

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): January 31, 2025

BLUM HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	000-56626 (Commission File Number)	93-3735199 (IRS Employer Identification No.)
11516 Downey Ave., Downey, California (Address of principal executive offices)		90241 (Zip Code)

Registrant's telephone number, including area code: **(888) 909-5564**

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Indicate by check mark whether the registrant is an emerging growth company as defined in in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01. Entry into a Material Definitive Agreement.

On January 31, 2025, Blum Holdings, Inc. (the “Company” or “Blüm”) entered into a binding letter of intent (the “LOI”) with a third party seller (“Seller”) which sets forth the terms and conditions of a proposed transaction (the “Proposed Transaction”), pursuant to which the Company’s wholly owned subsidiary will acquire 100% of the common stock of a target entity (the “Target”), which owns and operates a licensed cannabis dispensary in Northern California. The total consideration for the Proposed Transaction shall be \$2,000,000 comprised of: (i) \$1,300,000 payable in cash at closing, (ii) \$200,000 payable in cash or stock at the Seller’s election subject to earn-outs, and (iii) \$500,000 payable in shares of the Company’s Common Stock at a per share price of \$1.90, which shall be issued at closing and held in escrow, subject to a 12-month holdback. In addition, performance-based bonus awards may be payable in cash or stock on the first anniversary following the date of closing.

In connection with the Proposed Transaction, Blum Management Holdings, Inc. (the “Holder”) entered into a senior secured convertible promissory note in the original principal amount of \$500,000 (the “Note”). The Note earns interest at a rate of 8% per annum and matures on March 31, 2025. At the Holder’s option, the Note may be converted into Class A and/or Class B shares of the Target, based on a Target valuation of \$2,000,000, subject to decrease pursuant to certain Performance-Based Tranche Reductions as defined and described in the LOI. The Note provides for certain events of default that are typical for a transaction of this type, including, among other things, any breach of the representations, warranties or affirmative covenants made by the Target in the Note and Security Agreement (defined below).

In connection with the issuance of the Note, the Holder and the Target entered into a security agreement (the “Security Agreement”) pursuant to which the Target agreed to grant to the Holder a security interest in all of its assets to secure the obligations under the Note.

The Proposed Transaction is subject to the execution of definitive agreements. No assurances can be made that the Company will successfully negotiate and enter into definitive agreements for the Proposed Transaction or that the Company will be successful in completing the Proposed Transaction.

The foregoing descriptions of the LOI, the Note, and the Security Agreement do not purport to be complete and are qualified in their entirety by reference to the full text of such LOI, Note, and Security Agreement which are filed as Exhibits 10.1, 10.2 and 10.3 to this Current Report on Form 8-K, respectively, and incorporated by reference herein.

Item 7.01. Regulation FD Disclosure.

On February 4, 2025, the Company issued a press release regarding a binding letter of intent with the Target. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information provided under this Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit	Description
10.1*	Binding Letter of Intent.
10.2*	Senior Secured Promissory Note, dated January 31, 2025.
10.3*	Security Agreement, dated January 31, 2025.
99.1	Press Release dated February 4, 2025.
104	Cover Page Interactive Data File (embedded within the Inline XBRL Document).

* Portions of the exhibit have been omitted.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BLUM HOLDINGS, INC.

Date: February 4, 2025

By: /s/ Sabas Carrillo
Sabas Carrillo
Chief Executive Officer

Certain identified information has been excluded from the exhibit because it both (i) is not material and (ii) would be competitively harmful if publicly disclosed. Information that has been omitted from the exhibit are indicated with brackets.

BINDING LETTER OF INTENT

This Binding Letter of Intent (the “LOI”) dated as of January 31, 2025 (the “Effective Date”), sets forth the terms of the agreement among Blum Holdings, Inc., a publicly traded Delaware corporation (the “Buyer” or “Blüm”) via a newly formed Blüm subsidiary created for the purposes of culminating the transactions contemplated herein (“Blüm Acquisition Co.”), [***] (the “Seller(s)” or “[***]”), and [***] (the “Target”), on the other hand. The Buyer and the Target may be referred to collectively as “Parties” and each separately a “Party”.

BINDING PROVISIONS

Binding: This LOI is a statement of mutual intent and constitutes a legally binding contractual commitment between the Parties with respect to the Transaction contemplated herein. The parties acknowledge that this LOI represents a binding obligation to proceed in good faith toward the execution and delivery of the Definitive Documents and any other related agreements necessary to consummate the Transaction, subject to the conditions expressed therein. Notwithstanding the binding nature of this LOI, certain terms, including the proposed transaction structure, remain subject to revision and amendment as appropriate and as the parties see fit in Definitive Documents subject to corporate, legal, tax, accounting, and other considerations.

