`UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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): October 31, 2014

Nemus Bioscience, Inc.
(Exact name of registrant as specified in its charter)

Nevada	000-55136	45-0692882
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

650 Town Center Drive, Suite 620, Costa Mesa, CA 92626
(Address of principal effective offices) (Zip Code)

Registrant's telephone number, including area code: (949) 396-0330

Load Guard Logistics, Inc., 6317 SW 16th Street, Miami, FL 33155
(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))

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Item 1.01 Entry into a Material Definitive Agreement.

The disclosures set forth under Item 2.01 are hereby incorporated by reference in this Item 1.01.

Item 2.01 Completion of Acquisition or Disposition of Assets.

Agreement and Plan of Merger

On October 31, 2014, Load Guard Logistics, Inc. ("LGL" or the "Registrant") closed an Agreement and Plan of Merger, dated October 17, 2014 (the "Merger Agreement"), with Nemus Acquisition Corp. ("Acquisition Sub"), Nemus Bioscience, Inc. ("Name Change Merger Sub"), and Nemus ("Nemus"), pursuant to which Acquisition Sub merged with and into Nemus and Nemus survived as a wholly-owned subsidiary of LGL (the "Merger"). On November 3, 2014, LGL changed its name to "Nemus Bioscience, Inc." by merging with Name Change Merger Sub.

Assignment and Assumption Agreement

On October 31, 2014, the Registrant entered intoan Assignment and Assumption Agreement (the "Assignment Agreement") with LGT, Inc., a Florida corporation and a wholly-owned subsidiary of LGL (the "LGT"), pursuant to which LGL transferred all of its assets and liabilities to LGT immediately prior to the consummation of the Merger.

Share Repurchase and Cancellation Agreement

On October 31, 2014, the Registrant entered intoa Share Repurchase and Cancellation Agreement (the "Repurchase Agreement") with LGT, Yosbani Mendez and Francisco Mendez, pursuant to which LGL repurchased 5,431,460 shares of its common stock (the "Repurchased Shares") from Yosbani Mendez and Francisco Mendez for a repurchase price of all of the issued and outstanding shares of LGT. Upon the repurchase, LGL cancelled all of the Repurchased Shares.

Lock-up Agreements

Concurrently with the closing of the Merger Agreement, on October 31, 2014, the Registrant entered into Lock-up Agreements ("Lock-up Agreements") with certain stockholders of Nemus (the "Nemus Stockholders"). The Nemus Stockholders agreed that during the period from the closing of the Merger Agreement on October 31, 2014, until the first anniversary thereof, the Nemus Stockholders will not sell, transfer, or otherwise dispose of any shares of common stock issued pursuant to the Merger, other than in connection with an offer made to all stockholders of the Registrant in connection with merger, consolidation, or similar transaction involving the Registrant or an underwritten offering of the Registrant's securities.

The description of the Merger Agreement, the Assignment Agreement, the Repurchase Agreement and form of Lock-up Agreement is qualified in its entirety by reference to the complete text of such agreements, which is are attached hereto as Exhibits 2.1, 10.1, 10.2 and 10.3, respectively, and incorporated by reference herein. You are urged to read the entire Merger Agreement, Assignment Agreement and Repurchase Agreement, form of Lock-up Agreement and the other exhibits attached hereto.

Principal Terms of the Merger

Pursuant to the Merger Agreement, Acquisition Sub agreed to merge with and into Nemus, with Nemus as the surviving corporation, with each share of Nemus being exchanged for 12,880,000 shares of LGL (the "Merger"). The Merger closed on October 31, 2014. Upon consummation of the Merger, we had 16,000,000 shares of common stock, no shares of preferred stock, and warrants to purchase 4,000,000 shares of common stock issued and outstanding.

On November 3, 2014, after the closing of the Merger, LGL changed its corporate name from "Load Guard Logistics, Inc." to "Nemus Bioscience, Inc." by merging with Name Change Merger Sub. Our common stock is quoted on the Over the Counter Bulletin Board, or OTCBB, under the symbol "LGLR".Effective October 29, 2014, a "D" was placed at the end of our trading symbol. On November 25, 2014, the Company's trading symbol on the OTCBB will change toNMUS to reflect our name change to Nemus Bioscience, Inc. This market is extremely limited and the prices quoted are not a reliable indication of the value of our common stock. To date, no shares of our common stock have traded.

On October 31, 2014, after the closing of the Merger, our Board of Directors approved the Nemus Bioscience, Inc. 2014 Omnibus Incentive Plan, or 2014 Plan, andgranted 1,080,000 options to purchase shares of its common stock pursuant to the 2014 Plan.

The transactions contemplated by the Merger Agreement were intended to be a "tax-free" reorganization pursuant to the provisions of Sections 351 and/or 368(a) of the Internal Revenue Code of 1986, as amended.

The Merger resulted in a change in control of our company from Yosbani Mendez and Francisco Mendez, to the stockholders of Nemus. In connection with the change in control, John B. Hollister, Cosmas N. Lykos and Gerald W. McLaughlin were appointed as members of our Board of Directors effective upon the closing of the Merger. Yosbani Mendez and Francisco Mendez, officers and directors of LGL prior to the consummation of the Merger, resigned from all officer and director positions with the Company at the time the transaction was consummated.

The Merger is being accounted for as a reverse-merger and recapitalization. Nemus is the acquirer for financial reporting purposes and LGL is the acquired company. Consequently, the assets and liabilities and the operations that will be reflected in the historical financial statements prior to the Merger will be those of Nemus and will be recorded at the historical cost basis of Nemus, and the consolidated financial statements after completion of the Merger will include the assets and liabilities of LGL and Nemus, the historical operations of Nemus and the operations of the Nemus from and after the closing date of the Merger.

Following the Merger, the Company continues to be a "smaller reporting company," as defined in Item 10(f)(1) of Regulation S-K, as promulgated by the Securities and Exchange Commission, or SEC.

DESCRIPTION OF NEMUS BIOSCIENCE INC.'S BUSINESS

As used in this report, unless otherwise indicated, the terms "we," "our," "Company" and "Nemus" refer to Nemus Bioscience, Inc., a Nevada corporation, formerly known as Load Guard Logistics, Inc., and its wholly-owned subsidiary Nemus.

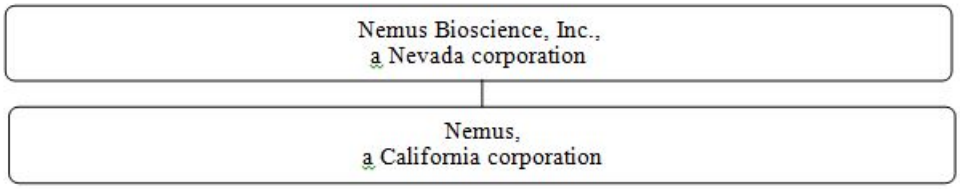
History

LGL incorporated in the State of Nevada on March 16, 2011, as Load Guard Transportation, Inc. LGL changed its name to Load Guard Logistics, Inc. on November 6, 2012 LGL incorporated a wholly owned subsidiary in the State of Florida on March 18, 2011, called LGT, Inc.Prior to the Merger, we werepreviously a transportation and logistics company engaged primarily in hauling truckload shipments of general commodities in both interstate and intrastate commerce (the "Former Business"). Nemus was incorporated in the State of California on July 17, 2012.

On October 31, 2014, LGL closed a reverse merger transaction, described below, pursuant to which LGL became the 100% parent of Nemus and assumed the operations of Nemus. On November 3, 2014, LGL changed its name to Nemus Bioscience, Inc. by merging with Name Change Merger Sub.

Corporate Structure

The corporate structure of the Company is illustrated as follows:



Our principal executive offices and corporate offices are located at 650 Town Center Drive, Suite 620, Costa Mesa, CA 92626. Our telephone number is (949)396-0330.

Business Overview

We are a biopharmaceutical company focused on the discovery, development, and the commercialization of cannabis-based therapeutics through our partnership with the University of Mississippi, or UM. UM has held the only contract to cultivate cannabis for research purposeson behalf of the Federal Government since 1968, and it has significant expertise in cannabis cultivation and the extraction, separation, process and manufacture of cannabis extracts. We are currently UM's sole partner for the development and commercialization of drugs derived from cannabis extracts, or cannabinoids, and the realization of this partnership will depend on the successful navigation of the complex regulatory framework for the cultivation and handling of cannabis in the United States.

Our Strategic Partnership

In July 2013, we entered into a Memorandum of Understanding, or MOU, with UM to engage in joint research activities including extracting, manipulating, and studying cannabis in every form to develop intellectual property with the intention to create and commercialize therapeutic medicines. The MOU provides that we own all intellectual property developed solely by our employees and will jointly own all intellectual property developed jointly between Nemus and UM employees. The term of the agreement is five years and the parties agree to enter into separate research agreements upon the identification of patentable technologies.

On May 15, 2014, we entered into an option agreement in which UM granted Nemus a three-month option for conducting due diligence to exclusively license a suppository dosage form containing Dronabinol Hemisuccinate and other esters.

On July 1, 2014, we entered into three additional option agreements in which UM granted Nemus three-month exclusive options for conducting due diligence on the following three cannabinoid presentations for the purposes of U.S. Food and Drug Administration, or FDA, approval and commercialization:

1) UM 1490 – transmucosal delivery of cannabinoids
2) UM 5070 – treatment for methicillin-resistant *Staphylococcus aureus* infections
3) UM 8790 – ocular delivery of cannabanoids

On August 12, 2014, we exercised our option to exclusively license UM's rights to UM 5070, UM 1490 and UM 8790.

On September 29, 2014, we entered into three license agreements with UM pursuant to which UM granted Nemus exclusive, perpetual licenses of all intellectual property related to the optioned new compound elements that UM has previously developed, including the right to sublicense, and we have identified target indications for development and commercialization by us. The licenses from UM include the rights to UM5050, a pro-drug formulation of tetrahydrocannabinol, or THC. Data from UM supports the delivery of the pro-drug through absorptive routes other than the gastrointestinal tract, which we believe helps mitigate the issue of first-pass metabolism by the liver enhancing drug bioavailability. The three licenses are for delivery of UM5050 through ocular, transmucosal and trans-rectal delivery. Further, we have a renewable option for the rights to use UM5050 for delivery by other means not yet agreed upon and/or in combination with other cannabinoids or other compatible compounds.

In addition, we anticipate a research agreement with UM to conduct studies to assess the utility of cannabinoid-based compounds for the prophylaxis and treatment of methicillin-resistant Staphylococcus aureus, or MRSA, infections. We also believe there may be the opportunity to study the role of cannabinoids as therapeutic options in other infectious diseases, including those that pose a threat to the public health.

Our Product Candidates

Cannabinoids are a class of chemically diverse compounds that are extracted from the cannabis plant.
These cannabis-derived compounds express their physiological response by binding to specific cannabinoid receptors (CB1 and CB2), which are found throughout the body. Some cannabinoids have been noted to exert multiple effects on the human body, including but not limited to: impacting the immune response, nervous system function and repair, gastrointestinal maintenance and motility, motor function in muscles, pancreatic functionality and blood sugar regulation, and integrity of function in the eye, including the optic nerve. Cannabis and specific cannabinoids, have been studied widely, with published data demonstrating the efficacy of these compounds in treating many disorders or alleviating disease-associated symptoms.

We are focused on the development of early stage cannabinoid product candidates. Specifically, UM's research to date has indicated that proprietary cannabinoid chemistry coupled to the innovative, alternative delivery methods, such as ocular, transmucosal and trans-rectal delivery, could have beneficial effects across a spectrum of diseases, including these primary targets:

- Glaucoma and other optic nerve-related disorders
- Conditions associated with muscle spasticity
- Anxiety
- Epilepsy
- Therapeutics directed against MRSA

The following table summarizes certain information regarding our cannabinoid product candidates:

Product Candidate	Indication	Status
NB1111	Glaucoma	Preclinical
NB2221	MS Spasticity	Preclinical
NB31R1	MRSA	Research
NB23R1	Epilepsy	Research
NB51R1	Anxiety	Research

Our Competitive Strengths

Cannabis is subject to strict regulation in the United States. Cannabis is classified by the U.S. Drug Enforcement Administration, or DEA, as a Schedule I substance, which means that, under federal law, it has no established medicinal use and may not be marketed or sold in the United States. In addition, the United States is a party to the Single Convention on Narcotic Drugs, which imposes certain requirements and restrictions on member parties with respect to the cultivation and wholesale trade in cannabis. Since 1968, UM has held the only contract with the Federal Government to cultivate cannabis on its behalf for research purposes, and holds the requisite DEA registrations authorizing it to engage in that activity. The contract, which is open for competitive bidding at periodic intervals, is administered by the National Institute on Drug Abuse, or NIDA, an agency within the National Institutes of Health. UM is currently engaged in the competitive bidding process for the next contract interval. As the sole contract holder since 1968, UM has developed significant expertise in extraction, separation, processing and manufacture of cannabinoids. UM has also engaged in the cultivation of cannabis and the extraction of cannabinoids for purposes of developing drug product candidates apart from its role as NIDA contractor. We have entered into commercial and research agreements with UM and view this collaborative association as a significant strategic advantage in the marketplace.

The only cannabinoid products that are currently approved as drugs in the United States and, to our knowledge, all cannabinoid products in late-stage development are orally-delivered. Cannabinoids, when ingested orally, are subject to significant first pass metabolism by the liver and potential drug-drug interactions, resulting in very high patient-to-patient variation in bioavailability which can compromise both efficacy and safety. This has been repeatedly published in the literature and in product labeling by regulatory agencies worldwide. These independent assessments correlate with highly variable response rates and safety profiles which in some cases, have been deemed to have marginal clinical utility.

We have licensed from UM the rights to a pro-drug formulation of tetrahydrocannabinol, or THC. Data from UM supports the delivery of the pro-drug through absorptive routes other than the gastrointestinal tract, which we believe helps mitigate the issue of first-pass metabolism by the liver enhancing drug bioavailability. The three licenses are for delivery of this proprietary formulation through ocular, transmucosal and trans-rectal delivery.

We are also working with UM and other parties on methods to formulate and deliver a variety of other pharmaceutical-grade cannabinoids to treat other symptoms and diseases.

Our Business Strategy

Our goal is to become the premier developer of prescription cannabis-derived medicines for global markets with significant unmet medical needs. Our current operating strategy includes:

- selection of potential clinical targets based on internal and external published data, access to appropriate cannabinoids, and the impact of both developmental and market conditions;
- prioritization of product candidates based on associated target indications;
- utilization, where feasible, of both naturally-derived and synthetic cannabinoids;
- development and execution of an intellectual property strategy;
- development and advancement of our current product pipeline;
- outsourcing services, such as use of Clinical Research Organizations, or CROs, and contract manufacturers for the active pharmaceutical ingredient, or API, where possible and appropriate;
- obtaining necessary DEA registrations;
- obtaining regulatory approval from the FDA and European Medicines Agency, or EMA, for products candidates;
- research and development of additional target indications for cannabinoid product candidates; and
- partnering, out-licensing, or selling approved products, if any, to optimize Company efficiencies to bring state-of-the-art therapeutics to patients.

Sales and Marketing

We have not yet established a sales, marketing or product distribution infrastructure because our lead candidates are still in discovery or preclinical development. If and when we obtain approval to market any of our product candidates, we will evaluate what we believe to be the optimal commercialization path for the company, the respective product candidate, and patients. Commercialization paths may include licensing, selling, or partnering with other commercial partners. We may also choose to build a commercial sales and marketing team for some or all of our product candidates.

Manufacturing

We have entered into a lease agreement on a laboratory at UM. The laboratory is in the process of being prepared for development work and is designed to comply with applicable regulatory requirements, including those of the DEA, FDA, and Occupational Safety and Health Administration, or OSHA. We expect that the site will primarily focus on therapeutic discovery and development work.

We do not own or operate, and currently have no plans to establish, any manufacturing facilities for final manufacture. We currently rely, and expect to continue to rely, on third parties for the manufacture of our product candidates for preclinical and clinical testing, as well as for commercial manufacture of any products that we may commercialize. We do not currently have any long-term supply commitments or other arrangements in place, and may obtain our supplies from a manufacturer on a purchase order basis or through a formal supply agreement. For all of our product candidates, we aim to identify and qualify manufacturers to provide the API and fill-and-finish services prior to submission of a new drug application, or NDA, to the FDA. We expect to continue to develop drug candidates that can be produced cost-effectively at contract manufacturing facilities.

One component of any manufacturing process we develop will be the cannabinoid base materials. Natural cannabis is one potential source of the cannabinoid core materials for all of our product candidates, as well as for research purposes. Working with our partners at the UM, we believe we can optimize the cultivation to yield consistent, high grade product in an environment with as many controls as reasonable and possible. We view the cultivation and manufacture of consistent, high grade product in a controlled environment to be an important step to help minimize risks associated with growing a natural crop.

We believe we can also work with our partners at UM and others to explore the manufacture of synthetic cannabinoids, as these may be more economical and predictable from a regulatory and production perspective.

Intellectual Property

The success of most of our product candidates will depend in large part on our ability to:

- obtain and maintain patent and other legal protections for the proprietary technology, inventions and improvements we consider important to our business;
- prosecute our patent applications and defend any issued patents we obtain;
- preserve the confidentiality of our trade secrets; and
- operate without infringing the patents and proprietary rights of third parties.

We intend to continue to seek appropriate patent protection for certain of our product candidates, drug delivery systems, molecular modifications, as well as other proprietary technologies and their uses by filing patent applications in the United States and other selected global territories. We intend for these patent applications to cover, where possible, claims for medical uses, processes for preparation, processes for delivery and formulations.

As of date of this report, we have licensed from UM a total of two U.S. patents. In addition to those licenses, we have one trademark application pending in the United States for Nemus Bioscience, Inc. We also rely upon unpatented trade secrets and know-how and continuing technological innovation to develop and maintain our proprietary and intellectual property position. We seek to protect our proprietary information, in part, using confidentiality agreements with our collaborators, scientific advisors, employees and consultants, and invention assignment agreements with our employees and selected consultants, scientific advisors and collaborators. The confidentiality agreements are designed to protect our proprietary information and, in the case of agreements or clauses requiring invention assignment, to grant us ownership of technologies that are developed through a relationship with a third-party.

Competition

Our industry is characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. We face competition from many different sources, such as pharmaceutical companies, including generic drug companies, biotechnology companies, drug delivery companies and academic and research institutions. Many of our potential competitors have substantially greater financial, scientific, technical, intellectual property, regulatory and human resources than we do, and greater experience than we do commercializing products and developing product candidates, including obtaining FDA and other regulatory approvals for product candidates. Consequently, our competitors may develop products for indications we pursue that are more effective, better tolerated, more widely-prescribed or accepted, more useful and less costly, and they may also be more successful in manufacturing and marketing their products. We also face competition from third parties in recruiting and retaining qualified personnel, establishing clinical trial sites and enrolling patients for clinical trials and in identifying and acquiring or in-licensing new products and product candidates.

Government Regulation

Government authorities in the United States, at the federal, state and local level, and in other countriesextensively regulate, among other things, the research, development, testing, manufacture, packaging, storage, recordkeeping, labeling, advertising, promotion, distribution, marketing, import and export of pharmaceutical products such as those we are developing. The processes for obtaining regulatory approvals in the United States and in foreign countries, along with subsequent compliance with applicable statutes and regulations, require the expenditure of substantial time and financial resources. A failure to comply with such laws and regulations or prevail in any enforcement action or litigation related to noncompliance could have a material adverse impact on our business, financial condition and results of operations and could cause the market value of our common stock to decline.

Regulation of Cannabis and Cannabinoids

DEA Regulation

Cannabis and cannabinoids are regulated as "controlled substances" as defined in the Controlled Substances Act of 1970, or CSA, which establishes registration, security, recordkeeping, reporting, storage, distribution and other requirements administered by the DEA. The DEA is concerned with the control of handlers of controlled substances, and with the equipment and raw materials used in their manufacture and packaging, in order to prevent loss and diversion into illicit channels of commerce.
The DEA regulates controlled substances as Schedule I, II, III, IV or V substances. Schedule I substances by definition have no established medicinal use, and may not be marketed or sold in the United States. A pharmaceutical product may be listed as Schedule II, III, IV or V, with Schedule IIsubstances considered to present the highest risk of abuse and Schedule V substances the lowest relative risk of abuse among such substances. Cannabis is listed by the DEA as a Schedule I controlled substance under the CSA. Consequently, its manufacture, shipment, storage, sale and use is subject to a high degree of regulation. Annual registration is required for any facility that manufactures, distributes, dispenses, imports or exports any controlled substance. The registration is specific to the particular location, activity and controlled substance schedule. For example, separate registrations are needed for import and manufacturing, and each registration will specify which schedules of controlled substances are authorized.

The DEA typically inspects a facility to review its security measures prior to issuing a registration. Security requirements vary by controlled substance schedule, with the most stringent requirements applying to Schedule I and Schedule II substances. Required security measures include background checks on employees and physical control of inventory through measures such as cages, surveillance cameras and inventory reconciliations. The registered entity must maintain records for the handling of all controlled substances, and must make periodic reports to the DEA. These include, for example, distribution reports for Schedule I and II controlled substances, Schedule III substances that are narcotics, and other designated substances. The registered entity must also report thefts or losses of any controlled substance, and obtain authorization to destroy any controlled substance. In addition, special authorization and notification requirements apply to imports and exports.

In addition, a DEA quota system controls and limits the availability and production of controlled substances in Schedule I or II. Distributions of any Schedule I or II controlled substance must also be accompanied by special order forms, with copies provided to the DEA. The DEA may adjust aggregate production quotas and individual production and procurement quotas from time to time during the year, although the DEA has substantial discretion in whether or not to make such adjustments. To meet its responsibilities, the DEA conducts periodic inspections of registered establishments that handle controlled substances. In the event of non-compliance, the DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to revoke those registrations. In certain circumstances, violations could lead to criminal prosecution.

We have not yet applied for or been granted any DEA controlled substance registrations, but we are taking steps toready our UM-based laboratory for compliance with the regulatory requirements for registration. We believe that UM's knowledge in this area will beneficial to us as we prepare to apply for registrations.

