linked to cardiovascular disease), and tar [1,2,3].

Oral Administration

Not just brownies: In theory, cannabis food can be anything that contains substantial butter, oil, milk, or alcohol, because cannabinoids are oil and fat -soluble and thus dissolve in these ingredients [2].

a. **Tinctures-** Cannabis can be administered orally using cannabis tinctures [2]. Cannabis tinctures have a long history of medical use in the United States [5]. As early as the 1850's American physicians prescribed tincture of cannabis with successful results [5]. There are three types of cannabis tinctures made using alcohol and/or glycerine as solvents [4]. All three of these solutions may be taken under the tongue with an eyedropper [2]. They are absorbed through the mucus membranes of the mouth and take effect in five to ten minutes [2,4]. Tincture dosage varies greatly depending on the concentration of cannabis in the tincture [4]. Glycerine tinctures have the advantages of tasting sweeter than alcohol tinctures, and being well suited for those who do not consume alcohol [4]. Alcohol tinctures have the advantage of usually being more potent than glycerine tinctures. Thus, less needs to be used for the desired effect [4]. Glycerine/alcohol tinctures combine the advantages and disadvantages of glycerine tinctures and alcohol tinctures [4]. Shake glycerine/alcohol tinctures to counteract separation [4].

b. **Cigarettes-** We will produce cigarettes made using 'Smoke Cones' cigarette production system. Smoke Cones sells pre-rolled cones that we'll fill with marijuana using simple machines also sold by Smoke Cones. This system allows companies to produce cigarettes without licking them to seal them, thus providing a hygienic product. The cigarettes will then be sealed in child resistant containers.

c. **Concentrated Extracts-** Concentrated extracts are excellent for those who require large doses of medicinal marijuana for symptom relief. Concentrates can be vaporized for quick relief via inhalation, and for such usage, Breakwater PF will sell activated (de-carboxylated) cannabinoid oils in small jars. Activated concentrates can also be placed into gel capsules, to be swallowed for long-lasting symptom relief. Breakwater PF will sell such gel capsules. Breakwater PF will produce activated cannabinoid oil concentrates using a state-of-the-art 'Cold Finger' extraction machine--a product of Eden Labs. Eden Labs is known for producing safe, high-quality extraction machines for the cannabis industry. Their machines produce very high quality cannabinoid concentrates that do not contain solvent residues.

Eating food enriched with cannabis offers patients several advantages:

1. No risk of damage to respiratory system.
2. Longer-lasting relief (up to 10 hrs.) [4]
3. Can be made with leaf, which costs less than high-grade bud [2]

Eating cannabis-laden foods also has distinct disadvantages for some patients:

1. Slower onset of effects (15min-3hrs) [2]
2. Proper dosage is difficult to gauge; many variables at play [4]
3. Cooking THC makes it slightly more psychoactive [2]

Dosage

Cannabis can be administered using tinctures, ingestion, smoking, vaporizing, and by other methods. The effect of each method and the rate of onset when using each method varies. Smoking and vaporization provide the fastest onset of effects of any method of

administering cannabis [4]. Effects can be felt almost instantly [4]. Tinctures are slightly slower to take effect than inhalation methods; they start to take effect in five minutes or less [2]. Eating cannabis infused foods or capsules is the slowest method of medicating with cannabis but it provides longer lasting effects than other methods [2]. The effects of ingested cannabis may take from 30 minutes to longer than an hour to be noticeable and may maintain peak intensity for one to two hours before gradually diminishing over several hours [2]. The effects imparted by eating cannabis are also pharmacologically different from those produced by other intake methods, because THC is converted to 11-hydroxyl-THC in the liver when cannabis is eaten [2].