Transaction: Buyer shall enter into a Stock Sale and Purchase Agreement, or substantially similar document with Seller pursuant to which Buyer will acquire 100% of the common stock of Target from the Sellers, on the terms and subject to the conditions included herein and as further detailed in the Definitive Documents (as defined below). [***] owns 100% of the Target’s issued and outstanding Class A Voting Shares and owns 96% of all of the Target’s issued and outstanding shares. For the avoidance of doubt, subsequent to the closing of the Transaction, the Target shall be a wholly-owned subsidiary of Blüm Acquisition Co., and Blüm Acquisition Co. shall be a wholly-owned subsidiary of Blüm. The Transaction will be structured in as tax-efficient of a manner as possible; provided that the Parties reserve the right to modify the structuring of the Transaction if advised to do so by their respective accountants or their respective tax, regulatory or legal advisors; provided further, however, that such structuring will not be modified in a manner that is materially and disproportionately disadvantageous from a tax standpoint for the Target without such Target’s prior written consent.

Transaction Consideration: The total consideration for the transaction shall be \$2,000,000 (“Purchase Price Floor”) subject to the earn-outs described below.

1. Cash Consideration:
 - i. \$1,300,000 payable at Closing.
 - ii. \$200,000 payable in cash or common stock of Blüm at a per share price of \$1.90 at Seller’s election if the 12-month trailing revenue of the Business on the one-year anniversary following the Date of closing is equal to or greater than \$13,700,000 but less than \$15,000,000. Should Seller elect to receive common stock, Buyer shall grant to Seller, in addition to the equity contemplated herein, a common stock purchase warrant to subscribe for and purchase from the Borrower up to 10,938 shares of common stock, par value \$0.001 per share (the “Common Stock”) with an exercise price of \$0.64.

2. Equity Consideration: \$500,000 aggregate value of common stock of Blüm at a per share price of \$1.90 (the “Equity Consideration Valuation”).
 - i. The Blüm stock shall be issued at Closing and held in escrow, transfer agent, or similarly situated third party and subject to a 12-month holdback from the date of Closing for the purposes of securing indemnification obligations and any other post-closing adjustments as outlined in Definitive Documents.
3. Performance Based Bonus Awards:
 - i. \$400,000 payable in cash or stock as mutually agreed if the 12-month trailing revenue of the Business on the one-year anniversary following the Date of closing is equal to or greater than \$15,000,001 but less than \$16,500,000.
 - ii. \$800,000 payable in cash or stock as mutually agreed if the 12-month trailing revenue of the Business on the one-year anniversary following the Date of closing is equal to or greater than \$16,500,001 but less than \$17,500,000.
 - iii. \$1,600,000 payable in cash or stock as mutually agreed if the 12-month trailing revenue of the Business on the one-year anniversary following the Date of closing is equal to or greater than \$17,500,001.

Working Capital

The Parties agree that within 30 days of the date of Closing, they shall make the following working capital contributions:

1. Target shall execute a senior secured convertible promissory note to [***] in the aggregate principal amount of \$500,000 for working capital (the “[***] Note”). The [***] Note may be converted into common stock of Blüm at the Equity Consideration Valuation, on terms to be agreed-upon.
2. Buyer has made and delivered to the Target a working capital contribution in the amount of \$500,000 in the form of a senior secured convertible promissory note (the “Buyer’s Note,” and together the [***] Note, the “Notes”) in light of Target’s payment obligations including CDTFA payments for which time is of the essence. The Note shall be for a term of 60 days during which the Parties intend to negotiate and enter into an Amended and Restated senior secured convertible note that shall contain certain affirmative covenants as noted below.

The Buyer’s Note shall include covenants as defined below in “Performance-Based Milestone Requirements” which if not achieved shall constitute events of default on the Buyer’s Note. Given the working capital payment made via the Buyer’s Note, Target acknowledges the effectiveness of the Performance-Based Milestone requirements detailed below and shall work towards their achievement as of the Effective Date.

Performance-Based Milestone Requirements

To align the interests of the executive team with the long-term financial and operational success of the Target, Buyer's obligation to pay and deliver the Performance-Based tranche shall be tied to the achievement of specific performance milestones as outlined below. These milestones are designed to drive operational efficiency and profitability in accordance with the annexed financial projections for 2025.

1. Expense Reduction Milestone Targets

a. Payroll, Payroll-Associated Expenses, and Employee Benefits:

- o By March 2025: Reduced to 20% of monthly revenue.
- o By June 2025: Reduced to 17% of monthly revenue.
- o By September 2025: Reduced to 15% of monthly revenue.
- o By November 2025: Reduced to 13% of monthly revenue.

b. Professional and Consulting Fees:

- o By March 2025: Not to exceed 1% of monthly revenue.
- o By June 2025: Reduced to 0.7% of monthly revenue.

c. Contracted Labor:

- o By March 2025: Not to exceed 4% of monthly revenue.
- o By June 2025: Reduced to 3% of monthly revenue.

d. Total Labor Costs:

- o Total combined labor costs (payroll, payroll-associated expenses, employee benefits, and contracted labor) must not exceed:
 - 24% of monthly revenue by March 2025.
 - 20% of monthly revenue by June 2025.
 - 18% of monthly revenue by September 2025.
 - 16% of monthly revenue by November 2025.

e. Positive EBITDA and Net Income Goals:

- o By March 2025, achieve a positive EBITDA and October 2025, achieve a net income through the outlined cost management and operational efficiency measures.