State Regulation

The states also maintain separate controlled substance laws and regulations, including licensing, recordkeeping, security, distribution, and dispensing requirements. State Authorities, including Boards of Pharmacy, regulate use of controlled substances in each state. Failure to maintain compliance with applicable requirements, particularly as manifested in the loss or diversion of controlled substances, can result in enforcement action that could have a material adverse effect on our business, operations and financial condition.

The Single Convention on Narcotic Drugs 1961

Many countries, including the United States, are parties to the 1961 Single Convention on Narcotic Drugs, or the Single Convention, which is an international treaty that governs international trade and domestic control of narcotic substances, including cannabis and cannabis extracts. The Single Convention requires all parties to take measures to limit the production, manufacture, export, import, distribution of, trade in, and use and possession of cannabis exclusively to medical and scientific purposes. In particular, the Single Convention requires member countries to establish a government agency to oversee the cultivation of marijuana and establish a monopoly on the wholesale trade of marijuana, and it provides that this role must be filled by a single government agency if the member country's constitution permits.

Party members, including the United States, may interpret and implement their treaty obligations in a way that restricts our ability to develop and obtain marketing approval for our product candidates in accordance with our current plans and partnership with UM. To date, no natural cannabis or cannabis-derived product has obtained marketing approval in the United States.

NIDA

Pursuant to the Single Convention, NIDA oversees the cultivation of research-grade cannabis for medicinal research on behalf of the United States Government. NIDA has historically fulfilled this obligation through a contract that it administers with UM. UM has been the sole NIDA contractor to grow cannabis for research purposes since 1968. The contract is open for competitive bidding at periodic intervals. Since 1999, the term of the contract has been five years. UM is currently engaged in the competitive bidding process for the next contract interval. Under the NIDA contract, UM grows, harvests, stores, ships and analyzes cannabis of different varieties, as NIDA requires.

To obtain cannabis from NIDA for research purposes, researchers must submit a request package that includes, among other things, the name and quantity of substances being requested and a detailed research proposal. Research proposals undergo an interdisciplinary review process administered by the Public Health Service, or PHS. If the researcher satisfies the review and other criteria established by PHS, the researcher will be eligible to receive cannabis at cost through NIDA. NIDA makes the cannabis available to researchers through its contract with UM. To receive cannabis through NIDA, the researcher must have all appropriate DEA registrations. In addition, if the research involves clinical trials in humans, the protocol for the study must be authorized by FDA under an active investigational new drug, or IND, application.

UM has represented that it also grows cannabis for purposes of researching cannabis extracts, and has in the past grown cannabis, purified cannabis extracts, and distributed extracts for purposes of developing product candidates, separate and apart from its contract with NIDA. UM has indicated that it conducted these activities pursuant to separate registrations from DEA and that it plans to seek the necessary additional DEA registrations to conduct the contemplated activities in connection with our partnership, in compliance with applicable law and the United States' obligations under the Single Convention. However, there is a risk that regulatory authorities may disagree and decline to authorize us or UM to engage in these activities, or require us and UM to utilize NIDA cannabis for the development of our product candidates.

U.S. Food and Drug Administration

In the United States, pharmaceutical products are subject to extensive regulation bythe FDA. The FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act, or FDCA, and its implementing regulations. The process of obtaining regulatory approvals and the subsequent compliance with appropriatefederal, state, local and foreign statutes and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject us to a variety of administrative or judicial sanctions, such as the FDA's refusal to approve pending NDAs, withdrawal of an approval, imposition of a clinical hold, issuance of warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties.

The process required by the FDA before a drug may be marketed in the United States generally involves the following:

- completion of preclinical laboratory tests, animal studies and formulation studies in compliance with good laboratorypractice, or GLP, regulations
- submission to the FDA of an IND, which must become effective before human clinical trials may begin
- approval by an independent institutional review board, or IRB, at each clinical site before each trial may be initiated
- performance of adequate and well-controlled human clinical trials in accordance withgood clinical practice, or GCP, requirements to establish the safety and efficacy of the proposed drug for each indication;
- submission of an NDA to the FDA;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the product is produced to assess compliance with current good manufacturing practices, or cGMP, requirements and to assure that the facilities, methods and controls are adequate to preserve the drug's identity, strength, quality and purity; and
- FDA review and approval of the NDA.

Preclinical Studies

Preclinical studies include laboratory evaluation of product chemistry, toxicity and formulation, as well as animal studies to assess potential safety and efficacy. An IND sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data and any available clinical data or literature, among other things, to the FDA as part of an IND. Some preclinical testing may continue even after the IND is submitted. An IND automatically becomes effective 30 days after receipt by the FDA unless, before that time, the FDA raises concerns or questions related to one or more proposed clinical trials and places the clinical trial on a clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. As a result, submission of an IND may not result in the FDA allowing clinical trials to commence.

Clinical Trials

Clinical trials involve the administration of the investigational new drug to human subjects under the supervision of qualified investigators in accordance with GCP requirements, which include the requirement that all research subjects provide their informed consent in writing for their participation in any clinical trial. Clinical trials are conducted under protocols detailing, among other things, the objectives of the trial, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated. A protocol for each clinical trial and any subsequent protocol amendments must be submitted to the FDA as part of the IND. In addition, an IRB at each institution participating in the clinical trial must review and approve the plan for any clinical trial before it commences at that institution. Information about certain clinical trials must be submitted within specific timeframes to the NIH for public dissemination on their www.clinicaltrials.gov website.

Human clinical trials are typically conducted in three sequential phases, which may overlap or be combined:

- Phase 1: The drug is initially introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion and, if possible, to gain an early indication of its effectiveness.
- Phase 2: The drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance and optimal dosage.
- Phase 3: The drug is administered to an expanded patient population, generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to establish the overall risk-benefit profile of the product, and to provide adequate information for the labeling of the product.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and more frequently if serious adverse events occur. Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, or at all. Furthermore, the FDA or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug has been associated with unexpected serious harm to patients.

Marketing Approval

Assuming successful completion of the required clinical testing, the results of the preclinical and clinical studies, together with detailed information relating to the product's chemistry, manufacture, controls and proposed labeling, among other things, are submitted to the FDA as part of an NDA requesting approval to market the product for one or more indications. In most cases, the submission of an NDA is subject to a substantial application user fee. Under the Prescription Drug User Fee Act, or PDUFA, guidelines that are currently in effect, the FDA has a goal of ten months from the date of "filing" of a standard NDA for a new molecular entity to review and act on the submission. This review typically takes at least twelve months from the date the NDA is submitted to FDA because the FDA has approximately two months to make a "filing" decision. However, if issues arise during the review, FDA may request additional information and the review period may be extended to permit the applicant to provide and FDA to review that information which may significantly extend this time period.

In addition, under the Pediatric Research Equity Act of 2003, or PREA, as amended and reauthorized, certain NDAs or supplements to an NDA must contain data that are adequate to assess the safety and effectiveness of the drug for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults, or full or partial waivers from the pediatric data requirements.

The FDA also may require submission of a risk evaluation and mitigation strategy, or REMS, plan to ensure that the benefits of the drug outweigh its risks. The REMS plan could include medication guides, physician communication plans, assessment plans, and/or elements to assure safe use, such as restricted distribution methods, patient registries, or other risk minimization tools.

The FDA conducts a preliminary review of all NDAs within the first 60 days after submission, before accepting them for filing, to determine whether they are sufficiently complete to permit substantive review. The FDA may request additional information rather than accept an NDA for filing. In this event, the application must be resubmitted with the additional information. The resubmitted application is also subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review. The FDA reviews an NDA to determine, among other things, whether the drug is safe and effective and whether the facility in which it is manufactured, processed, packaged or held meets standards designed to assure the product's continued safety, quality and purity.

The FDA may refer an application for a novel drug to an advisory committee. An advisory committee is a panel of independent experts, including clinicians and other scientific experts, that reviews, evaluates and provides a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

Before approving an NDA, the FDA typically will inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving an NDA, the FDA may inspect one or more clinical trial sites to assure compliance with GCP requirements.

The testing and approval process for an NDA requires substantial time, effort and financial resources, and each may take several years to complete. Data obtained from preclinical and clinical testing are not always conclusive and may be susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. The FDA may not grant approval on a timely basis, or at all.

After evaluating the NDA and all related information, including the advisory committee recommendation, if any, and inspection reports regarding the manufacturing facilities and clinical trial sites, the FDA may issue an approval letter, or, in some cases, a complete response letter. A complete response letter generally contains a statement of specific conditions that must be met in order to secure final approval of the NDA and may require additional clinical or preclinical testing in order for FDA to reconsider the application. Even with submission of this additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval. If and when those conditions have been met to the FDA's satisfaction, the FDA will typically issue an approval letter. An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications. For some products, such as our product candidates, an additional step of DEA review and scheduling is required.

Post-Approval Requirements

Drugs manufactured or distributed pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to recordkeeping, periodic reporting, product sampling and distribution, advertising and promotion and reporting of adverse experiences with the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims are subject to prior FDA review and approval. There also are continuing, annual user fee requirements for any marketed products and the establishments at which such products are manufactured, as well as new application fees for supplemental applications with clinical data.

The FDA may impose a number of post-approval requirements as a condition of approval of an NDA. For example, the FDA may require post-marketing testing, including Phase 4 clinical trials, and surveillance to further assess and monitor the product's safety and effectiveness after commercialization.

In addition, drug manufacturers and other entities involved in the manufacture and distribution of approved drugs are required to register their establishments with the FDA and state agencies, and are subject to periodic unannounced inspections by the FDA and these state agencies for compliance with cGMP requirements. Changes to the manufacturing process are strictly regulated and often require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP requirements and impose reporting and documentation requirements upon the sponsor and any third-party manufacturers that the sponsor may decide to use. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance.

Once an approval is granted, the FDA may withdraw the approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market.

Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in mandatory revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical trials to assess new safety risks; or imposition of distribution or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines, warning letters or holds on post-approval clinical trials;
- refusal of the FDA to approve pending NDAs or supplements to approved NDAs, or suspension or revocation of product license approvals;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties.

The FDA strictly regulates marketing, labeling, advertising and promotion of products that are placed on the market. Drugs may be promoted only for the approved indications and in accordance with the provisions of the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability.

In addition, the distribution of prescription pharmaceutical products is subject to the Prescription Drug Marketing Act, or PDMA, which regulates the distribution of drugs and drug samples at the federal level, and sets minimum standards for the registration and regulation of drug distributors by the states. Both the PDMA and state laws limit the distribution of prescription pharmaceutical product samples and impose requirements to ensure accountability in distribution.

Exclusivity and Approval of Competing Products

Hatch Waxman Patent Exclusivity

In seeking approval for a drug through an NDA, applicants are required to list with the FDA each patent with claims that cover the applicant's product or a method of using the product. Upon approval of a drug, each of the patents listed in the application for the drug is then published in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the Orange Book. Drugs listed in the Orange Book can, in turn, be cited by potential competitors in support of approval of an abbreviated new drug application, or ANDA, or 505(b)(2) NDA. Generally, an ANDA provides for marketing of a drug product that has the same active ingredients in the same strengths, dosage form and route of administration as the listed drug and has been shown to be bioequivalent through in vitro or in vivo testing or otherwise to the listed drug. ANDA applicants are not required to conduct or submit results of preclinical or clinical tests to prove the safety or effectiveness of their drug product, other than the requirement for bioequivalence testing. Drugs approved in this way are commonly referred to as "generic equivalents" to the listed drug, and can often be substituted by pharmacists under prescriptions written for the original listed drug. 505(b)(2) NDAs generally are submitted for changes to a previously approved drug product, such as a new dosage form or indication.

The ANDA or 505(b)(2) NDA applicant is required to certify to the FDA concerning any patents listed for the approved product in the FDA's Orange Book, except for patents covering methods of use for which the ANDA applicant is not seeking approval. Specifically, the applicant must certify with respect to each patent that:

- the required patent information has not been filed;
- the listed patent has expired;
- the listed patent has not expired, but will expire on a particular date and approval is sought after patent expiration; or
- the listed patent is invalid, unenforceable or will not be infringed by the new product.

Generally, the ANDA or 505(b)(2) NDA cannot be approved until all listed patents have expired, except when the ANDA or 505(b)(2)NDA applicant challenges a listed drug. A certification that the proposed product will not infringe the already approved product's listed patents or that such patents are invalid or unenforceable is called a Paragraph IV certification. If the applicant does not challenge the listed patents or indicate that it is not seeking approval of a patented method of use, the ANDA or 505(b)(2) NDA application will not be approved until all the listed patents claiming the referenced producthave expired.

If the ANDA or 505(b)(2) NDA applicant has provided a Paragraph IV certification to the FDA, the applicant must also send notice of the Paragraph IV certification to the NDA and patent holders once the application has been accepted for filing by the FDA. The NDA and patent holders may then initiate a patent infringement lawsuit in response to the notice of the Paragraph IV certification. The filing of a patent infringement lawsuit within 45 days after the receipt of notice of the Paragraph IV certification automatically prevents the FDA from approving the ANDA or 505(b)(2) NDA until the earlier of 30 months, expiration of the patent, settlement of the lawsuit or a decision in the infringement case that is favorable to the ANDA applicant.

Hatch Waxman Non-Patent Exclusivity

In addition to patent issues, market and data exclusivity provisions under the FDCA can delay the submission or the approval of certain applications for competing products. The FDCA provides a five-year period of non-patent data exclusivity within the United States to the first applicant to gain approval of an NDA for a new chemical entity. A drug is a new chemical entity if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the activity of the drug substance. During the exclusivity period, the FDA may not accept for review an ANDA or a 505(b)(2) NDA submitted by another company that references the previously approved drug. However, an ANDA or 505(b)(2) NDA may be submitted after four years if it contains a Paragraph IV certification of patent invalidity or non-infringement. The FDCA also provides three years of marketing exclusivity for an NDA, 505(b)(2) NDA, or supplement to an existing NDA or 505(b)(2) NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant, are deemed by the FDA to be essential to the approval of the application or supplement. Three year exclusivity may be awarded for changes to a previously approved drug product, such as new indications, dosages, strengths or dosage forms of an existing drug. This three-year exclusivity covers only the conditions of use associated with the new clinical investigations and, as a general matter, does not prohibit the FDA from approving ANDAs or 505(b)(2) NDAs for other versions of drug. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA; however, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the preclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness.

Orphan Drug Exclusivity

Under the Orphan Drug Act, the FDA may designate a product as an orphan drug if it is a drug intended to treat a disease or condition that affects populations of fewer than 200,000 individuals in the United States or, if it affects more than 200,000individuals in the United States, there is no reasonable expectation that the cost of developing and making a drug product available in the United States for this type of disease or condition will be recovered from sales of the product. Orphan designation must be requested before submitting an NDA. Orphan designation does not convey any advantage in or shorten the duration of the regulatory review and approval process.

If a product that has orphan designation subsequently receives the first FDA approval for the disease or condition for which it has such designation, the product is entitled to orphan drug exclusivity, which means that the FDA may not approve any other applications to market the same drug for the same indication for seven years, except in limited circumstances, such as a showing of clinical superiority to the product with orphan exclusivity or inability to manufacture the product in sufficient quantities. The designation of such drug also entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax advantages and user-fee waivers. Competitors, however, may receive approval of different products for the same indication for which the orphan product has exclusivity or obtain approval for the same product but for a different indication than that for which the orphan product has exclusivity.

Federal and State Fraud and Abuse and Data Privacy and Security Laws and Regulations

In addition to FDA restrictions on marketing of pharmaceutical products, federal and state fraud and abuse laws restrict business practices in the pharmaceutical industry. These laws include anti-kickback and false claims laws and regulations as well as data privacy and security laws and regulations.
The federal Anti-Kickback Statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce or in return for purchasing, leasing, ordering, or arranging for or recommending the purchase, lease, or order of any item or service reimbursable under Medicare, Medicaid or other federal healthcare programs. The term "remuneration" has been broadly interpreted to include anything of value. The Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on one hand and prescribers, purchasers, and formulary managers on the other. Although there are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution, the exemptions and safe harbors are drawn narrowly. Practices that involve remuneration that may be alleged to be intended to induce prescribing, purchases, or recommendations may be subject to scrutiny if they do not meet the requirements of a statutory or regulatory exception or safe harbor. Several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the statute has been violated. In addition, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

The federal False Claims Act prohibits any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government or knowingly making, using, or causing to be made or used a false record or statement material to a false or fraudulent claim to the federal government. A claim includes "any request or demand" for money or property presented to the U.S. government. A violation of the federal Anti-Kickback Statute also constitutes a false or fraudulent claim for purposes of the civil False Claims Act. Several pharmaceutical and other healthcare companies have been prosecuted under these laws for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Other companies have been prosecuted for causing false claims to be submitted because of the companies' marketing of products for unapproved, and thus non-covered, uses. In addition, many states have similar fraud and abuse statutes or regulations that apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor.

The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, also created federal criminal statutes that prohibit knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private third party payors and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

Pharmaceutical companies are also subject to the civil monetary penalties statute, which imposes penalties against any person who is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent .

In addition, there has been a recent trend of increased federal and state regulation of payments made to physicians and other health care providers. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the ACA, signed into law on March 2010, created new federal requirements for reporting, by applicable manufacturers of covered drugs, payments and other transfers of value to physicians and teaching hospitals. Applicable manufacturers are also required to report annually to the government certain ownership and investment interests held by physicians and their immediate family members. In addition, certain states require implementation of commercial compliance programs and compliance with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, impose restrictions on marketing practices, and/or tracking and reporting of gifts, compensation and other remuneration or items of value provided to physicians and other health care professionals and entities.

We may also be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business. HIPAA, as amended by the Health Information Technology and Clinical Health Act, or HITECH, and its implementing regulations, imposes specified requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's privacy and security standards directly applicable to "business associates," defined as independent contractors or agents of covered entities that receive or obtain protected health information in connection with providing a service on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney's fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same requirements, thus complicating compliance efforts.

To the extent that any of our product candidates, once approved, are sold in a foreign country, we may be subject to similar foreign laws and regulations, which may include, for instance, applicable post-marketing requirements, including safety surveillance, anti-fraud and abuse laws, and implementation of corporate compliance programs and reporting of payments or other transfers of value to healthcare professionals.

The shifting commercial compliance environment and the need to build and maintain robust systems to comply with different compliance and/or reporting requirements in multiple jurisdictions increase the possibility that a healthcare company may violate one or more of the requirements. If our operations are found to be in violation of any of such laws or any other governmental regulations that apply to us, we may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of our operations, exclusion from participation in federal and state healthcare programs and imprisonment, any of which could adversely affect our ability to operate our business and our financial results.

Coverage and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any drug products for which we obtain regulatory approval. In the United States and markets in other countries, sales of any products for which we receive regulatory approval for commercial sale will depend, in part, on the availability of coverage and reimbursement from third-party payors. Third-party payors include government authorities, managed care providers, private health insurers and other organizations. The process for determining whether a payor will provide coverage for a drug product may be separate from the process for setting the reimbursement rate that the payor will pay for the drug product. Third-party payors may limit coverage to specific drug products on an approved list, or formulary, which might not include all of the FDA-approved drugs for a particular indication. A decision by a third-party payor not to cover our products, if approved, could reduce physician utilization of our products once approved and have a material adverse effect on our sales, results of operations and financial condition. Moreover, a payor's decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development.

In addition, the U.S. government, state legislatures and foreign governments have continued implementing cost-containment programs, including price controls, restrictions on coverage and reimbursement and requirements for substitution of generic products. By way of example, in the United States, the ACA contains provisions that may reduce the profitability of drug products, including, for example, increased rebates for drugs sold to Medicaid programs, extension of Medicaid rebates to Medicaid managed care plans, mandatory discounts for certain Medicare Part D beneficiaries, and annual fees based on pharmaceutical companies' share of sales to federal health care programs. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our products once approved or additional pricing pressures.

Foreign Regulation

In order to market any product outside of the United States, we must comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy and governing, among other things, clinical trials and commercial sales and distribution of our products. While our management and many of our consultants are familiar with and have been responsible for gaining marketing clearance in many countries, we have not reviewed the specific regulations in countries outside of the United States, as it pertains to cannabinoids.

Additional Regulation

We are a reporting company with the SEC, and, therefore, subject to the information and reporting requirements of the Securities Exchange act of 1934, or Exchange Act, and other federal securities laws, and the compliance obligations of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act. In addition, our financial reporting is subject to United States generally accepted accounting principles, or GAAP, and GAAP is subject to change over time.

We are also subject to federal, state and local laws and regulations applied to businesses generally. We believe that we are in conformity with all applicable laws in all relevant jurisdictions.

Our Scientific Advisory Board

We intend to assemble a scientific advisory board that includes experts in cannabinoids, drug discovery and medicine. Our current scientific advisor, Dr. Mahmoud ElSohly, works in close collaboration with our team to identify new research directions and accelerate our target validation and drug discovery programs. At UM, Dr. ElSohly serves as the Director of the NIDA Marijuana Project where he carries out a wide range of activities dealing with the chemistry, analysis and product development aspects.

Our scientific advisors are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. In addition, our scientific advisors may have arrangements with other companies to assist those companies in developing products or technologies that may compete with ours.

Employees

As of the date of this Current Report, we have three full-time employees, including one employee with a M.D. degree. None of our employees is represented by a labor union or covered by a collective bargaining agreement. We have not experienced any work stoppages and we consider our relations with our employees to be good.

We anticipate that we will need to hire approximately five employees or independent contractors for our new laboratory at UM.We also intend to utilize independent contractors and outsourced services, such as CROs, and third party manufacturers, where possible and appropriate.

Website

Our Internet website, which is located at www.nemusbioscience.com, describes our company and our management and provides information about cannabis-based therapeutics.