When using any cannabis preparation start with a small quantity, wait the proper amount of time for the effects to take place and then take more if necessary [5]. Dosage determination is most easily accomplished using inhalation and tincture methods [2]. It is more difficult to determine ingestion dosage than inhalation or tincture dosage, because the onset of effects is much less rapid with ingestion [2]. The amount of food and type of food in the digestive tract also play roles in determining effective ingestion dosage, further complicating the task [4]. Whatever the method of intake, a lethal overdose of cannabis cannot be achieved [5]. Overdosing on cannabis may produce unpleasant feelings such as drowsiness or anxiety, but users experiencing such feelings should stay calm and wait for the effects of cannabis to diminish [4]. Users who fear the possibility of unpleasant feelings from an overdose may wish to avoid cannabis edibles, as eating cannabis is the most likely intake method to cause an overdose [2].

Potency

All of the varieties that Breakwater PF will offer will be of high, medium and low potency*. This is a Breakwater PF policy for several reasons. One reason is high potency will save caretakers money by allowing them to use less medicine. Another reason is highly potent varieties are healthier for those who choose to smoke their medicine, because less plant material must be smoked to get the same dose of active compounds [2]. We will also produce only highly potent varieties, as this will aid in simplifying the caretaker's task of choosing the right varieties for their individual needs. Another reason for this policy is that it will help caretakers determine the appropriate dosage of each variety.

*Each variety we offer is of different potency and unique medicinal effects.

Tolerance

Heavy cannabis use will, over time, result in lowered sensitivity to the drug [2]. However, most patients lose side effects over time, not medicinal efficacy [2]. To avoid gaining tolerance to cannabis, patients should try different varieties of cannabis and different intake methods [2].

Addiction

Cannabis isn't physically addictive, however psychological dependence may occur [2]. This means cannabis use may become habitual in some users [2]. When discontinuing cannabis use, long-term heavy users may experience mild withdrawal symptoms including anxiety, difficulty sleeping, and irritability [2].

References

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16.4 EDUCATION ON PACKAGING & LABELING

Packaging

Medical marijuana flowers will be distributed in airtight glass jars or plastic containers similar to those used by pharmacies.

Lozenges will be packaged in appropriate plastic packaging and tightly sealed to keep contents from spoiling.

Topical formulations will be package in appropriate tubes or plastic containers and tightly sealed to keep contents from spoiling.

Labeling

Breakwater Production Facility will use a comprehensive labeling system for all medical cannabis useable goods and products available for purchase. All packaging will have a label attached thereto specifying the following information:

- a. A label containing any statements about the product other than those specified by law shall contain the following statement prominently displayed, and in boldface type: **“This statement has not been evaluated by the Food and Drug Administration. This product is not intended to diagnose, treat, cure, or prevent any disease.”**
- b. “This product is for medical use only and is not for resale”
- c. Batch identification number
- d. Contact information for Breakwater Production Facility’s Help Hotline
- e. Expiration date

Specific to medical cannabis flower labels:

- a. Strain type
- b. Potency (Percentage breakdown of CBA's, CBD's and THC levels)
- c. Quantity

Specific to lozenges/topical formulation marijuana products:

- a. "Strain"
- b. "Potency"
- c. "Quantity" contained (grams or ounces) based on dry weight before the manufacturing process.
- d. "Source" (cannabis flowers, leaves or both)
- e. "Form"
- f. Ingredients- under strict supervision every manufactured cannabis product from Breakwater Production Facility will include complete ingredients ordered by weight, weight of active ingredients (Cannabis) and allergy warnings.
 - a. Manufacturing process (how the CBA's, CBD's and THC has been extracted from the marijuana)
 - 1. Using alcohol and/or glycerin
 - 2. Oil
 - 3. Butter
 - 4. Milk

SECTION 17

CRITICAL INCIDENT DEPARTMENT

The process of conducting a critical incident review will be divided into three steps:

17.1 Identify and record the incident

Describe what happened and how it affected the person, the reporting employee (you), and the Production Facility. Think about how it could have been avoided and what might be done to stop it happening again.

17.2 Prepare for the review

The review should encourage mutual support and openness, and emphasize learning. Someone, for example an external facilitator, should lead and chair the audit and make sure there is protected time for all involved.