2. Performance-Based Tranche Adjustments

- **Baseline Revenue Alignment:** Targets are tied to a baseline monthly revenue of \$1,141,423 as outlined in the 2025 financial forecast. Actual targets will be dynamically adjusted in proportion to actual revenue achieved.

- Performance Reporting: The executive team must provide monthly updates on milestone progress, along with explanations for any variances from the targets.
- Adjustments to Milestones: Performance will be assessed based on adherence to the targets listed above, with adjustments made as mutually agreed upon to reflect actual revenue and market conditions.
- Performance-Based Tranche Reductions: Failure to meet the above milestones by their respective deadlines will result in a proportional reduction in the performance related Cash Consideration.

3. Monitoring and Accountability

A supplementary annex (Annex A) provides illustrative dollar amounts corresponding to these percentages for clarity. The executive team will report monthly to ensure transparency and accountability.

Economic metrics shall be determined by Blüm management.

Control of Purchased Interests: Upon the Closing of the Transaction, Blüm Acquisition Co. shall exercise ownership and/or management control of Target via a Management Services Agreement or similarly situated document with terms as mutually agreed between the Parties. The Parties will work collectively with the change management team (the “CMT”) established by Buyer and/or Blüm Acquisition Co. to consolidate operations and provide for continuity among the teams.

Survival; Indemnification; Right of Offset: Representations and warranties of the Parties will survive for twelve (12) months following the Closing of the Transaction (the “Survival Period”). Target will be required to, severally and not jointly, indemnify Buyer and Blüm Acquisition Co. and other customary indemnified parties against losses related to breaches of representations, warranties, covenants (including the failure to transfer control and/or ownership of Target license(s) to the reasonable satisfaction of Buyer and Blüm Acquisition Co., fraud and other specified indemnities (if any). Indemnification claims will be subject to standard dispute procedures, including referral to arbitration.

Closing: The closing of the transactions contemplated herein (the “Closing”) shall take place as soon as practicable but no later than February 28, 2025 subject to reasonable extensions as agreed between the Parties.

Definitive Documents shall include as a post-closing condition that Target complete an AICPA audit, such audit to be paid for by Sellers.

From the date hereof until the earlier to occur of execution of the Definitive Documents by all Parties or the termination of this LOI, each of the Parties agrees to operate in the ordinary course of business consistent with past practices. Target agrees to provide monthly Financial Statements or other documents as reasonably requested by Buyer. The Consideration described above is subject to change to account for material changes to the Target’s debt or liabilities at Closing from what is noted above.

Contingencies

The consummation of this Transaction is contingent upon the following conditions being satisfied:

1. Completion of customary conditions outlined in the Definitive Documents, including necessary regulatory and shareholder approvals, and the absence of any material adverse change affecting the Target.

If these conditions are not satisfied or waived in writing by the Parties, the Transaction may be renegotiated or terminated.

Definitive Documents:

Upon execution of this LOI, Buyer will instruct its legal counsel to prepare and circulate, and the Parties will negotiate in good faith, the terms of the Definitive Documents, which Definitive Documents shall contain fundamental and other standard representations and warranties, standard covenants, indemnification, and other provisions appropriate for a Transaction of the type contemplated herein.

Expenses:

Except as set forth herein, each Party shall pay their own transaction expenses, including the fees and expenses of legal counsel and other advisors incurred in connection with the transactions contemplated by this LOI. Fees of the escrow agent shall be split pro rata amongst the Parties in accordance with their resulting ownership interests.

Authorization:

Each Party represents and warrants that it has received independent legal advice from attorneys of its own choosing with respect to the legal effect of this LOI, and further represents and warrants that it has carefully reviewed this entire LOI. Each Party represents and warrants that it has the power and authority to enter into this LOI and to consummate and perform the Transaction contemplated hereby.

Confidentiality:

Each Party covenants and agrees that such Party shall keep secret and retain in strictest confidence, and shall not at any time or in any manner, either directly or indirectly, divulge, copy, communicate, furnish, make available, or disclose any Confidential Information (as defined herein) received by it in connection with this LOI to any third party or use any such Confidential Information for the benefit of himself, itself, or any third-party, except as required by applicable law.

As used in this Agreement, "Confidential Information" shall mean any information relating to the other Party, or the business of the other Party; provided, however, that the term "Confidential Information" does not include information that (a) is now, or hereafter becomes, through no wrongful act or failure to act on the part of the receiving party, generally known or available; (b) is known by the receiving party at the time of receiving such information as evidenced by its records; (c) is hereafter furnished to the receiving party by a third party, as a matter of right and without restriction on disclosure; (d) is independently developed by the receiving party without use of any of the disclosing party's Confidential Information; or (e) is authorized to be disclosed by the prior written consent of the disclosing party. The Parties acknowledge that Confidential Information is vital, sensitive, confidential, and proprietary to the other Parties and their business. The warranties, covenants, and agreements set forth in this section shall not expire for any reason and shall survive the expiration or termination of this LOI. Notwithstanding the foregoing, each Party may provide or disclose confidential information to advisors, legal counsel, accountants, and actual or prospective investors or lenders ("Authorized Parties") so long as the Party disclosing such information obtains consent and agreement from such Authorized Parties to be bound (or such Authorized Persons are otherwise contractually or ethically bound) by the terms of this paragraph.