FORWARD-LOOKING STATEMENTS

Statements in this Current Report on Form 8-K that are not descriptions of historical facts are forward-looking statements that are based on management's current expectations and assumptions and are subject to risks and uncertainties. If such risks or uncertainties materialize or such assumptions prove incorrect, our business, operating results, financial condition and stock price could be materially negatively affected. In some cases, you can identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should," "will," "would" or the negative of these terms or other comparable terminology. Factors that could cause actual results to differ materially from those currently anticipated include those set forth in the section titled "Risk Factors" including, without limitation, risks relating to:

- the results of our research and development activities, including uncertainties relating to the discovery of potential product candidates and the preclinical and clinical testing of our product candidates;
- the early stage of our product candidates presently under development;
- our need for substantial additional funds in order to continue our operations, and the uncertainty of whether we will be able to obtain the funding we need;
- our ability to obtain and, if obtained, maintain regulatory approval of our current product candidates, and any of our other future product candidates, and any related restrictions, limitations, and/or warnings in the label of any approved product candidate;
- our ability to retain or hire key scientific or management personnel;
- our ability to protect our intellectual property rights that are valuable to our business, including patent and other intellectual property rights;
- our dependence on the University of Mississippi, third-party manufacturers, suppliers, research organizations, testing laboratories and other potential collaborators;
- our ability to develop successful sales and marketing capabilities in the future as needed;
- the size and growth of the potential markets for any of our approved product candidates, and the rate and degree of market acceptance of any of our approved product candidates;
- competition in our industry; and
- regulatory developments in the United States and foreign countries

We operate in a rapidly-changing environment and new risks emerge from time to time. As a result, it is not possible for our management to predict all risks, nor can we assess the impact of all factors on our 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 we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. The forward-looking statements included in this report speak only as of the date hereof, and except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report to conform these statements to actual results or to changes in our expectations.

RISK FACTORS

Any investment in our common stock involves a high degree of risk. Investors should carefully consider the risks described below and all of the information contained in this Current Report on Form 8-K before deciding whether to purchase our common stock. Our business, financial condition or results of operations could be materially adversely affected by these risks if any of them actually occur. Our common stock is quoted on the OTCBB under the symbol "LGLR". This market is extremely limited and the prices quoted are not a reliable indication of the value of our common stock. As of October 31, 2014, no shares of our common stock have publicly traded. If and when our common stock is publicly traded, the trading price could decline due to any of these risks, and an investor may lose all or part of his or her investment. Some of these factors have affected our financial condition and operating results in the past or are currently affecting us. This Current Report on Form 8-K also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this report.

Risks Related to our Business and Capital Requirements:

Since we have a limited operating history in our business, it is difficult for potential investors to evaluate our business.

Our short operating history may hinder our ability to successfully meet our objectives and makes it difficult for potential investors to evaluate our business or prospective operations. We have not generated any revenues since inception and we are not currently profitable and may never become profitable. As an early stage company, we are subject to all the risks inherent in the financing, expenditures, operations, complications and delays inherent in a new business. Accordingly, our business and success faces risks from uncertainties faced by developing companies in a competitive environment. There can be no assurance that our efforts will be successful or that we will ultimately be able to attain profitability.

We currently have no product revenues and no products approved for marketing and need substantial additional funding to continue our operations. We may not be able to raise capital when needed, if at all, which would force us to delay, reduce or eliminate our product development programs or commercialization efforts and could cause our business to fail.

We expect to need substantial additional funding to pursue the clinical development of our product candidates and launch and commercialize any product candidates for which we receive regulatory approval.

We expect our existing cash and cash equivalents will not be sufficient to fund our capital requirements for at least the next two months. We require additional capital for the development and commercialization of our product candidates. Furthermore, upon the closing of the Merger, we expect to incur additional costs associated with operating as a public company. We may also encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may increase our capital needs and/or cause us to spend our cash resources faster than we expect. Accordingly, we will need to obtain substantial additional funding in order to continue our operations. As noted in our audited financial statement for the six months ended June 30, 2014, the uncertainties surrounding our ability to fund our operations raise substantial doubt about our ability to continue as a going concern.

To date, we have financed our operations entirely through investments by founders and other investors.We may seek additional funds through public or private equity or debt financing, via strategic transactions or collaborative arrangements. Additional funding from those or other sources may not be available when or in the amounts needed, on acceptable terms, or at all. If we raise capital through the sale of equity, or securities convertible into equity, it would result in dilution to our then existing stockholders, which could be significant depending on the price at which we may be able to sell our securities. If we raise additional capital through the incurrence of indebtedness, we would likely become subject to covenants restricting our business activities, and holders of debt instruments may have rights and privileges senior to those of our equity investors. In addition, servicing the interest and principal repayment obligations under debt facilities could divert funds that would otherwise be available to support research and development, clinical or commercialization activities. If we obtain capital through collaborative arrangements, these arrangements could require us to relinquish rights to our technology or product candidates and could result in our receipt of only a portion of the revenues associated with the partnered product.

There are no assurances that future funding will be available on favorable terms or at all. If additional funding is not obtained, we may need to reduce, defer or cancel pre-clinical and lab work, planned clinical trials, or overhead expenditures to the extent necessary. The failure to fund our operating and capital requirements could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts. Any of these events could significantly harm our business, financial condition and prospects.

We rely heavily on UM for our research and development programs, and UM is joint owner of the intellectual property resulting from its pre-clinical research and development.

We rely heavily on our relationship with UM for our research and development programs. Under the terms of our agreements with UM, we are required to fund pre-clinical and clinical trials required for cannabinoid-based products developed by UM. If UM were to terminate our agreements, we would be required to return all the rights, materials, and data developed during our partnership, associated with the University, or face substantial delays in, or possible termination of, that program.

In addition, the agreements provide that all intellectual property rights (including any patents and non-manufacturing related know-how) that was conceived by UM or us during the course of the collaboration is to be jointly owned by UM and us. Because UM exercises some control over this jointly owned intellectual property, we may need to seek UM's consent to pursue, use, license and/or enforce some of this collaboration intellectual property in the future. An unexpected deterioration in our relationship with UM would have a material adverse effect on our business, reputation, results of operations and financial condition.

We are heavily dependent on the success of our early-stage product candidates, which will require significant additional efforts to develop and may prove not to be viable for commercialization.

We are very early in our development efforts. We have no products approved for sale and all of our product candidates are in preclinical development including development of cannabinoid-based formulations with delivery methods via the eye and a transmucosal patch. Further preclinical testing is ongoing and if successful, will be part of a regulatory filing to satisfy IND requirements which need to be met in order for the candidate compounds and routes of administration to enter testing in humans. Our ability to generate product revenue, which we do not expect will occur for many years, if ever, will depend heavily on the successful development and commercialization of our product candidates. Our business depends entirely on the successful development, clinical testing and commercialization of these and any other product candidates we may seek to develop in the future, which may never occur.

The success of our product candidates will depend on several factors, any one of which we may not be able to successfully complete, such as:

- receipt of necessary controlled substance registrations from DEA;
- successful completion of preclinical studies and clinical trials;
- receipt of marketing approvals from FDA and other applicable regulatory authorities;
- obtaining, maintaining and protecting our intellectual property portfolio, including patents and trade secrets, and regulatory exclusivity for our product candidates;
- identifying, making arrangements and ensuring necessary registrations with third-party manufacturers , or establishing, commercial manufacturing capabilities for applicable product candidates;
- launching commercial sales of the products, if and when approved, whether alone or in collaboration with others;
- acceptance of our products, if and when approved, by patients, the medical community and third-party payors;
- effectively competing with other therapies;
- obtaining and maintaining healthcare coverage and adequate reimbursement of our products; and
- maintaining a continued acceptable safety profile of our products following approval.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or an inability to successfully commercialize our product candidates, which would materially harm our business.

We may not be successful in our efforts to build a pipeline of product candidates.

Our strategy is to use and expand our relationship with UM to build a pipeline ofcannabinoid-based products. We may not be able to develop product candidates that are safe and effective for all or any of our targets. Even if we are successful in building a product pipeline, the potential product candidates that we identify may not be suitable for clinical development for a number of reasons, including due to harmful side effects or other characteristics that indicate a low likelihood of receiving marketing approval or achieving market acceptance. If our methods of identifying potential product candidates fail to produce a pipeline of potentially viable product candidates, then we may not be able to obtain product revenue in future periods, which would make it unlikely that we would ever achieve profitability.

We expect to face intense competition, often from companies with greater resources and experience than we have.

The pharmaceutical industry is highly competitive and subject to rapid change. The industry continues to expand and evolve as an increasing number of competitors and potential competitors enter the market. Many of these competitors and potential competitors have substantially greater financial, technological, managerial and research and development resources and experience than we have. Some of these competitors and potential competitors have more experience than we have in the development of pharmaceutical products, including validation procedures and regulatory matters. In addition, our pipeline products, if successfully developed, will compete with product offerings from large and well-established companies that have greater marketing and sales experience and capabilities than we or our collaboration partners have. If we are unable to compete successfully, we may be unable to grow and sustain our revenue.

We have substantial capital requirements that, if not met, may hinder our operations.

We anticipate that we will make substantial capital expenditures for laboratory and pre-clinical work and for future clinical trials. If we cannot raise sufficient capital, we may have limited ability to expend the capital necessary to undertake or complete laboratory and pre-clinical work and future clinical trials. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or for other corporate purposes, or if debt or equity financing is available, that it will be on terms acceptable to us. Moreover, future activities may require us to alter our capitalization significantly. Our inability to access sufficient capital for our operations could have a material adverse effect on our financial condition, results of operations or prospects.

Additional capital may be costly or difficult to obtain.

Additional capital, whether through the offering of equity or debt securities, may not be available on reasonable terms or at all, especially in light of the recent downturn in the economy and dislocations in the credit and capital markets. If we are unable to obtain required additional capital, we may have to curtail our growth plans or cut back on existing business and, further, we may not be able to continue operating if we do not generate sufficient revenues from operations needed to stay in business. We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our financial condition.

Current global financial conditions have been characterized by increased volatility which could negatively impact our business, prospects, liquidity and financial condition.

Current global financial conditions and recent market events have been characterized by increased volatility and the resulting tightening of the credit and capital markets has reduced the amount of available liquidity and overall economic activity. We cannot guaranty that debt or equity financing, the ability to borrow funds or cash generated by operations will be available or sufficient to meet or satisfy our initiatives, objectives or requirements. Our inability to access sufficient amounts of capital on terms acceptable to us for our operations will negatively impact our business, prospects, liquidity and financial condition.

If we are not able to attract and retain highly qualified personnel, we may not be able to successfully implement our business strategy.

Our ability to compete in the highly competitive biotechnology and pharmaceuticals industries depends upon our ability to attract and retain highly qualified managerial, scientific and medical personnel. Our success depends in large measure on certain key personnel, including John Hollister, our Chief Executive Officer, and Dr. Brian Murphy, our Chief Medical Officer. The loss of the services of one or both of these officers could significantly hinder our operations. We do not currently have key person insurance in effect for Mr. Hollister or Dr. Murphy. In addition, the competition for qualified personnel in the pharmaceutical industry is intense and there can be no assurance that we will be able to continue to attract and retain all personnel necessary for the development and operation of our business.

We may be subject to claims by third parties asserting that our employees or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

Many of our employees were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, with contractual provisions and other procedures, we may be subject to claims that these employees or we have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employers. Litigation may be necessary to defend against any such claims.

In addition, while it is our policy to require our employees and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact contributes to the development of intellectual property that we regard as our own. Further, the terms of such assignment agreements may be breached and we may not be able to successfully enforce their terms, which may force us to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of intellectual property rights we may regard and treat as our own.

We will need to grow the size of our organization, and we may experience difficulties in managing any growth we may achieve.

As of the date of this report, we have three full-time employees. As our development and commercialization plans and strategies develop, we expect to need additional research, development, managerial, operational, sales, marketing, financial, accounting, legal and other resources. Future growth would impose significant added responsibilities on members of management. Our management may not be able to accommodate those added responsibilities, and our failure to do so could prevent us from effectively managing future growth, if any, and successfully growing our company.

If we breach any of the agreements under which we license from UM the commercialization rights to our product candidates, we could lose license rights that are important to our business and our operations could be materially harmed.

We license from UM the use, development and commercialization rights for our product candidates. As a result, our current business plans are dependent upon our maintenance of the license agreements and the rights we license under it. If we fail to comply with any of the conditions or obligations or otherwise breach the terms of our license agreement with UM, or any future license agreement we may enter on which our business or product candidates are dependent, UM may have the right to terminate the applicable agreement in whole or in part and thereby extinguish our rights to the licensed technology and intellectual property and/or any rights we have acquired to develop and commercialize certain product candidates. The loss of the rights licensed to us under our license agreement with UM, or any future license agreement that we may enter granting rights on which our business or product candidates are dependent, would eliminate our ability to further develop the applicable product candidates and would materially harm our business, prospects, financial condition and results of operations.

As our products and company are in a highly regulated industry, significant and unforeseen changes in policy may have material impacts on our business.

A primary reason for our company to develop the cannabis-derived pharmaceuticals is the changing regulatory and social landscape, in terms of cannabis. State efforts to decriminalize and/or legalize, as well as the growth of state level medical marijuana rulings, have created the opportunity to develop the medical potential for cannabis. However, cannabis is still illegal on a Federal level, outside of the areas described above. We do not know what impact might occur to our development plans, if the Federal law were to change dramatically in the near-term. While we believe the licensed intellectual property, the institutional knowledge, and our management experience will provide us with what is necessary to achieve our goals, we cannot predict the impact of any changes in the current regulatory environment.

We anticipate that our product candidates may contain naturally-derived cannabis extracts, which may generate public controversy.

We anticipate that our product candidates will contain naturally-derived cannabis extracts, and their regulatory approval, if any, may generate public controversy. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for, our product candidates. These pressures could also limit or restrict the introduction and marketing of our product candidates. Adverse publicity from cannabis misuse or adverse side effects from cannabis or other cannabinoid products may adversely affect the commercial success or market penetration achievable by our product candidates. The nature of our business attracts a high level of public and media interest, and in the event of any resultant adverse publicity, our reputation may be harmed.

The use of "medical marijuana" or "recreational marijuana" in the United States may impact our business.

There is a substantial amount of change occurring in various states of the United States regarding the use of "medical marijuana." While cannabis is a Schedule I substance as defined under federal law, and its possession and use is not permitted in accordance with federal law, a number of individual states have enacted state laws to authorize possession and use of cannabis for medical purposes, and in some states for recreational purposes. While our product candidates are distinct from crude herbal cannabis, our prospects may nevertheless be impacted by these laws at the state level in the United States.

As with all medicines, it is very difficult to gauge accurately market acceptance of our potential drug candidates.

While we are taking and will take significant efforts in selecting drug candidates that we believe represent the best opportunities for market adoption, such as unsatisfied needs, competitive environment, partnering potential, therapeutic potential, and target product profile potential, the ultimate market acceptance of a pre-clinical candidate is very difficult to predict. The ultimate acceptance will be impacted by the performance in clinical trials (efficacy and safety), reimbursement and development of competitive compounds. Also, the healthcare reimbursement environment has been changing over the recent past and is likely to continue to evolve. If we are unable to gain market acceptance for our product candidates, if approved, then we may not be able to generate substantial product revenues.

We currently have no marketing and sales experience or capabilities to market and sell our product candidates, if approved.

We currently do not have experience in the marketing, sales and distribution of any of our product candidates that are able to attain regulatory approval. If our product candidates receive regulatory approval, we will need to establish sales and marketing capabilities to commercialize our product candidates, which will be expensive and time consuming. Any failure or delay in the development of our internal sales and marketing capabilities would adversely impact the commercialization of any of our products that we obtain approval to market. If we are not successful in commercializing our product candidates, either on our own or through collaborations with one or more third parties, our future product revenue will suffer and we may incur significant additional losses.

Our commercial success depends upon attaining significant market acceptance of our product candidates, if approved, among physicians and patients.

Even if approved by the FDA, our product candidates may not gain market acceptance among physicians and patients, which is vital to our commercial success. Market acceptance of any product candidate for which we receive approval depends on a number of factors, including:

- the clinical indications for which the drug is approved and efficacy and safety as demonstrated in clinical trials;
- the timing of market introduction of the product candidate and/or competitive products;
- acceptance of the drug as a safe and effective treatment by physicians and patients;
- the potential and perceived advantages of the product candidate over alternative treatments;
- the cost of treatment in relation to alternative treatments; and
- the prevalence and severity of adverse side effects.

If our product candidates are approved but fail to achieve an adequate level of acceptance by physicians and patients, we will not be able to generate significant revenues, and we may not become or remain profitable.

We may be subject to claims by third parties asserting that our employees or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

Some of our employees were previously employed at other biotechnology or pharmaceutical companies. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that these employees or we have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employers. We may have to litigation those matters to defend against any such claims.

In addition, even though our policy is to require our employees and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact contributes to the development of intellectual property that we regard as our own. Further, the terms of such assignment agreements may be breached and we may not be able to successfully enforce their terms, which may force us to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of intellectual property rights we may regard and treat as our own.

We may expend our limited resources to pursue a particular product candidate or indicationand may fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.

Because we have limited financial and managerial resources, we must focus our efforts on particular research programs and product candidates for specific indications. As a result, we may forego or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate. Any such failure to improperly assess potential product candidates could result in missed opportunities and/or our focus on product candidates with low market potential, which would harm our business and financial condition.

Risks Related to Controlled Substances:

The product candidates we are developing will be subject to U.S. controlled substance laws and regulations and failure to comply with these laws and regulations, or the cost of compliance with these laws and regulations, may adversely affect the results of our business operations, both during non-clinical and clinical development and post-approval, and our financial condition.

The product candidates we plan to develop will contain controlled substances as defined in the CSA. Controlled substances that are pharmaceutical products are subject to a high degree of regulation under the CSA, which establishes, among other things, certain registration, manufacturing quotas, security, recordkeeping, reporting, import, export and other requirements administered by the DEA. The DEA classifies controlled substances into five schedules: Schedule I, II, III, IV or V substances. Schedule I substances by definition have a high potential for abuse, no currently "accepted medical use" in the United States, lack accepted safety for use under medical supervision, and may not be prescribed, marketed or sold in the United States. Pharmaceutical products approved for use in the United States may be listed as Schedule II, III, IV or V, with Schedule II substance considered to present the highest potential for abuse or dependence and Schedule V substances the lowest relative risk among such substances. Schedule I and II drugs are subject to the strictest controls under the CSA, including manufacturing and procurement quotas, security requirements and criteria for importation. In addition, dispensing of Schedule II drugs is further restricted. For example, they may not be refilled without a new prescription.

While cannabis is a Schedule I controlled substance, products approved for medical use in the United States that contain cannabis or cannabis extracts must be placed on Schedules II-V, since approval by the FDA satisfies the "accepted medical use" requirement. No drug product containing natural cannabis or naturally-derived cannabis extracts have been approved by the FDA for use in the United States.

If approved by the FDA, we expect the finished dosage forms of our cannabinoid-derived drug product candidates to be listed by the DEA as a Schedule II or III controlled substance. Consequently, its manufacture, importation, exportation, domestic distribution, storage, sale and legitimate use will be subject to a significant degree of regulation by the DEA. In addition, the scheduling process may take one or more years, thereby delaying the launch of the drug product in the United States. Furthermore, if the FDA, DEA, or any foreign regulatory authority determines that any of our drug product candidates may have potential for abuse, it may require us to generate more clinical or other data than we currently anticipate to establish whether or to what extent the substance has an abuse potential, which could increase the cost and/or delay the launch of the drug product.

Facilities conducting research, manufacturing, distributing, importing or exporting, or dispensing controlled substances must be registered (licensed) to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. All these facilities must renew their registrations annually, except dispensing facilities, which must renew every three years. The DEA conducts periodic inspections of certain registered establishments that handle controlled substances. Obtaining the necessary registrations may result in delay of the manufacturing, development, or distribution of our product candidates. Furthermore, failure to maintain compliance with the CSA, particularly non-compliance resulting in loss or diversion, can result in regulatory action that could have a material adverse effect on our business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings.

Individual states have also established controlled substance laws and regulations. Though state-controlled substances laws often mirror federal law, because the states are separate jurisdictions, they may separately schedule our product candidates. While some states automatically schedule a drug based on federal action, other states schedule drugs through rulemaking or a legislative action. State scheduling may delay commercial sale of any product for which we obtain federal regulatory approval and adverse scheduling could have a material adverse effect on the commercial attractiveness of such product. We or our partners or clinical sites must also obtain separate state registrations, permits or licenses in order to be able to obtain, handle, and distribute controlled substances for clinical trials or commercial sale, and failure to meet applicable regulatory requirements could lead to enforcement and sanctions by the states in addition to those from the DEA or otherwise arising under federal law.

To conduct clinical trials with our product candidates in the United States prior to approval, each of our research sites must obtain and maintain a DEA researcher registration that will allow those sites to handle and dispense the product candidate and to obtain the product. If the DEA delays or denies the grant of a research registration to one or more research sites, the clinical trial could be significantly delayed, and we could lose clinical trial sites.

Manufacturing of our product candidates is, and, if approved, our commercial products will be, subject to DEA's annual manufacturing and procurement quota requirements. The annual quota allocated to us or our contract manufacturers for the controlled substances in our product candidates may not be sufficient to meet commercial demand or complete clinical trials. Consequently, any delay or refusal by the DEA in establishing our, or our contract manufacturers', procurement and/or production quota for controlled substances could delay or stop our clinical trials or product launches, which could have a material adverse effect on our business, financial position and operations.

If, upon approval of any of our product candidates, the product is scheduled as Schedule II or III, we would also need to identify wholesale distributors with the appropriate DEA registrations and authority to distribute the product to pharmacies and other health care providers. The failure to obtain, or delay in obtaining, or the loss any of those registrations could result in increased costs to us. Furthermore, state and federal enforcement actions, regulatory requirements, and legislation intended to reduce prescription drug abuse, such as the requirement that physicians consult a state prescription drug monitoring program may make physicians less willing to prescribe, and pharmacies to dispense, our products, if approved.

Our ability to research, develop and commercialize our drug product candidates is dependent on our ability to obtain and maintain the necessary controlled substance registrations from DEA.

