



BUSINESS OWNERSHIP ACKNOWLEDGEMENT FORM FOR COMMERCIAL CANNABIS BUSINESS PERMIT APPLICATION

It is the intent of the City of Canyon Lake to promote equitable ownership and employment opportunities in the cannabis industry and to provide opportunities for local residents to compete for cannabis business permits. Therefore, this notice is to clarify the eligibility requirements in order to receive qualification for Local Ownership by establishing this acknowledgement to provide additional protections to mitigate against potential predatory practices.

In order to qualify for the full points relating to the Local Ownership criteria, the business entity must have ownership that meets the respective eligibility factors and hold at least 51% ownership interest. The Local Ownership criteria are identified in the Application Procedures & Guidelines for a Cannabis Business Permit in Appendix A, Section B (8). This majority interest can be made up of a single individual that meets this criteria, or any combination of individuals that hold at least 10% interest individually.

The Local Preference criteria is intended for the benefit of Local Owner Applicants related to business profits, proceeds of the sale of business assets, voting rights and additional protections. This also requires the Local Owner to receive the Equity Share percent of the retained earnings and 100% of the unencumbered value of each share of stock, member interest or partnership interest owned in the event of the dissolution of the entity to their equity share, or 100% of the value of each of stock, member interest or partnership interest in the event that the stock, member interest or partnership interest is sold. Chief among the concepts of equity share, is unconditional ownership which means such individual(s) will receive equal profits, and distributions or other payments proportionate to their ownership interests.

This is intended to ensure true ownership by the Local Preference Individual Applicants and as such, prohibits the divestment or relinquishment of any part of their ownership under any circumstance. In addition, the Equity Share is also expanded to address voting rights on fundamental decisions relating to the business and control of at least the equity share percent of the voting rights on all decisions involving the operation of the business. Furthermore, it requires the Local Owner Preference be the highest officer position of the business or that another individual is appointed to that position by mutual agreement of the parties. This requirement is also subject to being audited to assess compliance and the Local Owner Preference can initiate legal action due to a breach of contract agreement, and the City may suspend and/or revoke a license if any provision in an operating agreement violates any of the Equity Share or Local Owner Preference requirements.

Lastly, all applicants will be required to incorporate an addendum into their operating agreements that makes any provision ineffective, unenforceable, null and void, if it is inconsistent with, or in violation of, the Equity Share requirements. As proposed, Local Owner Preference Applicants will be required to verify under Section B (8) of Appendix A that they meet the definition of a Local Owner Preference at the time

of applying for a permit or permit renewal. The City shall have the sole and absolute discretion to determine whether the Applicant qualifies as a Local Owner to determine if they should be awarded the number of points awarded for it.

The undersigned acknowledges that he/she has read and fully understands the content of this Agreement and is the Applicant or his/her/its authorized signatory.

Applicant Signature

Date Signed

Print Name

Title

Company Name

Address/Telephone