Governing Law; Attorneys' Fees This LOI shall be governed by, and construed in accordance with, California law without giving effect to any principle of law that would require application of the law of another jurisdiction.

If any action in law or in equity is necessary to enforce or interpret the terms of this LOI, the prevailing Party (as determined by the judge or arbitrator) shall be entitled to reasonable attorney's fees and costs in addition to any other relief to which such prevailing Party may be entitled.

Assignment: No Party may assign any of its rights or delegate any of its obligations under this LOI without the prior written consent of the other Party. This LOI will apply to, and inure to the benefit of, the successors and permitted assigns of the Parties.

Amendments: This LOI may be amended only by a written instrument executed by the Parties.

Term: Unless otherwise extended by the written approval of the Parties, this LOI shall automatically terminate upon the earlier to occur of (i) midnight local time in Los Angeles, California on June 30, 2025 or (ii) the date on which the mutually agreed and duly authorized Definitive Documents have been executed by all Parties, whichever occurs first (the "Termination Date"). If the LOI terminates as a result of the Definitive Documents not having been executed prior to the Termination Date, none of the Parties shall have any obligation or liability to the other Parties except to the extent that, prior to the Termination Date, a Party has breached the provisions under the sections entitled "Expenses" and "Confidentiality", which shall survive any such termination.

Exclusivity Period: From the Effective Date until the earlier of (a) the execution of the Definitive Documents or (b) termination of this LOI as described herein, or such other date as may be agreed to in writing by the Parties: (i) Target will deal exclusively and in good faith with Buyer relating to the Transaction prior to entering into the Definitive Documents, (ii) Target and its respective directors, officers, employees, and financial, legal or other advisors (collectively, the "Representatives") will immediately cease all existing discussions and negotiations, if any, with any other party in respect of any transaction involving any merger or other business combination or takeover bid involving Target, as applicable, or any other transaction where the consummation of which would or could reasonably be expected to interfere with or prevent the Transaction between Buyer and Target or materially reduce the benefit thereof to Buyer (collectively, an "Alternative Transaction"), and (iii) neither Target nor its representatives will solicit, initiate or knowingly encourage initiation of, or entertain a proposal or offer from, conduct discussions with, or provide any information to, any third party relating to an Alternative Transaction.

Buyer and Target agree that the rights and remedies for non-compliance with this exclusivity provision shall include having such provision specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to Buyer and that money damages alone would not provide an adequate remedy to Buyer. Any requirements for the securing or posting of any bond with such remedy are waived by the parties.

Entire Agreement: This LOI supersedes and replaces any prior agreements, representations or understandings, whether written, oral, or implied, between or among any of the Parties regarding the subject matter described herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the Parties have executed this LOI as of the Effective Date.

SELLER:

[***]

By: _____
Name:
Its:

BUYER:

BLUM HOLDINGS, INC.

By: _____
Name: Sabas Carrillo
Its: Chief Executive Officer

TARGET:

[***]

By: _____
Name:
Its:

[Signature Page to Binding Letter of Intent]

Schedules to Exhibit 10.1 have been omitted under Regulation S-K Item 601(a)(5) and listed below:

Annex A: Performance-Based Milestones for Executive Team

Certain identified information has been excluded from the exhibit because it both (i) is not material and (ii) would be competitively harmful if publicly disclosed. Information that has been omitted from the exhibit are indicated with brackets.

Execution Version

THE SECURITIES REFERENCED HEREIN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

SECURED CONVERTIBLE PROMISSORY NOTE

Five-Hundred-Thousand Dollars (\$500,000)

January 31, 2025
California, United States

For value received, [***], a California corporation (the "Company"), promises to pay to Blum Management Holdings, Inc. (including its permitted assigns and successors, the "Holder"), the principal sum of Five-Hundred-Thousand Dollars (\$500,000). Interest shall accrue from the date of this Secured Convertible Promissory Note (this "Note") on the unpaid principal amount at a rate equal to 8% per annum, computed as simple interest on the basis of a year of 365 days (the "Interest Rate"). This Note is subject to the following terms and conditions.

1. **Basic Terms.**

(a) **Maturity.** While this Note is outstanding, principal and any accrued but unpaid interest under this Note shall be due and payable (subject to Section 2(b)) upon demand of the Holder at any time on or after March 31, 2025 (the "Maturity Date"). Subject to Section 2 and 3 below, interest shall accrue on this Note and shall be due and payable with each installment of principal.