In the United States, the DEA regulates activities relating to the cultivation, possession and supply of cannabis for medical research and/or commercial development, including the requirement to obtain annual registrations to manufacture or distribute pharmaceutical products derived from cannabis extracts. NIDA also plays a role in oversight of the cultivation of cannabis for medicinal research. We do not currently handle any controlled substances, but we plan to engage in the research, development, and commercialization of cannabinoids and cannabinoid-derived drug products for medical purposes in the future. This will require that we and/or our third party contractors obtain and maintain the necessary DEA registrations, and be subject to other regulatory requirements. If DEA fails to issue or renew such registrations, we will be unable to develop, commercialize and distribute any product in the United States and our business may suffer. For example, DEA may adopt an interpretation of domestic law or of the Single Convention on Narcotic Drugs that restricts our, or our third party contractors', ability to obtain the registrations needed for any of these purposes.

The cultivation of cannabis is strictly regulated in the United States under a complex legal framework and our partners may be unable to obtain or maintain the necessary authorizations to cultivate cannabis for the development and commercialization of cannabinoid-derived drug products.

We are partnering with UM to develop and commercialize cannabis-derived drug products. Pursuant to that partnership, UM plans to cultivate cannabis and provide us with cannabis extracts. The regulation of cannabis is complex and subject to stringent controls. UM has indicated that its plan for cultivating cannabis for the purification of cannabis extracts is in compliance with applicable law, including the CSA, DEA regulations, and the United States' obligations under the 1961 Single Convention on Narcotic Drugs. However, there is a risk that regulatory authorities may disagree or may decline to authorize UM to engage in the contemplated activities under the partnership. Interpretations of law that DEA adopted in the past may evolve or change. If UM cannot obtain or maintain the necessary regulatory authorizations that we anticipate will be required for the contemplated development program, our business may suffer and we may not be able to pursue the development and commercialization of naturally-derived marijuana extracts.

Risks Related to Government Regulation:

If we fail to demonstrate the safety and efficacy of any product candidate that we develop to the satisfaction of the FDA or comparable foreign regulatory authorities we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of such product candidate. This would adversely impact our ability to generate revenue, our business and our results of operations.

We are not permitted to commercialize, market, promote, or sell any product candidate in the United States without obtaining marketing approval from the FDA or in other countries without obtaining approvals from comparable foreign regulatory authorities, such as the EMA, and we may never receive such approvals. To gain approval to market a drug product, we must complete extensive preclinical development and clinical trials that demonstrate the safety and efficacy of the product for the intended indication to the satisfaction of the FDA or other regulatory authority.

We have not previously submitted an NDA to the FDA, or similar drug approval filings to comparable foreign authorities, for any product candidate, and we cannot be certain that any of our product candidates will be successful in clinical trials or receive regulatory approval. Further, our product candidates may not receive regulatory approval even if they are successful in clinical trials. If we do not receive regulatory approval for our product candidates, we may not be able to continue our operations. Even if we successfully obtain regulatory approval to market our product candidates, our revenue will be dependent, in part, upon the size of the markets in the territories for which we gain regulatory approval and have commercial rights.

The FDA or any foreign regulatory bodies could delay, limit or deny approval of our product candidates for many reasons, including:

- our inability to demonstrate to the satisfaction of the FDA or the applicable foreign regulatory body that the product candidate is safe and effective for the requested indication;
- the FDA's or the applicable foreign regulatory agency's disagreement with the interpretation of data from preclinical studies or clinical trials;
- our inability to demonstrate that the clinical and other benefits of the product candidate outweigh any safety or other perceived risks;
- the FDA's or the applicable foreign regulatory agency's requirement for additional preclinical or clinical studies;
- the FDA's or the applicable foreign regulatory agency's non-approval of the formulation, labeling or the specifications of the product candidate;
- the FDA's or the applicable foreign regulatory agency's failure to approve the manufacturing processes or facilities of third-party manufacturers with which we contract; or
- the potential for approval policies or regulations of the FDA or the applicable foreign regulatory agencies to significantly change in a manner rendering our clinical data insufficient for approval.

Even if we eventually complete clinical testing and receive approval of an NDA or foreign regulatory filing for a product candidate, the FDA or the applicable foreign regulatory agency may grant approval contingent on the performance of costly additional clinical trials which may be required after approval. The FDA or the applicable foreign regulatory agency also may approve the product candidate for a more limited indication or a narrower patient population than we originally requested, and the FDA, or applicable foreign regulatory agency, may not approve the labeling that we believe is necessary or desirable for the successful commercialization of the product. Any delay in obtaining, or inability to obtain, applicable regulatory approval would delay or prevent commercialization of the product candidate and would materially adversely impact our business and prospects.

Preclinical and clinical drug development involves a lengthy and expensive process with an uncertain outcome. We may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

Clinical testing is expensive and can take several years to complete, and its outcome is inherently uncertain. Moreover, obtaining sufficient quantities of product for clinical testing is subject to regulation by DEA and, in some cases, NIDA. It is impossible to predict when or if any of our product candidates will prove effective or safe in humans or will receive regulatory approval. Before obtaining marketing approval from regulatory authorities for the sale of any product candidate, we must complete preclinical studies and then conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. A failure of one or more clinical trials can occur at any stage of testing. The outcome of preclinical testing and early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval of their products. We may experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent our ability to receive marketing approval or subsequently to commercialize our product candidates, including:

- FDA, DEA or NIDA may not authorize the use and distribution of sufficient quantities of product for clinical testing;
- regulators or IRBs may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- we may experience delays in reaching, or fail to reach, agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites;
- clinical trials of our product candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;
- the number of patients required for clinical trials of our product candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials at a higher rate than we anticipate;
- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;

- we may have to suspend or terminate clinical trials of our product candidates for various reasons, including a finding that the participants are being exposed to unacceptable health risks;

- regulators or institutional review boards may require that we or our investigators suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements or a finding that the participants are being exposed to unacceptable health risks;

- the cost of clinical trials of our product candidates may be greater than we anticipate;

- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate; and

- our product candidates may have undesirable side effects or other unexpected characteristics, causing us or our investigators, regulators or institutional review boards to suspend or terminate the trials.

If we are required to conduct additional clinical trials or other testing of our product candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our product candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we may:

- be delayed in obtaining marketing approval for our product candidates;

- not obtain marketing approval at all;

- obtain approval for indications or patient populations that are not as broad as intended or desired;

- obtain approval with labeling that includes significant use or distribution restrictions or safety warnings;

- be subject to additional post-marketing testing requirements; or

- have the product removed from the market after obtaining marketing approval.

Our product development costs will also increase if we experience delays in testing or in receiving marketing approvals. We do not know whether any of our preclinical studies or clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Significant preclinical study or clinical trial delays also could allow our competitors to bring products to market before we do and impair our ability to successfully commercialize our product candidates and may harm our business and results of operations.

If we experience delays or difficulties in the enrollment of patients in clinical trials, our receipt of necessary regulatory approvals could be delayed or prevented.

We may not be able to initiate or continue clinical trials for our product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the FDA or similar regulatory authorities outside the United States. Our pool of suitable patients may be smaller for some of our product candidates, which will impact our ability to enroll a sufficient number of suitable patients. In addition, some of our competitors have ongoing clinical trials for product candidates that treat the same indications as our product candidates, and patients who would otherwise be eligible for our clinical trials may instead enroll in clinical trials of our competitors' product candidates. Patient enrollment is affected by other factors including:

- the severity of the disease under investigation;
- the eligibility criteria for the study in question;
- the perceived risks and benefits of the product candidate under study;
- the efforts to facilitate timely enrollment in clinical trials;
- the patient referral practices of physicians;
- the ability to monitor patients adequately during and after treatment; and
- the proximity and availability of clinical trial sites for prospective patients.

Our inability to enroll a sufficient number of patients for our clinical trials would result in significant delays and could require us to abandon one or more clinical trials altogether. Enrollment delays in our clinical trials may result in increased development costs for our product candidates, which would cause the value of our company to decline and limit our ability to obtain additional financing.

Even if we receive regulatory approval for a product candidate, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and subject us to restrictions, withdrawal from the market, or penalties if we fail to comply with applicable regulatory requirements or if we experience unanticipated problems with our product candidates, when and if approved.

Once regulatory approval has been granted, the approved product and its manufacturer are subject to continual review by the FDA, DEA and/or non-U.S. regulatory authorities. Any regulatory approval that we receive for our product candidates may be subject to limitations on the indicated uses for which the product may be marketed or contain requirements for potentially costly post-marketing follow-up studies or surveillance to monitor the safety and efficacy of the product. In addition, if the FDA and/or non-U.S. regulatory authorities approve any of our product candidates, we will be subject to extensive and ongoing regulatory requirements by the FDA and other regulatory authorities with regard to labeling, packaging, adverse event reporting, storage, distribution, advertising, promotion, recordkeeping and submission of safety and other post-market information. Manufacturers of our products and manufacturers' facilities are required to comply with cGMP regulations, which include requirements related to quality control and quality assurance as well as the corresponding maintenance of records and documentation. Further, regulatory authorities must approve these manufacturing facilities before they can be used to manufacture our products, and these facilities are subject to continual review and periodic inspections by the FDA and other regulatory authorities for compliance with cGMP regulations. Accordingly, we and others with whom we work must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control. We will also be required to report certain adverse reactions and production problems, if any, to the FDA and to comply with requirements concerning advertising and promotion for our products. If we, any future collaboration partner or a regulatory authority discovers previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, a regulatory authority may impose restrictions on that product, the collaboration partner, the manufacturer or us, including requiring withdrawal of the product from the market or suspension of manufacturing.

Any DEA registrations that we receive may also be subject to limitations. For example, **f** approved, our commercial products will be subject to DEA's annual manufacturing and procurement quota requirements. The annual quota allocated to us or our contract manufacturers for the controlled substances in our product candidates may not be sufficient to meet commercial demand. Our facilities that handle controlled substances, and those of our third-party contractors, will also be subject to registration requirements and periodic inspections. Additionally, if approved by the FDA, the finished dosage forms of our cannabinoid-derived drug product candidates will be subject to DEA's rescheduling process, which may delay product launch and impose additional regulatory burdens. Failure to maintain compliance with the CSA, particularly non-compliance resulting in loss or diversion, can result in regulatory action that could have a material adverse effect on our business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings. For additional information, see Risk Factor, "*The product candidates we are developing will be subject to U.S. controlled substance laws and regulations and failure to comply with these laws and regulations, or the cost of compliance with these laws and regulations, may adversely affect the results of our business operations, both during non-clinical and clinical development and post-approval, and our financial condition.*"

The FDA closely regulates the post-approval marketing and promotion of drugs to ensure drugs are marketed only for the approved indications and in accordance with the provisions of the approved labeling and regulatory requirements. The FDA also imposes stringent restrictions on manufacturers' communications regarding off-label use and if we do not restrict the marketing of our products only to their approved indications, we may be subject to enforcement action for off-label marketing. If we, our product candidates or the manufacturing facilities for our product candidates fail to comply with regulatory requirements of the FDA and/or other non-U.S. regulatory authorities, we could be subject to administrative or judicially imposed sanctions, including:

- warning letters or untitled letters;
- mandated modifications to promotional materials or the required provision of corrective information to healthcare practitioners;
- restrictions imposed on the product or its manufacturers or manufacturing processes
- restrictions imposed on the labeling or marketing of the product;
- restrictions imposed on product distribution or use;
- requirements for post-marketing clinical trials;
- suspension of any ongoing clinical trials;
- suspension of or withdrawal of regulatory approval;
- voluntary or mandatory product recalls and publicity requirements;

- refusal to approve pending applications for marketing approval of new products or supplements to approved applications filed by us;
- restrictions on operations, including costly new manufacturing requirements;
- seizure or detention of our products;
- refusal to permit the import or export of our products;
- required entry into a consent decree, which can include imposition of various fines (including restitution or disgorgement of profits or revenue), reimbursements for inspection costs, required due dates for specific actions and penalties for noncompliance;
- civil or criminal penalties; or
- injunctions.

Widely publicized events concerning the safety risk of certain drug products have resulted in the withdrawal of drug products, revisions to drug labeling that further limit use of the drug products and the imposition by the FDA of risk evaluation and mitigation strategies, or REMS, to ensure that the benefits of the drug outweigh its risks. In addition, because of the serious public health risks of high profile adverse safety events with certain products, the FDA may require, as a condition of approval, costly REMS programs.

The regulatory requirements and policies may change and additional government regulations may be enacted for which we may also be required to comply. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or in other countries. If we or any future collaboration partner are not able to maintain regulatory compliance, we or such collaboration partner, as applicable, will not be permitted to market our future products and our business will suffer.

Serious adverse events or undesirable side effects or other unexpected properties of any of our product candidates may be identified during development or after approval that could delay, prevent or cause the withdrawal of regulatory approval, limit the commercial potential, or result in significant negative consequences following marketing approval.

Serious adverse events or undesirable side effects caused by, or other unexpected properties of, our product candidates could cause us, an institutional review board, or regulatory authorities to interrupt, delay or halt our clinical trials and could result in a more restrictive label, the imposition of distribution or use restrictions or the delay or denial of regulatory approval by the FDA or comparable foreign regulatory authorities. If any of our product candidates are associated with serious adverse events or undesirable side effects or have properties that are unexpected, we may need to abandon their development or limit development to certain uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. Many compounds that initially showed promise in clinical or earlier stage testing have later been found to cause undesirable or unexpected side effects that prevented further development of the compound.

Undesirable side effects or other unexpected adverse events or properties of any of our other product candidates could arise or become known either during clinical development or, if approved, after the approved product has been marketed. If such an event occurs during development, our trials could be suspended or terminated and the FDA or comparable foreign regulatory authorities could order us to cease further development of, or deny approval of, our product candidates. If such an event occurs after such product candidates are approved, a number of potentially significant negative consequences may result, including:

- regulatory authorities may withdraw the approval of such product;
- regulatory authorities may require additional warnings on the label or impose distribution or use restrictions;
- regulatory authorities may require one or more post-market studies;
- we may be required to create a medication guide outlining the risks of such side effects for distribution to patients;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the affected product candidate, if approved, or could substantially increase commercialization costs and expenses, which could delay or prevent us from generating revenue from the sale of our products and harm our business and results of operations.

We expect to rely on third parties,such as contract research organizations, or CROs, to conduct some or all of our preclinical amd clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may be unable to obtain regulatory approval for or commercialize any of our product candidates.

We expect to rely on medical institutions, clinical investigators, contract laboratories and other third parties, such as CROs, to conduct our preclinical and clinical studies on our product candidates in compliance with applicable regulatory requirements. These third parties will not be our employees and, except for restrictions imposed by our contracts with such third parties, we will have limited ability to control the amount or timing of resources that they devote to our programs. Although we expect to rely on these third parties to conduct our preclinical studies and clinical trials, we will remain responsible for ensuring that each of our preclinical studies and clinical trials is conducted in accordance with its investigational plan and protocol and the applicable legal, regulatory, and scientific standards, and our reliance on these third parties will not relieve us of our regulatory responsibilities. These entities must maintain and comply with valid DEA registrations and requirements. The FDA and regulatory authorities in other jurisdictions require us to comply with regulations and standards, commonly referred to as current good clinical practices, or cGCPs, for conducting, monitoring, recording and reporting the results of clinical trials, in order to ensure that the data and results are scientifically credible and accurate and that the trial subjects are adequately informed of the potential risks of participating in clinical trials. If we or any of our third party contractors fail to comply with applicable cGCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. In addition, we are required to report certain financial interests of our third party investigators if these relationships exceed certain financial thresholds and meet other criteria. The FDA or comparable foreign regulatory authorities may question the integrity of the data from those clinical trials conducted by principal investigators who previously served or currently serve as scientific advisors or consultants to us from time to time and receive cash compensation in connection with such services. Our clinical trials must also generally be conducted with products produced under current good manufacturing practice, or cGMP, regulations. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

Some of the third parties with whom we contract may also have relationships with other commercial entities, some of which may compete with us. If the third parties conducting our preclinical studies or our clinical trials do not perform their contractual duties or obligations or comply with regulatory requirements we may need to enter into new arrangements with alternative third parties. This could be costly, and our preclinical studies or clinical trials may need to be extended, delayed, terminated or repeated, and we may not be able to obtain regulatory approval in a timely fashion, or at all, for the applicable product candidate, or to commercialize such product candidate being tested in such studies or trials. If any of our relationships with these third parties terminate, we may not be able to enter into arrangements with alternative third party contractors or to do so on commercially reasonable terms. Though we plan to carefully manage our relationships with our CROs, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects.

We rely on, and expect to continue relying on, third-party contract manufacturing organizations to manufacture and supply product candidates for us, as well as certain raw materials used in the production thereof. If one of our suppliers or manufacturers fails to perform adequately we may be required to incur significant delays and costs to find new suppliers or manufacturers.

We currently have no experience in, and we do not own facilities for, manufacturing our product candidates. We rely on, and expect to continue relying upon, third-party manufacturing organizations to manufacture and supply our product candidates and certain raw materials used in the production thereof. Some of our key components for the production of our product candidates may have a limited number of suppliers.

The facilities used by our contract manufacturers to manufacture our product candidates must be approved by the FDA pursuant to inspections that will be conducted after we submit our NDA to the FDA. We expect that we will not control the manufacturing process of, and will be completely dependent on, our contract manufacturing partners for compliance with the regulatory requirements, known as cGMPs, for manufacture of our drug products. If our contract manufacturers cannot successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA, DEA or others, they will not be able to secure and/or maintain DEA registrations and regulatory approval for their manufacturing facilities. In addition, we expect that we will have no control over the ability of our contract manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the FDA or a comparable foreign regulatory authority does not approve these facilities for the manufacture of our product candidates, or if DEA does not register these facilities for the manufacture of controlled substances, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain regulatory approval for or market our product candidates, if approved.

We do not have commercial supply agreements with our suppliers. In the event that we and our suppliers cannot agree to the terms and conditions for them to provide clinical and commercial supply needs, we would not be able to manufacture our product or candidates until a qualified alternative supplier is identified, which could also delay the development of, and impair our ability to commercialize, our product candidates.

The failure of third-party manufacturers or suppliers to perform adequately or the termination of our arrangements with any of them may adversely affect our business.

We could be subject to costly product liability claims related to our clinical trials and product candidates.

Because we plan to conduct clinical trials with human subjects, we face the risk that the use of our product candidates may result in adverse side effects to our patients in our clinical trials. We face even greater risks upon any commercialization of our product candidates. An individual may bring a product liability claim against us alleging that one of our product candidates causes, or is claimed to have caused, an injury or is found to be unsuitable for consumer use. Any product liability claim brought against us, with or without merit, could result in:

- withdrawal of clinical trial volunteers, investigators, patients or trial sites;
- the inability to commercialize our product candidates;
- decreased demand for our product candidates;
- regulatory investigations that could require costly recalls or product modifications;
- loss of revenue;
- substantial costs of litigation;
- liabilities that substantially exceed our product liability insurance, which we would then be required to pay ourselves;
- an increase in our product liability insurance rates or the inability to maintain insurance coverage in the future on acceptable terms, if at all;
- the diversion of management's attention from our business; and
- damage to our reputation and the reputation of our products.

Product liability claims may subject us to the foregoing and other risks, which could have a material adverse effect on our business, results of operations, financial condition, and prospects.

Our employees, independent contractors, principal investigators, CROs, consultants and vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

We are exposed to the risk that our employees, independent contractors, principal investigators, CROs, consultants and vendors may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to us that violates: (1) FDA regulations, including those laws requiring the reporting of true, complete and accurate information to the FDA; (2) manufacturing standards; (3) federal and state healthcare fraud and abuse laws and regulations; or (4) laws that require the true, complete and accurate reporting of financial information or data. Specifically, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Activities subject to these laws also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter misconduct by our employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

We are subject to uncertainty relating to coverage and reimbursement policies which, if not favorable to our product candidates, could hinder or prevent our products' commercial success.

Our ability to commercialize our product candidates, if approved, successfully will depend in part on the extent to which governmental authorities, private health insurers and other third-party payors establish appropriate coverage and reimbursement levels for our product candidates. As a threshold for coverage and reimbursement, third-party payors generally require that drug products have been approved for marketing by the FDA. A primary trend in the U.S. healthcare industry is cost containment. Third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular products and procedures. Increasingly, third-party payors are requiring that companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot assure you that coverage and reimbursement will be available for any product that we commercialize and, if coverage is available, what the level of reimbursement will be. Coverage and reimbursement may impact the demand for, or the price of, any product for which we obtain marketing approval. If coverage and reimbursement are not available or are available only to limited levels, we may not be able to successfully commercialize any product candidate that we successfully develop.

Healthcare reform measures could hinder or prevent our products candidates' commercial success, if approved.

In the United States, there have been, and we anticipate there will continue to be, a number of legislative and regulatory changes to the healthcare system that could impact our ability to sell any of our products profitably if approved. In the United States, the Federal government recently passed healthcare reform legislation, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the ACA.

The ACA contains a number of provisions, including those governing enrollment in federal healthcare programs, reimbursement changes and fraud and abuse, which will impact existing government healthcare programs and will result in the development of new programs, including Medicare payment for performance initiatives and improvements to the physician quality reporting system and feedback program. Additionally, the ACA:

- increases the minimum level of Medicaid rebates payable by manufacturers of brand-name drugs from 15.1% to 23.1%;
- requires collection of rebates for drugs paid by Medicaid managed care organizations;
- requires manufacturers to participate in a coverage gap discount program, under which they must agree to offer 50 percent point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D; and
- imposes a non-deductible annual fee on pharmaceutical manufacturers or importers who sell "branded prescription drugs" to specified federal government programs.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. On August 2, 2011, the Budget Control Act of 2011 was signed into law, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, triggering the legislation's automatic reduction to several government programs. This includes reductions to Medicare payments to providers of 2% per fiscal year, which went into effect on April 1, 2013, and will stay in effect through 2024 unless Congressional action is taken. On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several providers, including hospitals and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our product candidates if approved, or additional pricing pressure. The continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to make and implement healthcare reforms may adversely affect:

- our ability to set a price we believe if fair for our products;
- our ability to generate revenues and achieve or maintain profitability;
- the availability of capital; and
- our ability to obtain timely approval of our products.

We may be subject, directly or indirectly, to federal and state healthcare fraud and abuse laws, false claims laws, and health information privacy and security laws. If we are unable to comply, or have not fully complied, with such laws, we could face substantial penalties.