The lead should set ground rules such as confidentiality, having an open discussion, allowing everyone to speak and participate in active listening, and not allocating blame.

17.3 Running the review

The questions on the form can be used to structure the review meeting. You might consider the following points:

- What happened? Did something go wrong? What things went well?
- How did it affect the patient, you, and the practice?
- Could it have been avoided?
- Can it be stopped from happening again? What action needs to be taken by whom and when?

- What learning or development need has this highlighted for you (to put into your personal development plan)?
- What learning or personal development need has it highlighted for others?

17.4 Keeping a record

Keeping a log of all critical incidents can help identify patterns. If you re-audit an event you can see whether you put into place the changes you agreed in the review. *Please see “Critical Incident Report” sample below.*

Critical Incident Report

Critical Incident Submission Form

Please complete this form with as much information as possible. We will get back with you via phone or e-mail if clarification is needed.

Your Name:

Title _____

First Name _____ MI _____

Last Name _____
Suffix _____

Facility address _____

Your e-mail address: _____ @ _____

Today's Date: / Month / Day /Year _____

Date of Incident: / Month / Day /Year _____

Location in Facility: _____

Number of staff involved: _____

Names of staff: _____

Number of staff injured: _____

Names of staff injured: _____

Number of public involved: _____

Names of public: _____

Number of public injured: _____

Names of public injured: _____

Was a weapon used? : _____

If a weapon what type(s)? : _____

What agency was notified and by whom ? : _____

Description of Incident: _____

Management's response and any problems with it: _____

Suggestions for how this could have been prevented: _____

I have read and agree to abide by this Employee Manual.

Employee Signature: _____ Date: _____

Witnessed by: _____ Date: _____

For: Breakwater Production Facility LLC.

SECTION 17- SAMPLE EMPLOYMENT CONTRACTS

PLEASE NOTE: EMPLOYMENT CONTRACTS ARE PROPRIETARY

Breakwater Production Facility, LLC

EMPLOYMENT AGREEMENT

Breakwater Production Facility LLC of Connecticut, a Connecticut Limited Liability Company, c/o Lefkowitz & Edelstein, 444 Madison Avenue, Suite. 1805, New York, NY 10022, hereinafter referred to as "Employer" and John Smith of 123 Park Avenue #1 Springfield, CT 00001, hereinafter referred to as "Employee", in consideration of the mutual promises made herein, agree as follows:

ARTICLE 1. TERM OF EMPLOYMENT

Section 1.01. Employment Term. Employer hereby employs Employee and Employee hereby accepts employment with Employer for the period beginning on estimated starting date April 15th, 2014 and terminating on April 15th, 2016 (the "Term"), unless sooner terminated pursuant to Article 4 of this Agreement.

ARTICLE 2. DUTIES AND OBLIGATIONS OF EMPLOYEE

Section 2.01. General Duties. Employee shall serve as the Chief Horticulturist of the LLC's Production Facility located in Waterbury, CT. In such capacity, Employee shall do and perform all services, acts, or things necessary to perform his responsibilities as determined by Walter Edelstein, CEO & H. Alexander Zaleski, COO. Employee will have direct control over all aspects of the growing, harvesting, curing and processing of medicinal marijuana and will conduct routine inspections of all equipment to assure that it is in proper working order. Employee shall devote his full working time, efforts, ability, and attention to the business of Employer during the Term and shall not be engaged in any other business activity, whether or not for gain or profit, during such period without written approval.

Section 2.02. Noncompetition. During the Term and for a period of two years following the Term, Employee shall not, directly or indirectly, own, manage, operate, join, control, be employed by, or participate in the ownership, management, operation or control of, or be connected in any manner with, any business that is competitive with the business of Employer or engaged in a similar business within the States of Connecticut, Delaware, Rhode Island and Vermont) and the District of Columbia where Medical Marijuana or Marijuana is legal as well as New York, Pennsylvania and Florida. At no time during the Term shall Employee interfere with, disrupt or attempt to disrupt the relationship, contractual or otherwise, between Employer and any of Employer's customers, clients, suppliers, consultants or employees.