(b) **Event of Default.** Notwithstanding the foregoing, the entire unpaid principal sum of this Note, together with accrued and unpaid interest thereon (collectively, the principal and such interest, the "Purchase Amount"), shall become immediately due and payable (each such event, an "Event of Default"):

(i) upon demand of the Holder, in the event of any of the following: (1) failure to pay any accrued but unpaid interest or principal under the Note when due and payable; (2) any material breach by the Company of the terms (including the representations and warranties) of this Note or the Security Agreement (as defined below) and the failure to cure such material breach within 30 days of the receipt of written notice of such breach from the Holder if such breach is capable of cure; (3) any default by the Company under any other material indebtedness and the failure to cure such default within 10 days of the receipt of written notice of the default; (4) the liquidation, winding up or dissolution of the Company; or (5) any material breach by the Company of the Affirmative Covenants; or

(ii) automatically, in the event of the filing by or against the Company of a petition in bankruptcy or any petition for relief under the federal bankruptcy code or the continuation of such petition without dismissal for a period of 60 days or more, or the appointment of a receiver or trustee to take possession of the property or assets of the Company, or the Company makes any assignment for the benefit of creditors or takes any action in furtherance of any of the foregoing, or fails to generally pay its debts as they become due.

For purposes herein, "Affirmative Covenants" shall include the following:

a. Expense Reduction; Payroll, Payroll-Associated Expenses, and Employee Benefits (collectively "Payroll Expenses"):

- o By March 2025 the Company shall reduce Payroll Expenses to 20% of monthly revenue.
- o By June 2025 the Company shall reduce Payroll Expenses to 17% of monthly revenue..
- o By September 2025 the Company shall reduce Payroll Expenses to 15% of monthly revenue.
- o By November 2025 the Company shall reduce Payroll Expenses to 13% of monthly revenue.

b. Expense Reduction; Professional and Consulting Fees ("Professional and Consulting Fees"):

- o By March 2025 Professional and Consulting Fees of the Company shall not to exceed 1% of monthly revenue.
- o By June 2025 the Company shall reduce Professional and Consulting Fees to 0.7% of monthly revenue.

c. Expense Reduction; Contracted Labor ("Contracted Labor"):

- o By March 2025 Contracted Labor expenses of the Company shall not exceed 4% of monthly revenue.
- o By June 2025 the Company shall reduce Contract Labor expenses to 3% of monthly revenue.

d. Expense Reduction; Total Labor Costs:

- o Total combined labor costs (payroll, payroll-associated expenses, employee benefits, and contracted labor) must not exceed:
 - 24% of monthly revenue by March 2025.
 - 20% of monthly revenue by June 2025.
 - 18% of monthly revenue by September 2025.
 - 16% of monthly revenue by November 2025.

e. Positive EBITDA and Net Income:

- o By March 2025, the Company shall achieve a positive EBITDA and October 2025, achieve a net income through the outlined cost management and operational efficiency measures.

Upon the occurrence of any Event of Default as set forth in this Section 1(b), the Interest Rate shall automatically adjust as of the date of such Event of Default, through and until the cure of such Event of Default or otherwise payment in full of the Purchase Amount, at the rate equal to 10% per annum, computed as simple interest on the basis of a year of 365 days.

(c) **Securities.** The Note and the equity securities issuable upon conversion thereof are collectively referred to herein as the **Securities.**”

(d) **Payment; Prepayment.** All payments shall be made in lawful money of the United States of America at such place as the Holder hereof may from time to time designate in writing to the Company. Payment shall be credited first to costs and expenses under Section 7, if any, then to the accrued interest then due and payable, and the remainder shall be applied to principal. The Company may prepay this Note at any time with the written consent of the Holder, provided that the Company shall also pay all interest calculated to the Maturity Date, as well.

(e) **Security Interest.** The indebtedness represented by this Note shall be secured by all assets of the Company in accordance with a UCC-1 financing statement pursuant to the Security Agreement.

2. **Conversion.**

(a) **Conversion at Payee's Election.** \$500,000 of the unpaid principal under this Note, plus accrued interest and accelerated interest, is, at the Holder's election, convertible at any time into the Class A and/or Class B shares of the Company based on a Company valuation of \$2,000,000 subject to decrease pursuant to Performance-Based Tranche Reductions as defined in that certain Binding Letter of Intent dated of even date herewith.

(b) **Mechanics and Effect of Conversion.** Upon conversion of this Note pursuant to this Section, the Company will, at its own expense and as soon as practicable thereafter, issue and deliver to the Holder, at the address of the Holder most recently furnished in writing to the Company, a certificate or certificates or evidence of book entries in the records of the Company for the shares to which the Holder is entitled upon such conversion.

(c) **No Dilution or Impairment.** The Company covenants that it will not, by voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, but it will at all times in good faith assist in carrying out all those terms and take all action necessary or appropriate or protect the rights of the Holder against dilution or other impairment.

3. **Mechanics and Effect of Conversion.** In connection with any conversion of this Note, the Holder shall surrender this Note, duly endorsed, to the Company or any transfer agent of the Company, and shall deliver to the Company any other documentation reasonably required by the Company in connection with such conversion (including, in the event of a conversion of this Note into capital stock, the applicable transaction documents). The Company shall not be required to issue or deliver the capital stock or other property into which this Note may convert until the Holder has surrendered this Note to the Company and delivered to the Company such documentation. Upon conversion of this Note, the Company will be forever released from all of its obligations and liabilities under this Note with regard to that portion of the principal amount and accrued interest being converted including without limitation the obligation to pay such portion of the principal amount and accrued interest.