If we obtain FDA approval for any of our product candidates and begin commercializing those products in the United States, our operations may be directly, or indirectly through our customers, subject to various federal and state fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute, the federal False Claims Act, and physician sunshine laws and regulations. These laws may impact, among other things, our proposed sales, marketing, and education programs. In addition, we may be subject to patient privacy regulation by both the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, to induce, or in return for, the purchase or recommendation of an item or service reimbursable under a federal healthcare program, such as the Medicare and Medicaid programs;
- federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created federal criminal statutes that prohibit executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology and Clinical Health Act and its implementing regulations, which imposes certain requirements relating to the privacy, security, and transmission of individually identifiable health information;
- the federal physician sunshine requirements under the ACA, which require manufacturers of drugs, devices, biologics, and medical supplies to report annually to the U.S. Department of Health and Human Services information related to payments and other transfers of value to physicians, other healthcare providers, and teaching hospitals, and ownership and investment interests held by physicians and other healthcare providers and their immediate family members; and
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws that may apply to items or services reimbursed by any third-party payor, including commercial insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures, and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws. In addition, recent health care reform legislation has strengthened these laws. For example, the ACA, among other things, amends the intent requirement of the federal Anti-Kickback and criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. Moreover, the ACA provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act.

If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from participation in government health care programs, such as Medicare and Medicaid, imprisonment, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

Risks Related to our Common Stock:

We are subject to the reporting requirements of federal securities laws, which is expensive.

We are a public reporting company in the U.S. and, accordingly, subject to the information and reporting requirements of the Exchange Act and other federal securities laws, and the compliance obligations of the Sarbanes-Oxley Act. The costs of preparing and filing annual and quarterly reports, proxy statements and other information with the SEC and furnishing audited reports to stockholders causes our expenses to be higher than they would be if we remained a privately-held company.

Our compliance with the Sarbanes-Oxley Act and SEC rules concerning internal controls is time consuming, difficult and costly.

We are a reporting company with the SEC and therefore must comply with Sarbanes-Oxley Act and SEC rules concerning internal controls. It is time consuming, difficult and costly for us to develop and implement the internal controls and reporting procedures required by the Sarbanes-Oxley Act. In order to expand our operations, we will need to hire additional financial reporting, internal control, and other finance staff in order to develop and implement appropriate internal controls and reporting procedures.

Our stock price may be volatile, which may result in losses to our stockholders.

The stock markets have experienced significant price and trading volume fluctuations, and the market prices of companies quoted on the OTCBB, where our shares of common stock will be quoted, generally have been very volatile and have experienced sharp share-price and trading-volume changes. The trading price of our common stock is likely to be volatile and could fluctuate widely in response to many of the following factors, some of which are beyond our control:

- variations in our operating results;
- changes in expectations of our future financial performance, including financial estimates by securities analysts and investors;
- changes in operating and stock price performance of other companies in our industry;
- additions or departures of key personnel; and
- future sales of our common stock.

Domestic and international stock markets often experience significant price and volume fluctuations. These fluctuations, as well as general economic and political conditions unrelated to our performance, may adversely affect the price of our common stock. In particular, following initial public offerings, the market prices for stocks of companies often reach levels that bear no established relationship to the operating performance of these companies. These market prices are generally not sustainable and could vary widely. In the past, following periods of volatility in the market price of a public company's securities, securities class action litigation has often been initiated.

Our common shares are thinly-traded, and in the future, may continue to be thinly-traded, and you may be unable to sell at or near ask prices or at all if you need to sell your shares to raise money or otherwise desire to liquidate such shares.

We cannot predict the extent to which an active public market for our common stock will develop or be sustained due to a number of factors, including the fact that we are a small company that is relatively unknown to stock analysts, stock brokers, institutional investors, and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give you any assurance that a broader or more active public trading market for our common stock will develop or be sustained, or that current trading levels will be sustained.

The market price for our common stock may be particularly volatile given our status as a relatively small company and lack of revenues that could lead to wide fluctuations in our share price. You may be unable to sell your common stock at or above your purchase price if at all, which may result in substantial losses to you.

The market for our common shares may be characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will be more volatile than a seasoned issuer for the indefinite future. The potential volatility in our share price is attributable to a number of factors. First, as noted above, our common shares may be sporadically and/or thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously in the event that a large number of our common shares are sold on the market without commensurate demand, as compared to a seasoned issuer that could better absorb those sales without adverse impact on its share price. Secondly, an investment in us is a speculative or "risky" investment due to our lack of revenues or profits to date. As a consequence of this enhanced risk, more risk-adverse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer.

Because we became public by means of a "reverse merger," we may not be able to attract the attention of major brokerage firm or investors in general.

Additional risks may exist since we will become public through a "reverse merger." Securities analysts of major brokerage firms may not provide coverage of us since there is little incentive to brokerage firms to recommend the purchase of our common stock. No assurance can be given that brokerage firms will want to conduct any secondary offerings on behalf of our company in the future. In addition, the SEC has recently issued an investor bulletin warning investors about the risks of investing in companies that enter the U.S. capital markets through a "reverse merger." The release of such information from the SEC may have the effect of reducing investor interest in companies, such as us, that enter the U.S. capital markets through a "reverse merger."

Shares issued pursuant to the Merger are "restricted securities" subject to certain important limitations on their resale.

Holders of shares issued pursuant to the Merger will not be able to resell the shares in the public market, unless those shares are registered pursuant to the Securities Act of 1933, as amended, or an exemption from registration for such sale is available. Holders of shares issued pursuant to the Merger must bear the economic risk of holding those shares for an indefinite period of time.

We cannot assure you that our common stock will become eligible for listing or quotation on any exchange and the failure to do so may adversely affect your ability to dispose of our common stock in a timely fashion.

In order for our common stock to become eligible for listing or quotation on any exchange, reverse merger companies must have had their securities traded on an over-the-counter market for at least one year, maintained a certain minimum closing price for not less than 30 of the most recent 60 days prior to the filing of an initial listing application and prior to listing, and timely filed with the SEC all required reports since consummation of the reverse merger, including one annual report containing audited financial statements for a full fiscal year commencing after the date of the filing of this Current Report on Form 8-K. We may not be able to meet all of the filing requirements above and may not be able to satisfy the initial standards for listing or quotation on any exchange in the foreseeable future or at all. Even if we are able to become listed or quoted on an exchange, we may not be able to maintain a listing of the common stock on such stock exchange.

We do not anticipate paying any cash dividends.

We presently do not anticipate that we will pay any dividends on any of our capital stock in the foreseeable future. The payment of dividends, if any, would be contingent upon our revenues and earnings, if any, capital requirements, and general financial condition. The payment of any dividends will be within the discretion of our Board of Directors. We presently intend to retain all earnings, if any, to implement our business plan; accordingly, we do not anticipate the declaration of any dividends in the foreseeable future.

Our common stock may be subject to penny stock rules, which may make it more difficult for our stockholders to sell their common stock.

Broker-dealer practices in connection with transactions in "penny stocks" are regulated by certain penny stock rules adopted by the SEC. Penny stocks generally are equity securities with a price of less than $5.00 per share. The penny stock rules require a broker-dealer, prior to a purchase or sale of a penny stock not otherwise exempt from the rules, to deliver to the customer a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules generally require that prior to a transaction in a penny stock the broker-dealer make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules.

Volatility in our common stock price may subject us to securities litigation.

The market for our common stock is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may, in the future, be the target of similar litigation. Securities litigation could result in substantial costs and liabilities and could divert management's attention and resources.

We may need additional capital, and the sale of additional shares or other equity securities could result in additional dilution to our stockholders.

We believe that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the near future. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our resources are insufficient to satisfy our cash requirements, we will seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities could result in additional dilution to our stockholders. The incurrence of additional indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

Our principal stockholders and management own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

Certain of our executive officers, directors and large stockholders own a significant percentage of our outstanding capital stock. Immediately after the closing of the Merger, our executive officers, directors, holders of 5% or more of our capital stock and their respective affiliates beneficially own approximately 45.5% of our outstanding voting stock. Accordingly, even after giving effect to the Merger, our directors and executive officers have significant influence over our affairs due to their substantial ownership coupled with their positions on our management team, and have substantial voting power to approve matters requiring the approval of our stockholders. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This concentration of ownership in our Board of Directors and management team and certain other large stockholders may prevent or discourage unsolicited acquisition proposals or offers for our common stock that some of our stockholders may believe is in their best interest.

We have a substantial number of authorized common shares available for future issuance that could cause dilution of our stockholders' interest and adversely impact the rights of holders of our common stock.

We have a total of 236,000,000 shares of common stock authorized for issuanceand up to 10,000,000 shares of preferred stock with the rights, preferences and privileges that our Board of Directors may determine from time to time. We have reserved 1,080,000 shares for issuance upon the exercise of outstanding options and 4,000,000 shares for issuance upon the exercise of outstanding warrants. As of October 31, 2014, we had 214,920,000 shares of common stock available for issuance. We may seek financing that could result in the issuance of additional shares of our capital stock and/or rights to acquire additional shares of our capital stock. We may also make acquisitions that result in issuances of additional shares of our capital stock. Those additional issuances of capital stock would result in a significant reduction of your percentage interest in us. Furthermore, the book value per share of our common stock may be reduced. This reduction would occur if the exercise price of any issued warrants, the conversion price of any convertible notes is lower than the book value per share of our common stock at the time of such exercise or conversion.

The addition of a substantial number of shares of our common stock into the market or by the registration of any of our other securities under the Securities Act of 1933, as amended, or the Securities Act, may significantly and negatively affect the prevailing market price for our common stock. The future sales of shares of our common stock issuable upon the exercise of outstanding warrants may have a depressive effect on the market price of our common stock, as such warrants would be more likely to be exercised at a time when the price of our common stock is greater than the exercise price.

We may have material liabilities that are not discovered until after the closing of the Merger.

As a result of the Merger, the Former Business and management of LGL have been replaced with the business and management team of Nemus. Prior to the Merger, there were no relationships or other connections among the businesses or individuals associated with those two entities. As a result, LGL may have material liabilities that are not discovered until after the Merger is completed. We could experience losses as a result of any such undisclosed liabilities that are discovered following the Merger, which could materially harm our business and financial condition. Although the Merger Agreement contains customary representations and warranties from LGL concerning its assets, liabilities, financial condition and affairs, there may be limited or no recourse against LGL's pre-Merger stockholders or principals in the event those representations prove to be untrue. As a result, the stockholders of the Company following the closing of the Merger will bear some, or all, of the risks relating to any such unknown or undisclosed liabilities.

There is not now, and there may never be, an active, liquid and orderly trading market for our common stock, which may make it difficult for you to sell your shares of our common stock.

There is not now, nor has there been since our inception, any trading activity in our common stock or a market for shares of our common stock, and an active trading market for our shares may never develop or be sustained. As a result, investors in our common stock must bear the economic risk of holding those shares for an indefinite period of time. Although our common stock is quoted on the OTCBB, an over-the-counter quotation system, trading of our common stock is extremely limited and sporadic and at very low volumes. We do not now, and may not in the future, meet the initial listing standards of any national securities exchange. We presently anticipate that our common stock will continue to be quoted on the OTCBB or another over-the-counter quotation system in the foreseeable future. In those venues, our stockholders may find it difficult to obtain accurate quotations as to the market value of their shares of our common stock, and may find few buyers to purchase their stock and few market makers to support its price. As a result of these and other factors, you may be unable to resell your shares of our common stock at or above the price for which you purchased them, or at all. Further, an inactive market may also impair our ability to raise capital by selling additional equity in the future, and may impair our ability to enter into strategic partnerships or acquire companies or products by using our shares of common stock as consideration.

If we are unable to implement and maintain effective internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our reported financial information and the market price of our common stock may be negatively affected.

As a public company, we will be required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act, requires that we evaluate and determine the effectiveness of our internal control over financial reporting and, beginning with our annual report for the year ending December 31, 2014, provide a management report on the internal control over financial reporting. If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We are in the process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404 of the Sarbanes-Oxley Act. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, our management will be unable to conclude that our internal control over financial reporting is effective. Moreover, when we are no longer an emerging growth company, our independent registered public accounting firm will be required to issue an attestation report on the effectiveness of our internal control over financial reporting. Even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may conclude that there are material weaknesses with respect to our internal controls or the level at which our internal controls are documented, designed, implemented or reviewed.

If we are unable to conclude that our internal control over financial reporting is effective, or when we are no longer an emerging growth company, if our auditors were to express an adverse opinion on the effectiveness of our internal control over financial reporting because we had one or more material weaknesses, investors could lose confidence in the accuracy and completeness of our financial disclosures, which could cause the price of our common stock to decline. Internal control deficiencies could also result in a restatement of our financial results in the future.

We currently only have one independent director and do not have an audit committee composed solely of independent directors.

The Sarbanes-Oxley Act requires us as a public corporation to have independent directors and an audit committee composed solely of independent directors. Currently, we have one independent director and lack an Audit Committee of the Board of Directors. Audit committee communications currently go directly to board members and addressed with the Board of Directors. We can provide no assurances that we will be able to attract and maintain independent directors on our Board or form an Audit Committee in compliance with the Sarbanes-Oxley Act.

If securities or industry analysts do not publish research or reports about our business, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not currently have and may never obtain research coverage by industry or financial analysts. If no or few analysts commence coverage of us, the trading price of our stock would likely decrease. Even if we do obtain analyst coverage, if one or more of the analysts who cover us downgrade our stock, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Management's Discussion And Analysis Of Financial Condition and Plan Of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our with our financial statements for the six months ended June 30, 2014, the year ended December 31, 2013, and the period from inception to December 31, 2012 together with notes thereto. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited, to those set forth under "Risk Factors" and elsewhere in this Current Report on Form 8-K.

The Merger is accounted for as a reverse merger and recapitalization, with Nemus as the acquirer and LGL as the acquired company for financial reporting purposes. As a result, the assets and liabilities and the operations that will be reflected in the historical financial statements prior to the Merger will be those of Nemus and will be recorded at the historical cost basis of Nemus, and the consolidated financial statements after completion of the Merger will include the assets and liabilities of LGL and Nemus, the historical operations of Nemus and the operations of the combined enterprise of LGL and Nemus from and after the closing date of the Merger.

All references to "we," "us," "our" and "Nemus" in this discussion and analysis refer solely to Nemus, a California corporation. Nemus become the wholly owned subsidiary of Nemus Bioscience, Inc., a Nevada corporation formerly known as Load Guard Logistics, Inc., upon the closing of the Merger pursuant to which a wholly owned subsidiary of LGL formed solely for the purpose of the Merger merged with and into Nemus.

Overview

We are a biopharmaceutical company focused on the discovery, development, and the commercialization of cannabis-based therapeutics through our partnership with the University of Mississippi, or UM. UM has held the only contractto cultivate cannabis for research purposeson behalf of the Federal Government since 1968, and it has significant expertise in cannabis cultivation and the extraction, separation, process and manufacture of cannabis extracts. We are currently UM's sole partner for the development and commercialization of drugs derived from cannabis extracts, or cannabinoids, and the realization of this partnership will depend on the successful navigation of the complex regulatory framework for the cultivation and handling of cannabis in the United States.

Recent Events

On September 29, 2014, we executed three license agreements with UM which contain certain milestone and royalty payments. A one-time upfront payment of $65,000 per license agreement is payable in four equal monthly installments starting on October 1, 2014. An annual fee of $25,000 per license agreement is payable on the anniversary of each effective date. The license agreements also require us to reimburse UM for patent costs incurred related to these products under license at a minimum of $70,000. The license agreements will terminate upon expiration of the patents, breach or default of the license agreements, or upon 60 days written notice by us to UM.

On October 31, 2014, LGL closed a reverse merger transaction pursuant to which LGL became the 100% parent of Nemus and assumed the operations of Nemus. On November 3, 2014, LGL changed its name to Nemus Bioscience, Inc. by merging with its wholly owned subsidiary, Name Change Merger Sub.

Critical Accounting Policy and Estimates

Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources. These accounting policies are described at relevant sections in this discussion and analysis and in the notes to the financial statements included in this Current Report on Form 8-K. We believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating our reported financial results and affect the more significant judgments and estimates that we use in the preparation of our financial statements.

Fair Value Measurements

Certain assets and liabilities are carried at fair value under U.S. GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last is considered unobservable, is used to measure fair value:

Level 1: Valuations for assets and liabilities traded in active markets from readily available pricing sources such as quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs (other than Level 1 quoted prices) such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The carrying values of our financial instruments, including, cash and cash equivalents, prepaid expenses, accounts payable, and accrued expenses approximate their fair value due to the short maturities of these financial instruments. We do not have financial assets or liabilities that are measured at fair value on a recurring basis as of June 30, 2014 and December 31, 2013 and 2012.

Property and Equipment, Net

As of June 30, 2014, the Company had no property or equipment. Expenditures for additions, renewals and improvements will be capitalized at cost. Depreciation will generally be computed on a straight-line methods based on the estimated useful life of the related assets. Maintenance and repairs that do not extend the life of assets are charged to expense when incurred. When properties are disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reported in the period the transaction takes place.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted cash flows expected to be generated by the asset. If the carrying amount exceeds its estimated future undiscounted cash flows, an impairment charge is recognized by the amount by which the carrying amount exceeds the fair value of the asset.

The costs incurred for the rights to use licensed technologies in the research and development process, including licensing fees and milestone payments, will be charged to research and development expense as incurred in situations where the Company has not identified an alternative future use for the acquired rights, and are capitalized in situations where there is an identified alternative future use. No costs associated with the use of licensed technologies has been capitalized to date.

Income Taxes

The Company accounts for our deferred income tax assets and liabilities based on differences between the financial reporting and tax bases of assets and liabilities, and net operating loss carry forwards (the "NOLs") and other tax credit carry forwards. These items are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date. Any interest or penalties would be recorded in the Company's statement of operations in the period incurred.

The Company records a valuation allowance to reduce the deferred income tax assets to the amount that is more likely than not to be realized. In making such determinations, management considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. As a result there are no income tax benefits reflected in the statement of operations to offset pre-tax losses.

The Company recognizes a tax benefit from uncertain tax positions when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position.

Revenue Recognition

The Company is a development stage enterprise and has not generated any revenue since inception.

Research and Development Expenses

Research and development ("R&D") costs are expensed when incurred. These costs may consist of external research and development expenses incurred under agreements with third-party contract research organizations and investigative sites, third-party manufacturing organizations and consultants; employee-related expenses, which include salaries, benefits and stock-based compensation for the personnel involved in our preclinical and clinical drug development activities; and facilities expense, depreciation and other allocated expenses; and equipment and laboratory supplies.

Stock-Based Compensation Expenses

Stock-based compensation cost is estimated at the grant date based on the fair value of the award, and the cost is recognized as expense ratably over the vesting period. We use the Black-Scholes option pricing model for estimating the grant date fair value of stock options and warrants using the following assumptions:

- Exercise price - We determined the exercise price based on valuations using the best information available to management at the time of the valuations.

- Volatility – We estimate the stock price volatility based on industry peers who are also in the early development stage given the limited market data available in the public arena.

- Expected term - The expected term is based on a simplified method which defines the life as the average of the contractual term of the options and warrants and the weighted-average vesting period for all open employee awards.

- Risk-free rate - The risk-free interest rate for the expected term of the option or warrant is based on the average market rate on U.S. treasury securities in effect during the quarter in which the awards were granted.

- Dividends - The dividend yield assumption is based on our history and expectation of paying no dividends.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-10 "Development Stage Entities" (Topic 915). The objective of the ASU is to improve financial reporting by reducing the cost and complexity of associated with the incremental reporting requirements for development stage entities. The ASU removes all incremental financial reporting requirements from U.S. GAAP for development stage entities, including the inception-to-date information and certain other disclosures. The ASU also eliminates an exception provided to development stage entities in Topic 810 "Consolidation" for determining whether an entity is a variable interest entity on the basis of amount of investment equity at risk. For public business entities, those amendments are effective for annual reporting periods beginning after December 15, 2014, and interim periods therein. Earlier adoption is permitted for any annual or interim period for which financial statements have not yet been issued. Accordingly, the Company has elected to adopt these changes effective July 17, 2012.

In June 2014, the FASB issued ASU No. 2014-12 "Compensation – Stock Compensation" (Topic 718). The ASU provides guidance for accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. That is the case when an employee is eligible to retire or otherwise terminate employment before the end of the period in which a performance target could be achieved and still be eligible to vest in the award if and when the performance target is achieved. The amendment requires a performance target that affects vesting and that could be achieved after requisite service period be treated as a performance condition. Compensation cost should be recognized in the period in which it becomes probable that such performance condition would be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. Those amendments are effective for annual reporting periods beginning after December 15, 2015, and interim periods therein. The Company is currently evaluating the potential impact that adoption may have on its financial statements.

Results of Operations

For the six months ended June 30, 2014 and 2013

Revenues. To date, we have not generated any revenues, and do not expect to generate any revenue from the sale of products in the near future

Operating Expenses. For the six months ended June 30, 2014, our total expenses were $173,021 which primarily consisted of consulting fees and professional fees associated with our costs of becoming a public company. By comparison, our operating expenses for the six months ended June 30, 2013, our total expenses were $60,202 which primarily consisted of consulting fees paid to an entity owned by Reg Lapham, our former officer and director.

Net Loss. For the six months ended June 30, 2014, we had a net loss of $173,021, as compared a net loss of $60,202 for the six months ended June 30, 2013. We expect to incur net losses for the foreseeable future.

For the year ended December 31, 2013, and the period from July 17, 2012 (inception) to December 31, 2012

Revenues. To date, we have not generated any revenues, and do not expect to generate any revenue from the sale of products in the near future

Operating Expenses. For the year ended December 31, 2013, our total expenses were $120,403 which primarily consisted of consulting fees and professional fees associated with our costs of becoming a public company. By comparison, our total expenses for the period from July 17, 2012 (inception) to December 31, 2012, were $62,750 which consisted of consulting fees paid to an entity owned by Reg Lapham, our former officer and director.