ARTICLE 3. COMPENSATION OF EMPLOYEE

Section 3.01. Base Salary. As compensation for his services to be performed hereunder during the Term, Employee shall receive a base salary of \$100,000 a year payable in equal installments of \$4,166.67 on the first and fifteenth day of each month. Employer shall deduct from said sum, all applicable Social Security, Federal, State and local taxes.

Section 3.02. Benefits and Vacation. During the agreement term, the Employee shall be entitled to participate in, to the extent they exist, the benefit plans and programs (including without limitation; retirement plan participation and health insurance) and receive ten (10) days paid vacation per year.

Section 3.03. Business Expenses. Upon submission of itemized expense statements in the manner specified by the company, the Employee shall be entitled to reimbursement for reasonable expenses duly incurred by Employee in performance of the Employee's duties under this agreement in accordance with the policies and procedures established by the company. All business expenses in excess of one hundred (\$100.00) dollars shall be approved by the Employer prior to undertaking same.

ARTICLE 4. TERMINATION OF EMPLOYMENT

Section 4.01. Termination. (a) Employer may terminate this Agreement: (1) upon the death of the Employee; (2) upon the disability, either physically or mentally, of Employee whether totally or partially so that the Employee is unable to perform his duties aggregating 60 days during this contract.

Section 4.02. Termination for Cause. (a) Employer reserves the right to terminate this Agreement at any time during the Term hereof if the Employee breaches any of the duties which it is required to perform under the provisions of this Agreement, the Employee Confidentiality Agreement, or the Non-Compete Agreement or commits acts of dishonesty, fraud, misrepresentation or other acts of moral turpitude including but not limited to any arrest for possession of a controlled substance.

(b) Employer may at its option terminate this Agreement for the reasons stated in this Section by giving written notice of termination to the other party without prejudice to any other remedy to which it may be entitled either at law, in equity, or under this Agreement, and termination shall be effective immediately upon the giving of such written notice.

(c) The notice of termination required by this Section shall specify the ground (s) for the termination and shall be supported by a statement of all relevant facts. Termination shall take effect immediately.

(d) Upon Termination of this Agreement for any reason whatsoever, Employer shall pay to Employee all sums then due Employee hereunder on the effective date of termination.

ARTICLE 5. GENERAL PROVISIONS

Section 5.01. Arbitration. (a) Subject to subparagraph (b) hereafter, any controversy or claim arising out of this Agreement, or the breach thereof, shall be settled by binding arbitration before the American Arbitration Association in Connecticut, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, and judgment upon the award rendered by the Arbitrator may be entered in any Court having jurisdiction. The cost of the Arbitration shall be borne in such proportions as the Arbitrator shall decide.

(b) Notwithstanding, the provisions of subparagraph (a) hereinabove, this Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut. Any party may seek injunctive or other equitable relief in any controversy or claim arising out of this Agreement, or in the breach thereof, in the Supreme Court of the State of Connecticut for the County of New Haven or the United States District Court for the District of Connecticut.

Section 5.02. Notices. Any notices to be given hereunder by either party to the other shall be in writing transmitted by personal delivery or by mail, registered or certified, postage prepaid with return receipt requested. Notices delivered personally shall be deemed communicated as of the second day after the date of mailing.

Section 5.03. Attorney's Fees and Costs. If any arbitration or action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall also be entitled to reimbursement for reasonable attorney's fees, costs and necessary disbursements.

Section 5.04. Entire Agreement. This Agreement supersedes any and all other Agreements, either oral or in writing, between the parties hereto with respect to the employment of Employee by Employer and contains all of the covenants and agreements between the parties with respect to that employment in any manner whatsoever.

Section 5.05. Modifications. Any modification of this Agreement will be effective only if is in writing and signed by Employer and Employee.

Executed as of January , 2014

John Smith

Breakwater Production Facility, LLC.

By _____