4. **Interest Rate Limitation.** Notwithstanding anything to the contrary contained in this Note or Security Agreement (the "Loan Documents"), the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable law (the "Maximum Rate"). If the Holder shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied first to costs and expenses under Section 7, if any, then to the principal remaining owed under this Note or, if it exceeds such unpaid principal, refunded to the Company. In determining whether the interest contracted for, charged, or received by the Holder exceeds the Maximum Rate, the Holder may, to the extent permitted by applicable law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of this Note.

5. **Action to Collect on Note.** If action is instituted to collect on this Note, the Company promises to pay all of the Holder's costs and expenses, including reasonable attorney's fees, incurred in connection with such action.

6. **Loss of Note.** Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Note or any Note exchanged for it, and indemnity satisfactory to the Company (in case of loss, theft or destruction) or surrender and cancellation of such Note (in the case of mutilation), the Company will make and deliver in lieu of such Note a new Note of like tenor.

7. **No Fractional Shares.** Upon the conversion of a Note into Shadow Preferred Stock, in lieu of any fractional shares to which the holder of the Note would otherwise be entitled, the Company shall pay the holder of this Note cash equal to such fraction multiplied by the Conversion Price.

8. **Miscellaneous.**

(a) **Governing Law.** The validity, interpretation, construction and performance of this Note, and all acts and transactions pursuant hereto and the rights and obligations of the Company and Holder shall be governed, construed and interpreted in accordance with the laws of the state of California, without giving effect to principles of conflicts of law.

(b) **Entire Agreement.** This Note, the Security Agreement, and the documents referred to therein, constitute the entire agreement and understanding between the Company and the Holder relating to the subject matter herein and supersedes all prior or contemporaneous discussions, understandings and agreements, whether oral or written between them relating to the subject matter hereof.

(c) **Amendments and Waivers.** Any term of this Note may be amended or waived only with the written consent of the Company and the Holder; provided, however, that no such amendment, waiver or consent shall: (i) reduce the principal amount of this Note without the Holder's written consent, or (ii) reduce the rate of interest of this Note without the Holder's written consent. Any amendment or waiver effected in accordance with this Section 9(c) shall be binding upon the Company, the Holder and each transferee of any Note.

(d) **Successors and Assigns.** The terms and conditions of this Note shall inure to the benefit of and be binding upon the respective successors and assigns of the Company and the Holder. Notwithstanding the foregoing, the Company may not assign its obligations under this Note without the written consent of the Holder. Subject to the preceding sentence, this Note may be transferred only upon surrender of the original Note for registration of transfer, duly endorsed, or accompanied by a duly executed written instrument of transfer in form satisfactory to the Company. Thereupon, a new note for the same principal amount and interest will be issued to, and registered in the name of, the transferee. Interest and principal are payable only to the registered holder of this Note.

(e) **Notices.** Any notice, demand or request required or permitted to be given under this Note shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or (a) personal delivery to the party to be notified, (b) when sent, if sent by electronic mail or facsimile during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next business day, (c) one (1) business day after deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt shall be in writing, or (d) 48 hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, addressed to the party to be notified at such party's address as set forth on the signature page, as subsequently modified by written notice, or if no address is specified on the signature page, at the most recent address set forth in the Company's books and records.

(f) **Counterparts.** This Note may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which together shall constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has executed this Convertible Promissory Note as of the date first set forth above.

THE COMPANY:

[**]

By: [**]

By: _____

Name:

Title:

Address:

Email:

AGREED TO AND ACCEPTED:

THE HOLDER:

By: _____

Name:

Title:

Address:

Email: _____

Certain identified information has been excluded from the exhibit because it both (i) is not material and (ii) would be competitively harmful if publicly disclosed. Information that has been omitted from the exhibit are indicated with brackets.

Execution Version

SECURITY AGREEMENT

THIS SECURITY AGREEMENT, dated as of January 31, 2025, is entered into between Blum Management Holdings, Inc., a California corporation ("Secured Party"), and [***], a California corporation ("Debtor").

The parties agree as follows:

1. DEFINITIONS. In addition to the definitions contained in the first paragraph of this Agreement, the following terms as used in this Agreement shall have the following definitions:

1.1 The term "this Agreement" means this Security Agreement and any extensions, supplements, amendments, or modifications to this Security Agreement.

1.2 The term "the Code" means the California Uniform Commercial Code, and any and all terms used in this Agreement which are defined in the Code shall be construed and defined in accordance with the meaning and definition ascribed to such terms under the Code.

1.3 The term "Collateral" means the assets of Debtor listed on Exhibit A attached hereto.

1.4 The term "Event of Default" means the occurrence of any one of the events set forth in Section 4 of this Agreement.

1.5 The term "Judicial Officer or Assignee" means any trustee, receiver, controller, custodian, assignee for the benefit of creditors or any other person or entity having powers or duties like or similar to the powers and duties of a trustee, receiver, controller, custodian or assignee for the benefit of creditors.