Net Income/Loss. For the year ended December 31, 2013, we had a net loss of $120,403, as compared to a net loss of $62,750 for the period from July 17, 2012 (inception) to December 31, 2012. We expect to incur net losses for the foreseeable future.

Liquidity and Capital Resources

We had cash and cash equivalents of $528,494 as of June 30, 2014, as compared to $0 and $0 as of December 31, 2013 and 2012, respectively In August 2014, we raised $1,100,000 to be utilized to fund ongoing operations. We anticipate that we will continue to incur net losses into the foreseeable future as we continue to advance and develop a number of potential drug candidates into preclinical development activities and expand our corporate infrastructure which includes the costs associated with being a public company. Without additional funding, management believes that we will not have sufficient funds to meet its obligations beyond June 2015. These conditions give rise to substantial doubt as to our ability to continue as a going concern.

We have been, and intend to continue, working toward identifying and obtaining new sources of financing. No assurances can be given that we will be successful in obtaining additional financing in the future. Any future financing that we may obtain may cause significant dilution to existing stockholders. Any debt financing or other financing of securities senior to common stock that we are able to obtain will likely include financial and other covenants that will restrict our flexibility. Any failure to comply with these covenants would have a negative impact on our business, prospects, financial condition, results of operations and cash flows.

If adequate funds are not available, we may be required to delay, scale back or eliminate portions of our operations or obtain funds through arrangements with strategic partners or others that may require us to relinquish rights to certain of our assets. Accordingly, the inability to obtain such financing could result in a significant loss of ownership and/or control of our assets and could also adversely affect our ability to fund our continued operations and our expansion efforts.

During the next twelve months, we expect to incur significant research and development expenses with respect to our products.The majority of our research and development activity is focused on development of potential drug candidates and preclinical trials.

We also expect to incur significant legal and accounting costs in connection with becoming a public company. We expect those fees will be significant and will continue to impact our liquidity. Those fees will be higher as our business volume and activity increases.

We anticipate that we will need to hire additional employees or independent contractors for our new laboratory at UM. We do not anticipate that we will need to purchase or lease additional equipment for the foreseeable future.

Off-Balance Sheet Arrangements. We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under applicable SEC rules.

PROPERTIES

Our principal executive offices and corporate offices consist of approximately3,684 square feet located at 650 Town Center Drive, Suite 620, Costa Mesa, CA 92626. We lease of office space. Our lease expires on October 31, 2016 and our annual rent is $64,470, payable in equal monthly installments with annual escalations.

Our laboratory and office space consists of approximately 3,415 square feet located at the Innovation Hub, Insight Park on the UM campus. Our lease expires on December 31, 2017 and our annual rent is approximately $108,000, payable in equal monthly installments with annual escalations. Our facilities are adequate and suitable for our current needs.

We have no policies with respect to investments in real estate or interests in real estate.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to beneficial ownership of our common stock immediately after the closing of the Merger based on issued and outstanding shares of common stock, by:

- Each person known to be the beneficial owner of 5% or more of our outstanding common stock;
- Each executive officer;
- Each director; and
- All of the executive officers and directors as a group.

Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act. Under this rule, certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire shares (for example, upon exercise of an option or warrant) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares is deemed to include the amount of shares beneficially owned by such person by reason of such acquisition rights. As a result, the percentage of outstanding shares of any person as shown in the following table does not necessarily reflect the person's actual voting power at any particular date.

The information set forth in the table below is based on 16,000,000 shares of our common stock issued and outstanding on October 31, 2014, immediately after to giving effect to the closing of the Merger.

To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	John B. Hollister 650 Town Center Drive, Suite 620 Costa Mesa, CA 92626	480,000 shares (1) Chief Executive Officer, Director	3.00%
Common Stock	Dr. Brian S. Murphy 650 Town Center Drive, Suite 620 Costa Mesa, CA 92626	480,000 shares (2) Chief Medical Officer	3.00%
Common Stock	Elizabeth M. Berecz 650 Town Center Drive, Suite 620 Costa Mesa, CA 92626	100,000 shares (3) Chief Financial Officer	*
Common Stock	Gerald W. McLaughlin 650 Town Center Drive, Suite 620 Costa Mesa, CA 92626	20,000 shares (4) Director	*
Common Stock	Cosmas N. Lykos 650 Town Center Drive, Suite 620 Costa Mesa, CA 92626	4,484,400 shares (5) Co-Founder, Chairman of the Board	28.02%
Common Stock	Reg Lapham 375 Redondo Ave., #137 Long Beach, CA 90814	5,017,200 shares (6) Beneficial Owner	31.35%
Common Stock	All officers and directors as a group	4,484,400 (7)	28.02%

* Less than 1%

(1) Includes 480,000 shares of common stock underlying options granted to John B. Hollister on October 31, 2014, which are subject to a five year vesting schedule with 1/5 vesting on each of the first, second, third, fourth and fifth anniversaries of the date of the grant.

(2) Includes 480,000 shares of common stock underlying options granted to Dr. Brian S. Murphy on October 31, 2014, which are subject to a five year vesting schedule with 1/5 vesting on each of the first, second, third, fourth and fifth anniversaries of the date of the grant.

(3) Includes 100,000 shares of common stock underlying options granted to Elizabeth M. Berecz on October 31, 2014, which are subject to a five year vesting schedule with 1/5 vesting on each of the first, second, third, fourth and fifth anniversaries of the date of the grant.

(4) Includes 20,000 shares of common stock underlying options granted to Gerald W. McLaughlin on October 31, 2014, which are subject to a five year vesting schedule with 1/5 vesting on each of the first, second, third, fourth and fifth anniversaries of the date of the grant.

(5) Includes 1,110,000 shares of common stock underlying warrants granted to Cosmas N. Lykos.

(6) Includes 1,110,000 shares of common stock underlying warrants granted to Reg Lapham.

(7) Includes 1,110,000 shares of common stock underlying warrantsgranted to Cosmas N. Lykos.

DIRECTORS AND EXECUTIVE OFFICERS

At the effective time of the Merger, our board of directors was reconstituted and John B. Hollister, Cosmas N. Lykos and Gerald W. McLaughlin became the members of our board of directors. Our executive management team was also reconstituted by the appointment of John B. Hollister, Dr. Brian S. Murphy and Elizabeth M. Berecz. The name, age and position of our directors and executive officers following the Merger are as follows:

Name	Age	Position
John B. Hollister	54	Chief Executive Officer and Director
Dr. Brian S. Murphy	57	Chief Medical Officer
Elizabeth M. Berecz	51	Chief Financial Officer
Cosmas N. Lykos	46	Co-Founder and Chairman of the Board
Gerald W. McLaughlin	46	Director

John B. Hollister. Mr. Hollister joined Nemus as its Chief Executive Officer and a member of our Board of Directors in 2014. From 2013 to 2014, Mr. Hollister served as a strategic consultant working with early stage healthcare companies. From 2011 to 2013, Mr. Hollister served as Senior VP of Marketing for Tethys Bioscience, a diabetes diagnostic company. From 2006 to 2009, Mr. Hollister served as Chief Executive Officer of EEG Spectrum International, a private device company. From 1999 to 2004, Mr. Hollister served in a series of Commercial positions, including the Global Commercial Leader in Oncology at Amgen where he led multiple teams in developing oncology assets from pre-clinical to phase IV. Prior to Amgen, Mr. Hollister served as the Director of Marketing at Aviron, a vaccine start-up. Mr. Hollister started his pharmaceutical career at SmithKline Beecham from 1989 to 1997. Mr. Hollister has his BA in Economics from Stanford University and his MBA from the Drucker Center at the Claremont Graduate University. Mr. Hollister serves as a Board Member and Secretary of the Brain and Behavior Research Foundation.

Dr. Brian S. Murphy. Dr. Murphy joined Nemus as its Chief Medical Officer in August 2014. From 2009 to August 2014, Dr. Murphy served as the Chief Medical Officer of Eiger Biopharmaceuticals. From 2003 to 2006, Dr. Murphy was Chief Medical Officer at Epiphany Biosciences. From 2003 to 2006, Dr. Murphy was Chief Medical Officer at Valeant Pharmaceuticals International (VRX) where his responsibilities also included oversight of Global Medical Affairs and Pharmacovigilance. Dr. Murphy also served as Medical Director, then Vice President of Marketing and Commercial Strategy of Hepatology for InterMune, Inc. (ITMN). From 2000 to 2002, Dr. Murphy was Medical Director of North America for Antivirals/Interferons/Transplant at Hoffmann-LaRoche. Prior to joining industry, Dr. Murphy was Assistant Professor of Medicine at New York Medical College and was Director of the Clinical Strategies Program at St. Vincent's Hospital in New York City, the lead hospital of the Catholic Healthcare Network of New York. Dr. Murphy is board-certified in internal medicine and completed his residency in internal medicine at Tufts-New England Medical Center and served as Chief Medical Resident in the Boston University program. Dr. Murphy completed parallel fellowship tracts at Harvard Medical School, one in internal medicine/clinical Epidemiology at the Massachusetts General Hospital and the other in Medical Ethics addressing issues of distributive justice and access to care at Brigham & Women's Hospital. Dr. Murphy earned his MD, MPH(general public health), and MS (pharmacology) degrees from New York Medical College and is a graduate of the Harvard School of Public Health (MPH in Health Policy and Management). He earned his MBA at the Columbia University Graduate School of Business.

Elizabeth M. Berecz. Elizabeth Berecz has served as our Chief Financial Officer since September 2014. Prior to joining the Company, Ms. Berecz formerly held the position of Chief Financial Officer and Board Member of Bentley Mills, Inc. since December 2012. From October 2011 to December 2012, she was the Chief Financial Officer of PowerBalance Technologies. From December 2009 to June 2011, she held the position of Executive Vice President and Chief Financial Officer of Star Trac. Prior to this, Ms. Berecz held several senior financial management positions with public companies in Silicon Valley. She began her career with Price Waterhouse and is a California CPA**.** She received her BA in Economics from Stanford University and a MA in Sports Management from the University of San Francisco.

Cosmas N. Lykos. Cosmas N. Lykos co-founded Nemus in 2012 and has served as its Chairman of the Board of Directors since August 2014 as well as a strategic advisor since inception. After graduating with Honors from Duke University School of Law in 1993, Mr. Lykos began his career at Gibson Dunn & Crutcher, LLP, an international full-service law firm, as a corporate associate until 1998. From 1998 to 2004, Mr. Lykos served as Vice President of Business Affairs, General Counsel, Secretary and Chief Compliance Officer of RemedyTemp, Inc., a NASDAQ publicly-traded temporary staffing firm with over 250 directly-owned and franchised offices nationwide. From 2004 until 2008, Mr. Lykos served as Vice President of Business Development, Chief Legal Officer, Secretary and Chief Compliance Officer of Oakley, Inc., a NYSE publicly-traded sports and technical eyewear, apparel, accessories and retail company. In January of 2008, he became Co-owner and President of the Optical Shop International, or OSI, a designer and distributor of licensed eyewear brands, including Chrome Hearts and Blinde, through two wholly-owned foreign subsidiaries with a direct and distributor sales network in over 60 countries. Primary responsibilities included developing and implementing OSI's vision and strategies and the management of its foreign subsidiaries, sales, legal, human resources, finance and administrative functions. In January 2011, Mr. Lykos negotiated and consummated the sale of OSI to its primary licensor, Chrome Hearts LLC. From January 2011 through present day, Mr. Lykos has been engaged to provide management and legal advisory services to Chrome Hearts Eyewear LLC and Chrome Hearts LLC. Mr. Lykos has extensive public and private company Board of Directors experience. As Chief Compliance and Legal Officer and Secretary of both Oakley, Inc. and RemedyTemp, Inc., Mr. Lykos attended all Board of Directors' meetings and Board committee meetings. As an angel investor, Mr. Lykos has made minority investments in various private companies and has served on their Board of Directors including Dragon Alliance, LLC, a youth lifestyle action sports brand selling eyewear, goggles and apparel in over 40 countries, and Lookmatic.com, an internet e-commerce eyewear company, selling prescription frames and sunglasses direct to consumers.

Gerald W. McLaughlin. Gerald McLaughlin has served as a member of our Board of Directors since October 2014. Mr. McLaughlin currently serves as President and Chief Executive Officer of AgeneBio, Inc. a clinical-stage pharmaceutical company developing medicines to restore and preserve patients' cognitive function for a range of debilitating neurodegenerative diseases. From 2007 to 2014, Mr. McLaughlin acted as the lead commercial executive for NuPathe Inc., a specialty pharmaceutical company focused on the development and commercialization of branded therapeutics for diseases of the central nervous system including Zecuity®, the first and only FDA-approved transdermal system for migraine. In his most recent position with NuPathe, Mr. McLaughlin served as Senior Vice President and Chief Commercial Officer where he helped provide corporate strategic direction and led the commercial organization until its acquisition in Q1 2014 by Teva Pharmaceuticals Ltd. From 2001 to 2007, Mr. McLaughlin served in several commercial leadership roles for Endo Pharmaceuticals, a mid-size specialty pharmaceutical company focused the development and commercialization of medicines targeting pain management and diseases of the central nervous system. His roles included Senior Director of Strategic Marketing where he established a strategic roadmap for the organization and performed commercial assessments for new opportunities encompassing all aspects of pain management including neuropathic pain, post-operative and breakthrough pain. From 1990 to 2001, Mr. McLaughlin worked for Merck & Co. Inc. in a variety of commercial roles including marketing leadership roles where he developed and implemented brand strategies for three product launches both for the US and global markets. Mr. McLaughlin received his BA in Economics from Dickinson College and his MBA from Villanova University.

Strategic Advisory Board

Dr. Mahmoud ElSohly. Dr. ElSohly is a member of our strategic advisory board. Dr. ElSohly is an expert in the science of cannabis and currently serves a research professor at the National Center for Natural Products Research and a Professor of Pharmaceutics, School of Pharmacy, University of Mississippi. He is also President and Laboratory Director of ElSohly Laboratories (ELI) in Oxford, Mississippi. At UM, Dr. ElSohly serves as the Director of the NIDA Marijuana Project where he carries out a wide range of activities dealing with the chemistry, analysis and product development aspects. He is the holder of over 30 patents covering several processes and drug discovery topics in the area of natural products and cannabis research. Dr. ElSohly was the recipient of several Small Business Innovative Research and Small Business Technology Transfer grant awards from the National Institute of Health (NIH) and his company, ELI, was the recipient of the Tibbett award for contributions to the small business innovation program. A graduate of Pharmacy from the University of Cairo, he obtained his Ph.D. in Pharmacognosy from the University of Pittsburgh in 1975. In addition to his patents, Dr. ElSohly authored or co-authored over 300 scientific publications in peer reviewed journals and made many presentations of his work at national and international scientific conferences.

David Skibinski. David Skibinski is a member of our strategic advisory board. He previously served as an officer and a member of our Board of Directors from 2012 to 2014. Mr. Skibinski currently serves as Chief Executive Officer of SnapMD, Inc., a telemedicine software company. Previously, Mr. Skibinski was Chief Executive Officer of QuantumMethod a life sciences marketing and strategy consulting firm for eight years. From 1998 to 2000, Mr. Skibinski worked at Dendrite International's SalesPlus Americas division as founding VP of Sales, Marketing and Business Development selling information technology to mid-market pharmaceutical, biotech, and medical device firms. From 1987 to 1998, Mr. Skibinski worked with GlaxoSmithKline involved in major product markets such as oncology, mental health, infectious disease, gastroenterology and cardiology. Mr. Skibinski possesses a BS in Biology degree from Indiana University and an MBA in Venture Management from the University of Southern California. Before entering the private sector, Mr. Skibinski spent over ten years in major college basketball at the University of Evansville, the U.S. Military Academy (West Point), and Indiana University.

Dr. Curtis Scribner. Dr. Scribner is a member of our strategic advisory board. Dr. Scribner is a board certified physician in internal medicine and has direct experience running large clinical programs. He joined RRD International, LLC from Intarcia Therapeutics, where he was the Vice President of Regulatory and Quality Affairs and Chief Regulatory Officer. From 1997 to 2000, Dr. Scribner was Chief Regulatory Consultant for Quintiles Consulting, where he developed and wrote numerous NDA, BLA, IND, IDE, 510(k), PMA, and MAA applications. Prior to Quintiles Consulting, Dr. Scribner spent 10 years at FDA, where he held a variety of positions and was involved in reviewing products regulated by the Center for Biologics. Dr. Scribner holds an MD from the University of Colorado, College of Medicine, an MBA from the University of Maryland, College of Business and Management, and a BA in biology from Grinnell College.

Family Relationships

There are no family relationships among our directors or executive officers.

Term of Office of Directors

Our directors are elected at each annual meeting of stockholders and serve until the next annual meeting of stockholders or until their successor has been duly elected and qualified, or until their earlier death, resignation or removal.

Directors and Officers Involvement in Certain Legal Proceedings

Our directors and executive officers have not been involved in any of the following events during the past ten years:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
4. being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Committees of the Board of Directors

We currently do not have nominating, compensation or audit committees or committees performing similar functions nor do we have a written nominating, compensation or audit committee charter. Due to the present size of our Board of Directors, our Board of Directors believes that it is not necessary to have separate standing audit, nominating or compensation committees at this time because the functions of each such committee are adequately performed by our full Board of Directors. However, it is anticipated that our Board of Directors will form separate standing audit, nominating and compensation committees, with the audit committee including an audit committee financial expert and the audit and compensation committees consisting solely of independent directors, if and when our Board of Directors determines that the establishment of such committees is advisable as we seek to further develop our business and operations and potentially expand the size of our Board of Directors.

Nominations to the Board of Directors

We do not have any defined policy or procedural requirements for shareholders to submit recommendations or nominations for directors. The Board of Directors believes that, given the stage of our development, a specific nominating policy would be premature and of little assistance until our business operations develop to a more advanced level. We do not currently have any specific or minimum criteria for the election of nominees to the Board of Directors and we do not have any specific process or procedure for evaluating such nominees. The Board of Directors will assess all candidates, whether submitted by management or shareholders, and make recommendations for election or appointment.

Stockholder Communications

We do not have a formal policy regarding stockholder communications with our Board of Directors. A shareholder who wishes to communicate with our Board of Directors may do so by directing a written request addressed to our Chief Executive Officer, at the address appearing on the first page of this filing.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the compensation earned for services rendered to the Company for the fiscal years ended December 31, 2013 and 2012 of the principal executive officer and principal financial officer.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Reg Lapham	2013	-	-	-	-	-	-	120,000	120,000
Former President, Secretary	2012	-	-	-	-	-	-	60,000	60,000
David Skibinski					-	-			
Former Chief Financial Officer	2013	-	-				-	-	-
	2012	-	-	-	-	-	-	-	-

(1) Resigned as President, Secretary and a director on October 1, 2014.

(2) Resigned as Chief Financial Officer on September 18, 2014.

Outstanding Equity Awards at 2013 Fiscal Year End

There were no outstanding equity awards as of December 31, 2013.

Employment Agreements

We do not have employment agreements with any of our executive officers.

Director Compensation

The following table shows information regarding the compensation earned during the fiscal year ended December 31, 2013 by members of board of directors.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Reg Lapham(1)	-	-	-	-	-	120,000	120,000
David Skibinski(2)	-	-	-	-	-	-	-

(1) Resigned as President, Secretary and a director on October 1, 2014.

(2) Resigned as a director on August 18, 2014.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with Related Persons

There have been no transactions with related persons since the beginning of our last fiscal year, or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeds $120,000, and in which any related person had or will have a direct or indirect material interest.

Nemus is a party to an independent contractor agreement with an entity owned by Reg Lapham, our former officer and director, which provides services to Nemus. The total compensation paid to that entity for the six month period ended June 30, 2014 was $70,000, for the year ended December 31, 2013 was $120,000, and the period from inception (July 17, 2012) to December 31, 2012 was $60,000.

Review, Approval and Ratification of Related Party Transactions

Given our small size and limited financial resources, we have not adopted formal policies and procedures for the review, approval or ratification of transactions, such as those described above, with our executive officers, Directors and significant stockholders. However, all of the transactions described above were approved and ratified by our Board of Directors. In connection with the approval of the transactions described above, our Board of Directors, took into account several factors, including their fiduciary duties to the Company; the relationships of the related parties described above to the Company; the material facts underlying each transaction; the anticipated benefits to the Company and related costs associated with such benefits; whether comparable products or services were available; and the terms the Company could receive from an unrelated third party.

We intend to establish formal policies and procedures in the future, once we have sufficient resources and have appointed additional Directors, so that such transactions will be subject to the review, approval or ratification of our Board of Directors, or an appropriate committee thereof. On a moving forward basis, our Board of Directors will continue to approve any related party transaction based on the criteria set forth above.

Conflicts Related to Other Business Activities

The persons serving as our officers and directors have existing responsibilities and, in the future, may have additional responsibilities, to provide management and services to other entities in addition to us. As a result, conflicts of interest between us and the other activities of those persons may occur from time to time.

We will attempt to resolve any such conflicts of interest in our favor. Our officers and directors are accountable to us and our shareholders as fiduciaries, which requires that such officers and directors exercise good faith and integrity in handling our affairs. A shareholder may be able to institute legal action on our behalf or on behalf of that shareholder and all other similarly situated shareholders to recover damages or for other relief in cases of the resolution of conflicts in any manner prejudicial to us.

Director Independence

We believe Gerald McLaughlin is an independent member of our Board of Directors as that term is defined by defined in Rule 4200(a)(15) of the Nasdaq Marketplace Rules.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Act of 1934 requires our directors, executive officers, and any persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. SEC regulation requires executive officers, directors and greater than 10% stockholders to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that during the year ended December 31, 2013, our executive officers, directors, and greater than 10% stockholders complied with all applicable filing requirements.

Code of Ethics

On October 31, 2014, we adopted a formal code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Code of Ethics is filed as Exhibit 14.1 to this Current Report on Form 8-K. A written copy of the Code is available on our website at www.nemusbioscience.com.

Insider Trading Policy

On October 31, 2014, our Board of Directors adopted an Insider Trading Policy applicable to all directors and officers. Insider trading generally refers to the buying or selling of a security in breach of a fiduciary duty or other relationship of trust and confidence while in possession of material, non-public information about the security. Insider trading violations may also include 'tipping' such information, securities trading by the person 'tipped,' and securities trading by those who misappropriate such information. The scope of insider trading violations can be wide reaching. As such, our Board of Directors has adopted an Insider Trading Policy that outlines the definitions of insider trading, the penalties and sanctions determined, and what constitutes material, non-public information. Illegal insider trading is against our policy as such trading can cause significant harm to the reputation for integrity and ethical conduct of our company. Individuals who fail to comply with the requirements of the policy are subject to disciplinary action, at our sole discretion, including dismissal for cause. All members of our Board of Directors and all executive officers are required to ratify the terms of this policy on an annual basis. Our Insider Trading Policy is available on our website at www.nemusbioscience.com.

LEGAL PROCEEDINGS

As of the date of this report, we are not currently involved in any legal proceedings.

MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

In February 2014, our common stock became eligible for quotation on the OTCBB under the symbol LGLR. Effective October 29, 2014, a "D" was placed at the end of our trading symbol. On November 25, 2014, the Company's trading symbol on the OTCBB will change toNMUS. To date, no shares of our common stock have traded and there is currently no public market for our common stock.

Penny Stock Regulation

The Company's common stock is considered a "penny stock" as defined in the Commission's rules promulgated under the Exchange Act. The Commission's rules regarding penny stocks impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally persons with net worth in excess of $1,000,000 (excluding their principal residence) or an annual income exceeding $200,000 or $300,000 jointly with their spouse). For transactions covered by the rules, the broker-dealer must make a special suitability determination for the purchaser and receive the purchaser's written agreement to the transaction prior to the sale. Thus the Rules affect the ability of broker-dealers to sell the Company's shares should they wish to do so because of the adverse effect that the Rules have upon liquidity of penny stocks. Unless the transaction is exempt under the Rules, under the Securities Enforcement Remedies and Penny Stock Reform Act of 1990, broker-dealers effecting customer transactions in penny stocks are required to provide their customers with (i) a risk disclosure document; (ii) disclosure of current bid and ask quotations if any; (iii) disclosure of the compensation of the broker-dealer and its sales personnel in the transaction; and (iv) monthly account statements showing the market value of each penny stock held in the customer's account. As a result of the penny stock rules, the market liquidity for the Company's securities may be severely adversely affected by limiting the ability of broker-dealers to sell the Company's securities and the ability of purchasers of the securities to resell them.

RECENT SALES OF UNREGISTERED SECURITIES

Reference is made to the disclosure set forth under Item 3.02 of this Current Report on Form 8-K, which is incorporated herein by reference

Nemus

In July 2012, Nemus issued to three individuals that founded the company an aggregate of 7,770,000 shares of its common stock at an aggregate purchase price of $1,000. The issuance and sale of such securities was not registered under the Securities Act, and such securities were issued in reliance upon an exemption from registration afforded by Section 4(2) of the Securities Act. In determining that the issuance of such securities qualified for an exemption under Section 4(2) of the Securities Act, Nemus relied on the following facts: the securities were issued to recipients that each represented that it was an "accredited investor" as defined in Rule 501 promulgated under the Securities Act, it was acquiring the securities for investment purposes and without a view toward disposition thereof and it had sufficient investment experience to evaluate the risks of the investment; Nemus used no advertising or general solicitation in connection with the issuance and sale of the securities; and the securities were issued as restricted securities.

In July 2012, Nemus issued warrants to purchase up to 3,000,000 shares of our common stock to its founders and two advisors in consideration for services provided in the start-up of operations. The warrants are exercisable at a price of $1.00 per share and have a term of eleven years. The issuance and sale of such securities was not registered under the Securities Act, and such securities were issued in reliance upon an exemption from registration afforded by Section 4(2) of the Securities Act. In determining that the issuance of such securities qualified for an exemption under Section 4(2) of the Securities Act, Nemus relied on the following facts: the securities were issued to recipients that each represented that it was an "accredited investor" as defined in Rule 501 promulgated under the Securities Act, it was acquiring the securities for investment purposes and without a view toward disposition thereof and it had sufficient investment experience to evaluate the risks of the investment; Nemus used no advertising or general solicitation in connection with the issuance and sale of the securities; and the securities were issued as restricted securities.

In June and August 2014, Nemus issued and sold to twenty two investors 4,000,000 shares of its common stock at a purchase price per share of $0.50 and for an aggregate purchase price of $2,000,000.

In connection with the sale of common stock, the investors also received warrants to purchase 1,000,000 shares of our common stock at a purchase price of $1.00 per share. The warrant agreements provide for an expiration period of six years from the date of the investment. The issuance and sale of such securities was not registered under the Securities Act, and such securities were issued in reliance upon an exemption from registration afforded by Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder. In determining that the issuance of such securities qualified for an exemption under Section 4(2) of the Securities Act, Nemus relied on the following facts: the securities were issued to each investor that represented that it was an "accredited investor" as defined in Rule 501 promulgated under the Securities Act, it was acquiring the securities for investment purposes and without a view toward disposition thereof, and it had sufficient investment experience to evaluate the risks of the investment; Nemus used no advertising or general solicitation in connection with the issuance and sale of the securities; and the securities were issued as restricted securities.

In October 2014, Nemus issued 1,110,000 shares of its common stock to eighteen investorsin exchange for the signing of a release of claims against Nemus, its former officer, and an entity owned by the former officer. The issuance and sale of such securities was not registered under the Securities Act, and such securities were issued in reliance upon an exemption from registration afforded by Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder. In determining that the issuance of such securities qualified for an exemption under Section 4(2) of the Securities Act, Nemus relied on the following facts: the securities were issued to each investor that represented that it was an "accredited investor" as defined in Rule 501 promulgated under the Securities Act, it was acquiring the securities for investment purposes and without a view toward disposition thereof, and it had sufficient investment experience to evaluate the risks of the investment; Nemus used no advertising or general solicitation in connection with the issuance and sale of the securities; and the securities were issued as restricted securities.

DESCRIPTION OF REGISTRANT'S SECURITIES

We have authorized capital stock consisting of 236,000,000 shares of common stock, $0.001 par value per share ("Common Stock") and 20,000,000 shares of preferred stock, par value $0.001 per share.

As of October 31, 2014, after giving effect to the closing of the Merger, there were a total of 16,000,000 shares of our common stock issued and outstanding and no shares of preferred stock issued and outstanding.

Common Stock

The holders of outstanding shares of Common Stock are entitled to receive dividends out of assets or funds legally available for the payment of dividends of such times and in such amounts as the board from time to time may determine. Holders of Common Stock are entitled to one vote for each share held on all matters submitted to a vote of shareholders. There is no cumulative voting of the election of directors then standing for election. The Common Stock is not entitled to pre-emptive rights and is not subject to conversion or redemption. Upon liquidation, dissolution or winding up of our company, the assets legally available for distribution to stockholders are distributable ratably among the holders of the Common Stock after payment of liquidation preferences, if any, on any outstanding payment of other claims of creditors. Each outstanding share of Common Stock is, and all shares of Common Stock to be outstanding will, upon payment therefore be, duly and validly issued, fully paid and non-assessable.

Preferred Stock

Our Articles of Incorporation authorize our Board of Directors to fix or alter the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price or prices, and dissolution preferences or any wholly unissued series of our preferred stock, and the number of shares constituting any such series and the designation thereof, or any of them.

Equity Compensation Plan

Nemus Bioscience, Inc. 2014 Omnibus Incentive Plan

On October 31, 2014, our Board of Directors approved the Nemus Bioscience, Inc. 2014 Omnibus Incentive Plan (the "Plan"). The Plan permits flexibility in types of awards, and specific terms of awards, which will allow future awards to be based on then-current objectives for aligning compensation with increasing long-term shareholder value.

The Board of Directors, acting as a compensation committee (the "Committee") will generally administer the Plan. The Committee will have full power and authority to determine when and to whom awards will be granted, including the type, amount, form of payment and other terms and conditions of each award, consistent with the provisions of the Plan. In addition, the Committee has the authority to interpret the Plan and the awards granted under the Plan, and establish rules and regulations for the administration of the Plan.

The Committee may delegate certain administrative duties associated with the Plan to our officers, including the maintenance of records of the awards and the interpretation of the terms of the awards. The Committee may also delegate the authority to grant awards to a subcommittee comprised of one or more Board members, or to our executive officers, provided that such subcommittee or executive officers cannot be authorized to grant awards to executive officers.

Awards under the Plan may be granted to any person who is (i) an employee of ours, (ii) a non-employee member of the Board of Directors or the board of directors of any of our subsidiaries, or (iii) a consultant who provides services to us; provided that stock appreciation rights and non-qualified stock options shall be granted only to persons as to which we are the "service recipient," as such term is defined in Section 409A of the Internal Revenue Code.

The Plan will terminate on October 31, 2024, unless all shares available for issuance have been issued, the Plan is earlier terminated by the Board of Directors or the Committee, or the Plan is extended by an amendment approved by our shareholders. No awards may be made after the termination date. However, unless otherwise expressly provided in an applicable award agreement, any award granted under the Plan prior to the termination date may extend beyond the end of such period through the award's normal expiration date.

The aggregate number of shares of the common stock authorized for issuance as awards under the Plan is 3,200,000. The maximum aggregate number of shares of common stock subject to stock options, stock appreciation rights, restricted stock or stock unit awards which may be granted to any one participant in any one year under the Plan is 1,000,000.

Under the Plan, the Committee can grant stock options, stock appreciation rights, restricted stock, stock units and performance units. Awards may be granted alone, in addition to, or in combination with any other award granted under the Plan. Subject to the limitations set forth in the Plan, the terms and conditions of each award shall generally be governed by the particular document or agreement granting the award. The terms and conditions set forth in an award agreement may include, as appropriate:

- deemed issuance date;
- expiration date;
- number of shares covered by the award;
- acceptable means of payment;
- price per share payable upon exercise;
- applicable vesting schedule;
- individual performance criteria;
- company or group performance criteria;
- continued employment requirement;
- transfer restrictions; or
- any other terms or conditions deemed appropriate by the Committee, in each case not inconsistent with the Plan.

Stock Options and Stock Appreciation Rights. The holder of an option will be entitled to purchase a number of shares of common stock at an exercise price not less than 100% of the fair market value of a share on the date of grant during a specified time period, as determined by the Committee. The option exercise price shall be paid in cash or in such other form if and to the extent permitted by the Committee, including without limitation by delivery of already owned shares. Other than in connection with a change in our capitalization, the exercise price of an option may not be reduced without shareholder approval.

The holder of a stock appreciation right will be entitled to receive, in cash or stock (as determined by the Committee), value with respect to a specific number of shares equal to or otherwise based on the excess of the market value of a share at the time of exercise over the exercise price of the right.

Restricted Stock and Stock Units. The holder of restricted stock will own shares of common stock subject to restrictions imposed by the Committee and subject to forfeiture to us if the holder does not satisfy certain requirements (including, for example, continued employment with us) for a specified period of time. The holder of restricted stock units will have the right, subject to any restrictions imposed by the Committee, to receive shares of common stock, or a cash payment equal to the fair market value of those shares, at some future date determined by the Committee, provided that the holder has satisfied certain requirements (including, for example, continued employment with us until such future date).

Performance Awards. Performance stock or cash awards may be granted by the Committee at its sole discretion, upon the attainment of performance goals as set by the Committee.

Unless otherwise provided by the Committee, awards under the Plan may only be transferred by will or the laws of descent and distribution. The Committee may permit further transferability pursuant to conditions and limitations that it may impose, except that no transfers for consideration will be permitted.

In the event of any stock dividend, stock split, combination of shares, extraordinary dividend of cash and/or assets, recapitalization, reorganization or any similar event, the Committee is entitled to appropriately and equitably adjust the number and kind of shares or other securities which are subject to the Plan or subject to any award under the Plan.

Subject to any restrictive terms which may be set forth in award agreements, in the event we are a party to a merger or other reorganization, outstanding awards shall be subject to the agreement of merger or reorganization. Such agreement may provide, without limitation, for the assumption of outstanding awards by the surviving corporation or its parent, for their continuation by us (if we are a surviving corporation), for accelerated vesting and accelerated expiration, or for settlement in cash.

The Board of Directors may generally amend or terminate the Plan as determined to be advisable. Shareholder approval may also be required for certain amendments pursuant to the Internal Revenue Code, the rules of any market in which we participate, or rules of the SEC. No amendment or alteration of the Plan may be made which would impair the rights of any participant under any outstanding award, without such participant's consent, provided that no consent is required with respect to any amendment or alteration if the Committee determines that such amendment or alteration is either:

- required or advisable in order for us, the Plan or the award to satisfy any law or regulation or to meet the requirements of any accounting standard, or
- not reasonably likely to significantly diminish the benefits provided under such award, or that any such diminishment has been adequately compensated.

The Board will submit the Plan to the shareholders of this Corporation, for ratification.

As of October 31, 2014, the Registrant has granted 1,080,000 options pursuant to the Plan to purchase shares of its common stock.

A copy of the Plan is attached as Exhibit 10.4 to this Current Report on Form 8-K filed, and is incorporated herein by reference. The foregoing description of the Plan is a summary of the material terms only and is qualified in its entirety by reference to such exhibit.

Warrants, Options and Convertible Securities

We do not have any outstanding warrants, options or convertible securities, except as specified below:

- warrants to purchase 3,000,000 shares of common stock at a exercise price of $1.00 per share and expire on June 20, 2023;
- warrants to purchase 550,000 shares of common stock at a exercise price of $1.00 per share and expire on August 22, 2020; and
- warrants to purchase 450,000 shares of common stock at a exercise price of $1.00 per share and expire on June 12, 2020.

As of October 31, 2014, the Registrant has granted 1,080,000 options pursuant to the Plan to purchase shares of its common stock.

Holders

As of October 31, 2014, immediately following the closing of the Merger, there were 73 holders of record of our common stock.

Dividend Policy

We have never declared or paid any cash dividends on our common stock, and we do not anticipate paying any dividends in the foreseeable future. We intend to devote any earnings to fund the operations and the development of our business.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 5of our Articles of Incorporation and Section 5 of our Bylaws provide, among other things, that our officers or directors shall not be personally liable to us or our shareholders for monetary damages for breach of fiduciary duty as an officer or director, except for liability

- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; or
- for unlawful payments of dividends or unlawful stock purchase or redemption by the corporation.

Accordingly, our officers or directors may have no liability to our shareholders for any mistakes or errors of judgment or for any act or omission, unless such act or omission involves intentional misconduct, fraud, or a knowing violation of law or results in unlawful distributions to our shareholders.

We carry directors' and officers' liability insurance with a $2,000,000 limit and $500,000 retention.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

FINANCIAL STATEMENTS

Reference is made to the disclosure set forth in Item 9.01 of this Current Report on Form 8-K which disclosure is incorporated herein by this reference.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Reference is made to the disclosure set forth in Item 4.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities.

Reference is made to the disclosure set forth under Item 2.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference.

Upon the closing of the Merger, we issued 12,880,000 shares of our common stock to forty three former stockholders of Nemus in exchange for all of the outstanding shares of Nemus' capital stock. The issuance and sale of such securities was not registered under the Securities Act, and such securities were issued in reliance upon an exemption from registration afforded by Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder. In determining that the issuance of such securities qualified for an exemption under Section 4(2) of the Securities Act, we relied on the following facts: the securities were issued to recipients that each represented that it was an "accredited investor" as defined in Rule 501 promulgated under the Securities Act, it was acquiring the securities for investment purposes and without a view toward disposition thereof, and it had sufficient investment experience to evaluate the risks of the investment; we used no advertising or general solicitation in connection with the issuance and sale of the securities; and the securities were issued as restricted securities.

Item 4.01 Changes in Registrant's Certifying Accountant.

(a) Effective on October 31, 2014 and with the approval of our Board of Directors, we dismissed Messineo & Co, CPAs LLC ("Messineo") as our independent registered public accounting firm engaged to audit our financial statements.

The report issued by Messineo dated December 23, 2013 relating to its audit of our balance sheet as of October 31, 2013, and the related statements of operations, changes in stockholders' equity and cash flows for each of the fiscal year then ended, contained an explanatory paragraph stating that there was substantial doubt about our ability to continue as a going concern. Other than as disclosed above, such report did not contain an adverse opinion or disclaimer of opinion and were not qualified as to uncertainty, audit scope or accounting principles.

Our decision to dismiss Messineo is not the result of any disagreement between us and Messineo on matters of accounting principles or practices, financial statement disclosure or auditing scope or procedures. During our two most recent fiscal years, there were no disagreements with Messineo on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Messineo, would have caused Messineo to make a reference to the subject matter of the disagreement in connection with its reports. Pursuant to the rules of the SEC applicable to smaller reporting companies, Messineo was not required to provide an attestation as to the effectiveness of our internal control over financial reporting for any period since our inception.

Other than as disclosed above, there were no reportable events (as that term is defined in Item 304(a)(1)(v) of Regulation S-K) during our two most recent fiscal years. Our Board of Directors discussed the subject matter referred to above with Messineo. We authorized Messineo to respond fully and without limitation to all requests of our successor accountant concerning all matters related to the annual and interim periods audited and reviewed by Messineo, including with respect to the subject matter of any reportable event.

We provided Messineo with a copy of the above disclosures it is making in response to Item 4.01 of this Current Report on Form 8-K and requested that Messineo furnish a letter addressed to the SEC stating whether or not it agrees with the above statements, and, if not, stating the respects in which it does not agree. A copy of the letter dated November 3, 2014, is filed as Exhibit 16.1 to this Current Report on Form 8-K.

(b) Effective on October 31, 2014 and with the approval of our Board of Directors, we have engaged Mayer Hoffman McCann P.C. ("MHM") as our new independent registered public accounting firm. MHM was engaged by Nemus before it became our wholly owned subsidiary to audit its financial statements for the for the six-month period ended June 30, 2014, year ended December 31, 2013, and the period from inception (July 17, 2012) to December 31, 2012 and the related statements of operations, changes in stockholders' deficit and cash flows for the periods then ended, which are filed as Exhibit 99.1 to this Current Report on Form 8-K.

During our two most recent fiscal years and through the date of our engagement of MHM, neither we nor anyone on our behalf consulted with MHM regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered with respect to our financial statements, and no written report or oral advice was provided to us by MHM that was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement (as that term is defined in Item 304(a)(1)(iv) of Regulation S-K promulgated under the Securities Act and the related instructions) or a reportable event (as that term is defined in Item 304(a)(1)(v) of Regulation S-K) relating to our company.

Item 5.01 Changes in Control of Registrant.

Reference is made to the disclosure set forth under Item 2.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Effective upon the closing of the Merger on October 31, 2014, our executive officers prior to the Merger, Yosbani Mendez (former Treasurer, Chief Executive Officer and Chief Financial Officer) and Francisco Mendez (former Secretary), each tendered their resignation from all positions then held with the Registrant. Following such resignation, the members of our Board of Directors that were elected in connection with the closing of the Merger, as described below, appointed as the executive officers of Nemus the individuals to the executive officer positions set forth under the heading "Management—Directors, Executive Officers and Other Non-Executive Officers" in Item 2.01 of this Current Report on Form 8-K.

Each of our newly appointed executive officers will serve in his positions as an "at will" employee of our company, and will not have a formal employment agreement with us unless and until our Board of Directors, or a committee thereof, and the applicable executive officer have approved the terms of any such agreement. Upon the appointment of our new executive officers immediately following the closing of the Merger, our Board of Directors, excluding John Hollister with respect to his compensation, approved (i) an annual base salary of $396,000 for John Hollister, (ii) an annual base salary of $330,000 for Dr. Brian Murphy, and (iii) an annual base salary of $225,000 for Elizabeth Berecz. The amount of each of our executive officer's annual base salary or any other form of compensation to be received by him may be modified at any time at the discretion of our Board of Directors.

For certain biographical and other information regarding our newly appointed executive officers, see the disclosure under the heading 'Directors and Executive Officers" in Item 2.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference.

Effective upon the closing of the Merger, our directors prior to the Merger, Yosbani Mendez and Francisco Mendez, (i) resigned as directors, and (ii) appointed as our new directors the three individuals identified as directors under the heading "Directors and Executive Officers" in Item 2.01 of this Current Report on Form 8-K. Following the closing of the Merger, our newly elected directors appointed Cosmas Lykos as the Chairman of the Board.

In addition, after the closing of the Merger, our board of directors approved the adoption of the Nemus Bioscience, Inc. 2014 Omnibus Incentive Plan, or the 2014 Plan. Our directors also approved a form of Stock Option Agreement to be issued under the 2014 Plan. The 2014 Plan is listed as Exhibit 10.4 to this Current Report on Form 8-K. The form of Stock Option Agreement is listed as Exhibit 10.4 to this report.

On October 31, 2014, we granted the following options purchase shares of our common stockto the following officers and directors pursuant to the 2014 Plan:

- 480,000 options to John B. Hollister;
- 480,000 options to Dr. Brian S. Murphy;
- 100,000 options to Elizabeth M. Berecz; and
- 20,000 options to Gerald W. McLaughlin.

No standing committees of our Board of Directors have been established and, as a result, none of our current directors is a member of any such committee. Further, there are no arrangements or understandings pursuant to which any of our current directors was appointed as a director.

For certain biographical, related party and other information regarding our newly appointed directors, see the disclosure under the heading "Directors and Executive Officers" in Item 2.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

Name Change

On November 3, 2014, we filed Articles of Merger to effect the merger of our wholly owned subsidiary, Nemus Bioscience, Inc. with and into LGL. In connection with that merger, LGL changed its name to Nemus Bioscience, Inc. The Articles of Merger is attached hereto as Exhibit 3.5. Holders of stock certificates bearing the name "Load Guard Logistics Inc." may continue to hold them and will not be required to exchange them for new certificates or take any other action.