1.6 The term "Note" means that certain Convertible Secured Promissory Note, of even date herewith, in the original principal amount of Five Hundred Thousand and 00/100 Dollars (\$500,000), executed by Debtor to the order of Secured Party, and any amendments, restatements and modifications thereof.

1.7 The term "Obligations" means the loan evidenced by the Note, including, without limitation, all principal and interest.

2. CREATION OF SECURITY INTEREST. Debtor hereby grants to Secured Party a security interest in all presently existing and hereafter acquired or arising Collateral in order to secure prompt repayment of any and all Obligations owed by Debtor to Secured Party.

3. EVENTS OF DEFAULT. Any one or more of the following events shall constitute an Event of Default by Debtor under this Agreement:

3.1 If Debtor fails to pay when due and payable or when declared due and payable, all or any portion of the Obligations owing to Secured Party or there occurs any Event of Default under the Note or any related documents;

3.2 If any material representation, statement, report, or certificate made or delivered by Debtor, or any of its officers, employees or agents, to Secured Party is not true and correct;

3.3 If all or any of Debtor's assets are attached, seized, subjected to a writ or distress warrant, or are levied upon, or come into the possession of any Judicial Officer or Assignee;

3.4 If Debtor is enjoined, restrained or in any way prevented by court order from continuing to conduct all or any material part of its business affairs;

4. SECURED PARTY'S RIGHTS AND REMEDIES

4.1 Upon the occurrence of an Event of Default by Debtor under this Agreement, Secured Party may, at its election, without notice of its election and without demand, do any one or more of the following, all of which are authorized by Debtor:

- (a) Declare all Obligations immediately due and payable;
- (b) Exercise all rights and remedies of a secured creditor under the Code.

4.2 Secured Party's rights and remedies under this Agreement and all other agreements shall be cumulative. Secured Party shall have all other rights and remedies not inconsistent herewith as provided by law or in equity. No exercise by Secured Party of one right or remedy shall be deemed an election, and no waiver by Secured Party of any default on Debtor's part shall be deemed a continuing waiver. No delay by Secured Party shall constitute a waiver, election or acquiescence by it.

5. NOTICES. Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement shall be in writing and either personally served or sent in accordance with the notice provisions set forth in the Note.

6. GOVERNING LAW; WAIVER OF JURY TRIAL. This Agreement and the provisions hereof are to be construed according to and are governed by the laws of the State of California, without regard to principles of conflicts of laws thereof. Debtor agrees that the California State Court located in the County of Los Angeles, State of California shall have exclusive jurisdiction in connection with any dispute concerning or arising out of this Agreement or otherwise relating to the parties' relationship. In any action, lawsuit or proceeding brought to enforce or interpret the provisions of this Agreement and/or arising out of or relating to any dispute between the parties, Secured Party shall be entitled to recover all of its costs and expenses relating collection and enforcement of this Agreement (including without limitation, reasonable attorney's fees and disbursements) in addition to any other relief to which Secured Party may be entitled and all costs of collection, including any legal fees associated with this Agreement will be paid by Debtor. Each party agrees that any process or notice to be served or delivered in connection with any action, lawsuit or proceeding brought hereunder may be accomplished in accordance with the notice provisions set forth above or as otherwise provided by applicable law.

DEBTOR HEREBY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM, WHETHER IN CONTRACT OR TORT, AT LAW OR IN EQUITY, ARISING OUT OF OR IN ANYWAY RELATING TO THIS AGREEMENT.

7. GENERAL PROVISIONS

7.1 This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, however, that Debtor may not assign this Agreement or any rights hereunder without Secured Party's prior written consent and any prohibited assignment shall be absolutely void. No consent to an assignment by Secured Party shall release Debtor from its Obligations to Secured Party. Secured Party may assign this Agreement and its rights and duties hereunder.

7.2 Section headings and section numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each section applies equally to this entire Agreement.

7.3 Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Secured Party or Debtor, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

7.4 Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

7.5 This Agreement cannot be changed or terminated orally. All prior agreements, understandings, representations, warranties and negotiations, if any, are merged into this Agreement.

7.6 In the event either party hereto shall institute an action to enforce or interpret any rights hereunder, the prevailing party therein shall be entitled, in addition to any other relief which may be awarded, to reasonable attorneys, fees and litigation expenses.

[SIGNATURE PAGE TO FOLLOW]

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

[**]

By: [**]

By: _____

Name:

Title:

Address:

Email:

EXHIBIT A

Description of Collateral

The collateral consists of all of Debtor's right, title and interest in and to the following personal property:

All assets of Debtor, including without limitation, all personal property, and all goods, accounts, equipment, inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, general intangibles, any commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

All of Debtor's books and records relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Blüm Holdings Moves Forward with Binding LOI for Key Acquisition

DOWNEY, Calif., Feb. 04, 2025 (GLOBE NEWSWIRE) -- Blum Holdings, Inc. (OTCQB: BLMH) (the “Company,” “Blüm,” “Blüm Holdings,” “we” or “us”), a California-based publicly traded holding company and cannabis operator, today announced that it has entered into a Binding Letter of Intent (“LOI”) to acquire a premier Northern California dispensary (“Target”). This follows the previously announced Non-Binding Letter of Intent disclosed in the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission (the “SEC”) on January 15, 2025.

For the twelve months ended December 31, 2024, the Target generated approximately \$18.0 million in annual gross revenue and approximately \$13.0 million in net revenue. These revenue figures have not been audited and remain subject to adjustment.

Pursuant to the terms of the LOI, a wholly own subsidiary of Blüm will acquire 100% of the issued and outstanding stock of the Target for a total purchase price of \$2.0 million structured as a combination of cash and equity, and subject to a performance-based bonus award.

Concurrently with the parties’ execution of the LOI, Blüm entered into a senior secured convertible promissory note in the principal amount of \$500,000 (the “Note”). The Note includes performance-based milestone requirements. The Note carries interest at a rate of 8% per annum and matures on March 31, 2025. The Note may be converted into shares of the Target and is currently expected to be either converted into equity of the Target or have its maturity date extended, subject to completion of due diligence and final negotiations as the case may be. The LOI and Note include structured operational targets, such as operating expense reductions and EBITDA improvements, to align incentives and drive sustainable growth.

No assurances can be made that the Company will successfully negotiate and enter into definitive agreements for the transactions contemplated by the LOI (the “Transaction”) or that the Company will be successful in completing the Transaction.

“This agreement is a testament to the hard work and dedication of our team and shareholders over the past two years as we continue executing on our turnaround strategy and enter a new era of growth. The progress we have made would not have been possible without the trust and support of our employees, corporate team, partners, and shareholders, and for that, I am incredibly grateful. Their belief in our vision has allowed us to take bold but disciplined steps which we believe will stabilize and grow our business. We expect this Transaction to represent a significant and meaningful milestone in our journey, and we remain committed to driving durable value for our team, shareholders, partners, and customers,” said Sabas Carrillo, CEO of Blüm Holdings.

“Beyond acquiring a dispensary with strong gross and net revenues, we are equally excited to welcome such a hardworking and dedicated team to Blüm. Their experience, resilience, and commitment to excellence align well with our culture, and we look forward to working alongside them to build something truly special together while integrating their operations into our expanding platform,” Sabas added.

“That said, job’s not finished. We still have work ahead of us to successfully close this Transaction—work that must be done during a particularly turbulent time in both the cannabis industry and the broader political climate. While challenges remain, I have confidence in our team’s ability to navigate this moment with the same determination and discipline that have brought us this far,” concluded Sabas.

About Blüm Holdings

Blüm Holdings is a leader in the cannabis sector. Our commitment to quality, innovation, and customer service makes us a trusted name in the cannabis industry, dedicated to shaping its future. Blüm Holdings, through its subsidiaries, operates leading dispensaries throughout California as well as several leading company-owned brands including Korova, known for its high potency products across multiple product categories, including the legendary 1000 mg THC Black Bar. As both a holding company and a marketing platform, Blüm aims to leverage its growing ecosystem to accelerate customer and retail investor acquisition, increase brand awareness, and create value across its portfolio.

For more info, please visit: <https://blumholdings.com>.

Follow us on Instagram @blumholdings

Contact:

Jason Assad
LR Advisors LLC.
jassad@blumholdings.com
678-570-6791

Cautionary Language Concerning Forward-Looking Statements

Certain statements contained in this communication regarding matters that are not historical facts, are forward-looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, known as the PSLRA. These include statements regarding management’s intentions, plans, beliefs, expectations, or forecasts for the future, and, therefore, you are cautioned not to place undue reliance on them. No forward-looking statement can be guaranteed, and actual results may differ materially from those projected. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise, except to the extent required by law. The Company uses words such as “anticipates,” “believes,” “plans,” “expects,” “projects,” “future,” “intends,” “may,” “will,” “should,” “could,” “estimates,” “predicts,” “potential,” “continue,” “guidance,” and similar expressions to identify these forward-looking statements that are intended to be covered by the safe-harbor provisions of the PSLRA. Such forward-looking statements are based on the Company’s expectations and involve risks and uncertainties; consequently, actual results may differ materially from those expressed or implied in the statements due to a number of factors.

New factors emerge from time-to-time and it is not possible for the Company to predict all such factors, nor can the Company assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Such risks may include, among other things, the risk that the Company will not achieve the anticipated benefits of Transaction, such as the stabilization and growth of the Company’s business; the risk that we may not be able to execute our growth strategies; the risk that we may not successfully negotiate and enter into definitive agreements for the Transaction; and the risk that even if we are able to negotiate and enter into definitive agreements, the Transaction may not be completed. Additional risks and uncertainties are identified and discussed in the “Risk Factors” section of the Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other documents filed from time to time with the SEC. Forward-looking statements included in this release are based on information available to the Company as of the date of this release. The Company undertakes no obligation to update such forward-looking statements to reflect events or circumstances after the date of this release.