Change in Fiscal Year

Pursuant to the approval of our Board of Directors, our fiscal year end has been changed from October 31 to December 31, which is the fiscal year end of Nemus. The Merger is being accounted for as a reverse acquisition, with Nemus regarded as the accounting acquirer. Commencing with the periodic report for the quarter ended September 30, 2014 we intend to file annual and quarterly reports based on the December 31 fiscal year end of Nemus. Such financial statements will depict the operating results of Nemus, including the acquisition of LGL, from Nemus' inception on July 17, 2012. In reliance on Section III.F of the SEC's Division of Corporate Finance: Frequently Requested Accounting and Financial Reporting Interpretations and Guidance dated March 31, 2001, we do not intend to file a transition report.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses acquired. In accordance with Item 9.01(a), the audited financial statements of Nemus for the six-month period ended June 30, 2014, year ended December 31, 2013, and the period from inception (July 17, 2012) to December 31, 2012 are filed as exhibit 99.1.

(b) Pro Forma Financial Information. In accordance with Item 9.01(b), the unaudited pro forma financial information of the Registrant and its wholly owned subsidiary Nemus as of the fiscal year ended December 31, 2013 and the six months ended June 30, 2014 are filed as exhibit 99.2.

(d) Exhibits.

The following exhibits are filed with this report on Form 8-K.

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Merger by and among the Registrant and Nemus, and Nemus Acquisition Corp. dated October 17, 2014 (1)
3.1	Articles of Incorporation of Registrant (2)
3.2	Amendment to the Articles of Incorporation of the Registrant (2)
3.3	Bylaws of Registrant (2)
3.4	Certificate of Change of Registrant(3)
3.5	Articles of Merger of Registrant and Nemus Bioscience, Inc.*
4.1	Form of Warrants issued by Nemus to certain security holders to purchase an aggregate of 3,000,000 shares of commons stock*
4.2	Form of Warrants issued by Nemus to certain security holders to purchase an aggregate of 1,000,000 shares of commons stock*
10.1	Assignment and Assumption Agreement between the Registrant and LGT, Inc. dated October 31, 2014*
10.2	Share Repurchase and Cancellation Agreement between the Registrant, Yosbani Mendez and Francisco Mendez. dated October 31, 2014*
10.3	Form of Lock-up Agreement*
10.4	Nemus Bioscience Inc. 2014 Omnibus Incentive Plan*
10.5	Form of Stock Option Agreement under 2014 Omnibus Incentive Plan*
10.6	Memorandum of Understanding, dated July 31, 2013, between Nemus and University of Mississippi, National Center for Natural Products Research*
10.7	Option Agreement dated May 15, 2014, between Nemus and University of Mississippi, National Center for Natural Products Research*
10.8	Amendment dated June 26, 2014, to the Option Agreement dated May 15, 2014, between Nemus and University of Mississippi, National Center for Natural Products Research*
10.9	Option Agreement dated July 1, 2014, between Nemus and University of Mississippi, National Center for Natural Products Research*
10.10	Option Agreement dated July 1, 2014, between Nemus and University of Mississippi, National Center for Natural Products Research*†
10.11	Option Agreement dated July 1, 2014, between Nemus and University of Mississippi, National Center for Natural Products Research*
10.12	License Agreement, dated September 29, 2014, between Nemus and the University of Mississippi, School of Pharmacy*†
10.13	License Agreement, dated September 29, 2014, between Nemus and the University of Mississippi, School of Pharmacy*†
10.14	License Agreement, dated September 29, 2014, between Nemus and the University of Mississippi, School of Pharmacy*†
10.15	Lease Agreement dated September 1, 2014 between University of Mississippi Research Foundation, Inc. and Nemus*
10.16	Center Tower Lease dated October 13, 2014, by and between Nemus and Center Tower Associates LLC*
10.17	Amendment dated August 15, 2014, to the Option Agreement dated July 1, 2014, between Nemus and University of Mississippi, National Center for Natural Products Research*†
10.18	Option Agreement dated October 15, 2014, between Nemus and University of Mississippi, National Center for Natural Products Research*†
10.19	Second Amendment dated October 15, 2014, to the Option Agreement dated July 1, 2014, between Nemus and University of Mississippi, National Center for Natural Products Research*†
14.1	Code of Ethics*
16.1	Letter on Change in Certifying Accountant*
21.1	Subsidiaries of the Registrant*
99.1	Audited financial statements of Nemus for the six-month period ended June 30, 2014, year ended December 31, 2013, and the period from inception (July 17, 2012) to December 31, 2012*
99.2	Pro forma financial information of the Registrant and its wholly owned subsidiary Nemus*

(1) Included as exhibit to our Current Report on Form 8-K filed on October 17, 2014.
(2) Included as exhibit to our Registration Statement on Form S-1 filed on January 30, 2013
(3) Included as exhibit to our Current Report on Form 8-K filed on October 30, 2014.
* Filed Herewith
† Confidential treatment has been requested with respect to the omitted portions of this Exhibit pursuant to Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended, which portions have been filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

Nemus Bioscience, Inc.

Date: November 3, 2014

By: */s/ John Hollister*
John Hollister
Chief Executive Officer

140103

ROSS MILLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4520
(775) 684-5708
Website: www.nvsos.gov

Filed in the office of	Document Number
Ross Miller Secretary of State State of Nevada	20140744984-63
	Filing Date and Time 11/03/2014 8:15 AM
	Entity Number E0149202011-9

Articles of Merger
(PURSUANT TO NRS 92A.200)
Page 1

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Articles of Merger
(Pursuant to NRS Chapter 92A)

1) Name and jurisdiction of organization of each constituent entity (NRS 92A.200):

☐ **If there are more than four merging entities, check box and attach an 8 1/2" x 11" blank sheet containing the required information for each additional entity from article one.**

Nemus Bioscience, Inc.
Name of **merging** entity

Nevada — Jurisdiction
Corporation — Entity type *

Name of **merging** entity

Jurisdiction
Entity type *

Name of **merging** entity

Jurisdiction
Entity type *

Name of **merging** entity

Jurisdiction
Entity type *

and,

Load Guard Logistics, Inc. (to be renamed Nemus Bioscience, Inc.)
Name of **surviving** entity

Nevada — Jurisdiction
Corporation — Entity type *

* Corporation, non-profit corporation, limited partnership, limited-liability company or business trust.

Filing Fee: $350.00

This form must be accompanied by appropriate fees.

ROSS MILLER
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Articles of Merger

(PURSUANT TO NRS 92A.200)

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2) Forwarding address where copies of process may be sent by the Secretary of State of Nevada (if a foreign entity is the survivor in the merger - NRS 92A.190):

Attn:

c/o:

3) Choose one:

☐ **The undersigned declares that a plan of merger has been adopted by each constituent entity (NRS 92A.200).**

☒ **The undersigned declares that a plan of merger has been adopted by the parent domestic entity (NRS 92A.180).**

4) Owner's approval (NRS 92A.200) (options a, b or c must be used, as applicable, for each entity):

☐ **If there are more than four merging entities, check box and attach an 8 1/2" x 11" blank sheet containing the required information for each additional entity from the appropriate section of article four.**

(a) Owner's approval was not required from

Nemus Bioscience, Inc.
Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

and, or;

Load Guard Logistics, Inc. (to be renamed Nemus Bioscience, Inc.)
Name of **surviving** entity, if applicable

This form must be accompanied by appropriate fees.

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Articles of Merger

(PURSUANT TO NRS 92A.200)

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(b) The plan was approved by the required consent of the owners of *:

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

and, or;

Name of **surviving** entity, if applicable

* Unless otherwise provided in the certificate of trust or governing instrument of a business trust, a merger must be approved by all the trustees and beneficial owners of each business trust that is a constituent entity in the merger.

This form must be accompanied by appropriate fees.

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Articles of Merger

(PURSUANT TO NRS 92A.200)

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(c) Approval of plan of merger for Nevada non-profit corporation (NRS 92A.160):

The plan of merger has been approved by the directors of the corporation and by each public officer or other person whose approval of the plan of merger is required by the articles of incorporation of the domestic corporation.

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

and, or;

Name of **surviving** entity, if applicable

This form must be accompanied by appropriate fees.

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Articles of Merger

(PURSUANT TO NRS 92A.200)

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5) Amendments, if any, to the articles or certificate of the surviving entity. Provide article numbers, if available. (NRS 92A.200)*:

Artcile 1 of teh surviving corporation's Articles of Incorporation shall be amended in its enttirety to read as folllows:

"1. Name of Corporation: Nemus Bioscience, Inc."

6) Location of Plan of Merger (check a or b):

☐ (a) The entire plan of merger is attached;

or,

☒ (b) The entire plan of merger is on file at the registered office of the surviving corporation, limited-liability company or business trust, or at the records office address if a limited partnership, or other place of business of the surviving entity (NRS 92A.200).

7) Effective date and time of filing: (optional) (must not be later than 90 days after the certificate is filed)

Date: _____ **Time:** _____

* Amended and restated articles may be attached as an exhibit or integrated into the articles of merger. Please entitle them "Restated" or "Amended and Restated," accordingly. The form to accompany restated articles prescribed by the secretary of state must accompany the amended and/or restated articles. Pursuant to NRS 92A.180 (merger of subsidiary into parent - Nevada parent owning 90% or more of subsidiary), the articles of merger may not contain amendments to the constituent documents of the surviving entity except that the name of the surviving entity may be changed.

This form must be accompanied by appropriate fees.

ROSS MILLER
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Articles of Merger

(PURSUANT TO NRS 92A.200)

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8) Signatures - Must be signed by: An officer of each Nevada corporation; All general partners of each Nevada limited partnership; All general partners of each Nevada limited-liability limited partnership; A manager of each Nevada limited-liability company with managers or one member if there are no managers; A trustee of each Nevada business trust (NRS 92A.230)*

☐ **If there are more than four merging entities, check box and attach an 8 1/2" x 11" blank sheet containing the required information for each additional entity from article eight.**

Nemus Bioscience, Inc.
Name of **merging** entity

X _____ | President | 10/31/2014
Signature | Title | Date

Name of **merging** entity

X _____ | |
Signature | Title | Date

Name of **merging** entity

X _____ | |
Signature | Title | Date

Name of **merging** entity

X _____ | |
Signature | Title | Date

and,

Load Guard Logistics, Inc. (to be renamed Nemus Biosience, Inc.)
Name of **surviving** entity

X _____ | President | 10/31/2014
Signature | Title | Date

* The articles of merger must be signed by each foreign constituent entity in the manner provided by the law governing it (NRS 92A.230). Additional signature blocks may be added to this page or as an attachment, as needed.

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

THIS WARRANT AND THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SUCH ACT.

FORM OF COMMON STOCK PURCHASE WARRANT

NEMUS

Warrant No.: _____
Warrant Shares: _____ Initial Exercise Date: _____, 2013

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, _____ or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after _____, 2013 (the "Initial Exercise Date") and on or prior to the close of business on the ten year anniversary of the Initial Exercise Date (the "Expiration Date") but not thereafter, to subscribe for and purchase from Nemus, a California corporation (the "Company"), up to _____ shares (as subject to adjustment hereunder, the "Warrant Shares") of Common Stock. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2.

1. Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Expiration Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed copy of the Notice of Exercise form annexed hereto to together with Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank unless the cashless exercise procedure specified in Section 4(b) below is specified in the applicable Notice of Exercise.

2. Exercise Price. The exercise price for Common Stock subject to the Warrant shall be $1.00 per share (the "Exercise Price"), subject to the adjustments set forth herein.

3. Expiration of Warrant. The unexercised portion of the Warrant shall automatically and without notice terminate and become null and void on the Expiration Date.

4. Method of Exercising Warrant.

(a) The Warrant may be exercised by delivering to the Company the Notice of Exercise form annexed hereto. Such notice shall state that Holder elects to purchase Common Stock under the Warrant and the amount of Common Stock for which the Warrant is being exercised, and shall be signed by Holder. Unless Holder is exercising the conversion right set forth in paragraph (b) below), such notice shall be accompanied by payment of the full purchase price for the Common Stock being acquired (i) in cash; or (ii) by certified or cashier's check.

(b) In lieu of exercising this Warrant as specified in paragraph (a) above, Holder may from time to time convert this Warrant, in whole or in part, into a number of shares of Common Stock determined by dividing (a) the aggregate fair market value of the shares of Common Stock otherwise issuable upon exercise of this Warrant (or lesser number of shares in the case of a partial exercise) minus the aggregate Exercise Price of such shares by (b) the fair market value of one share of Common Stock. The fair market value of the Common Stock Shares shall be determined pursuant to paragraph (c) below.

(c) If the Company's Common Stock is traded in a public market, the fair market value of each share shall be the closing price of a share reported for the business day immediately before Holder delivers its notice of exercise to the Company (or in the instance where the Warrant is exercised immediately prior to the effectiveness of the Company's initial public offering, the "price to public" per share price specified in the final prospectus relating to such offering). If the Company's common stock is not traded in a public market, the Board of Directors of the Company shall determine fair market value in its reasonable good faith judgment.

(d) If the Warrant is exercised by a person other than Holder, payment shall be accompanied by appropriate proof of the authority of such person to exercise the Warrant.

(e) The Company shall cause a certificate or certificates representing the Common Stock purchased under the Warrant to be issued as soon as practicable after receipt of the notice of exercise and, in the case of paragraph (a) above, full payment. The certificate or certificates for such Common Stock shall be registered in the name of the person exercising the Warrant. All share certificates shall be delivered to or upon the written order of the person exercising the Warrant.

5. Issuance of Common Stock.

(a) The Company shall at all times during the term of the Warrant reserve and keep available the amount of Common Stock as will be sufficient to satisfy the requirements of the this Warrant, shall pay all original issue and transfer taxes, if any, with respect to the issue and transfer of the Common Stock pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith.

(b) As a condition of any sale or issuance of Common Stock upon exercise of the Warrant, the Company may require such agreements or undertakings, if any, as it may deem necessary or advisable to assure compliance with any law or regulation including, but not limited to, the following:

(i) a representation and warranty by Holder, at any time the Warrant is exercised, that it is acquiring the Common Stock to be issued to it for investment and not with a view to, or for sale in connection with, the distribution of any such Common Stock; and

(ii) a representation, warranty and/or agreement to be bound by any legends that are, in the opinion of the Company, necessary or appropriate to comply with the provisions of any securities law deemed to be applicable to the issuance of the Common Stock and are endorsed upon the certificates representing the Common Stock.

6. Adjustment in Number of Shares Issuable Upon Exercise of Warrant and Exercise Price.

(a) Adjustment for Stock Dividends, Stock Splits and Combinations. If the Company declares or pays a dividend on the Common Stock payable in shares of Common Stock, or other securities, then upon exercise of this Warrant, for each share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned such shares of record as of the date the dividend occurred. If the Company shall at any time or from time to time after the date hereof effect a subdivision of the outstanding Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant shall be proportionately increased and the Exercise Price in effect immediately before that subdivision shall be proportionately decreased. Conversely, if the Company shall at any time or from time to time after date hereof combine the outstanding shares of Common Stock into a smaller number of shares, the number of shares of Common Stock issuable upon exercise of this Warrant shall be proportionately decreased and the Exercise Price in effect immediately before the combination shall be proportionately increased. Any adjustment under this Section 6 shall become effective at the close of business on the date the subdivision or combination becomes effective.

(b) Reclassification, Exchange, Combinations or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event.

(c) Reorganization. Upon the closing of any acquisition of the Company as a result of a merger, reorganization, sale of stock or assets or similar transaction ("Acquisition"), in which holders of Common Stock are entitled to receive stock, securities or other assets or property with respect to or in exchange for the Common Stock, the successor entity shall assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities, assets and property as would be payable for the shares of Common Stock issuable upon exercise of the unexercised portion of this Warrant as if such shares were outstanding on the record date for such Acquisition and subsequent closing. The Warrant Price and/or number of shares underlying this Warrant shall be adjusted accordingly.

(d) Certificate of Adjustment. In each case of an adjustment or readjustment of the Exercise Price or the number of shares of Common Stock issuable upon exercise of this Warrant, the Company, at its expense, shall compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate to Holder in accordance with the notice provisions of Section 7 of this Warrant. The certificate shall set forth such adjustment or readjustment and indicate the number of shares of Common Stock and the Exercise Price in effect after such adjustment or readjustment. The provisions of this Section 6 shall apply to successive splits, dividends, combinations, reclassifications, exchanges, substitutions, or other events that result in an adjustment to the shares or securities then underlying this Warrant.

(e) No Fractional Shares. No fractional shares of Common Stock shall be issued upon exercise of this Warrant. All shares of Common Stock (including fractions thereof) issuable upon exercise of this Warrant shall be aggregated for purposes of determining whether the exercise would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of any fractional share, the Company shall, in lieu of issuing any fractional share, pay cash equal to the product of such fraction multiplied by the Common Stock's fair market value (as determined by the Board of Directors) on the date of exercise.

7. Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

8. Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

9. Modifications. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Companyand the Holder.

10. No Stockholder Rights. Nothing contained in this Warrant shall be construed as conferring upon Holder or any other person the right to vote or to consent or to receive notice as a stockholder in respect of meetings of stockholders for the election of directors of the Company or any other matters or any rights whatsoever as a stockholder of the Company.

11. Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

12. Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

13. Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

14. Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

15. Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

NEMUS

By:_____
Name:
Title: President

NOTICE OF EXERCISE

TO: NEMUS

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

[ ] in lawful money of the United States; or

[ ] [if permitted] the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue a certificate or certificates representing said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

The Warrant Shares shall be delivered to the following DWAC Account Number or by physical delivery of a certificate to:

_____

_____

_____

(4) Accredited Investor. The undersigned is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____
Signature of Authorized Signatory of Investing Entity: _____
Name of Authorized Signatory: _____
Title of Authorized Signatory: _____
Date: _____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute
this form and supply required information.
Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, [____] all of or [_____] shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____ whose address is

_____.

_____

Date: _____, _____

Holder's Signature: _____

Holder's Address: _____

_____

Signature Guaranteed: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

THIS WARRANT AND THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SUCH ACT.

FORM OF COMMON STOCK PURCHASE WARRANT

NEMUS

Warrant No.: _____
Warrant Shares: _____ Initial Exercise Date: _____, 2015

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, _____ or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after _____, 2015 (the "Initial Exercise Date") and on or prior to the close of business on the five year anniversary of the Initial Exercise Date (the "Expiration Date") but not thereafter, to subscribe for and purchase from Nemus, a California corporation (the "Company"), up to _____ shares (as subject to adjustment hereunder, the "Warrant Shares") of Common Stock. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the "Purchase Agreement"), dated June 12, 2014, among the Company and the purchasers signatory thereto.

1. Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Expiration Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed copy of the Notice of Exercise form annexed hereto to together with Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank unless the cashless exercise procedure specified in Section 4(b) below is specified in the applicable Notice of Exercise.

2. Exercise Price. The exercise price for Common Stock subject to the Warrant shall be $1.00 per share (the "Exercise Price"), subject to the adjustments set forth herein.

3. Expiration of Warrant. The unexercised portion of the Warrant shall automatically and without notice terminate and become null and void on the Expiration Date.

4. Method of Exercising Warrant.

(a) The Warrant may be exercised by delivering to the Company the Notice of Exercise form annexed hereto. Such notice shall state that Holder elects to purchase Common Stock under the Warrant and the amount of Common Stock for which the Warrant is being exercised, and shall be signed by Holder. Unless Holder is exercising the conversion right set forth in paragraph (b) below), such notice shall be accompanied by payment of the full purchase price for the Common Stock being acquired (i) in cash; or (ii) by certified or cashier's check.

(b) In lieu of exercising this Warrant as specified in paragraph (a) above, Holder may from time to time convert this Warrant, in whole or in part, into a number of shares of Common Stock determined by dividing (a) the aggregate fair market value of the shares of Common Stock otherwise issuable upon exercise of this Warrant (or lesser number of shares in the case of a partial exercise) minus the aggregate Exercise Price of such shares by (b) the fair market value of one share of Common Stock. The fair market value of the Common Stock Shares shall be determined pursuant to paragraph (c) below.

(c) If the Company's Common Stock is traded in a public market, the fair market value of each share shall be the closing price of a share reported for the business day immediately before Holder delivers its notice of exercise to the Company (or in the instance where the Warrant is exercised immediately prior to the effectiveness of the Company's initial public offering, the "price to public" per share price specified in the final prospectus relating to such offering). If the Company's common stock is not traded in a public market, the Board of Directors of the Company shall determine fair market value in its reasonable good faith judgment.

(d) If the Warrant is exercised by a person other than Holder, payment shall be accompanied by appropriate proof of the authority of such person to exercise the Warrant.

(e) The Company shall cause a certificate or certificates representing the Common Stock purchased under the Warrant to be issued as soon as practicable after receipt of the notice of exercise and, in the case of paragraph (a) above, full payment. The certificate or certificates for such Common Stock shall be registered in the name of the person exercising the Warrant. All share certificates shall be delivered to or upon the written order of the person exercising the Warrant.

5. Issuance of Common Stock.

(a) The Company shall at all times during the term of the Warrant reserve and keep available the amount of Common Stock as will be sufficient to satisfy the requirements of the this Warrant, shall pay all original issue and transfer taxes, if any, with respect to the issue and transfer of the Common Stock pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith.

(b) As a condition of any sale or issuance of Common Stock upon exercise of the Warrant, the Company may require such agreements or undertakings, if any, as it may deem necessary or advisable to assure compliance with any law or regulation including, but not limited to, the following:

(i) a representation and warranty by Holder, at any time the Warrant is exercised, that it is acquiring the Common Stock to be issued to it for investment and not with a view to, or for sale in connection with, the distribution of any such Common Stock; and

(ii) a representation, warranty and/or agreement to be bound by any legends that are, in the opinion of the Company, necessary or appropriate to comply with the provisions of any securities law deemed to be applicable to the issuance of the Common Stock and are endorsed upon the certificates representing the Common Stock.

6. Adjustment in Number of Shares Issuable Upon Exercise of Warrant and Exercise Price.

(a) Adjustment for Stock Dividends, Stock Splits and Combinations. If the Company declares or pays a dividend on the Common Stock payable in shares of Common Stock, or other securities, then upon exercise of this Warrant, for each share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned such shares of record as of the date the dividend occurred. If the Company shall at any time or from time to time after the date hereof effect a subdivision of the outstanding Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant shall be proportionately increased and the Exercise Price in effect immediately before that subdivision shall be proportionately decreased. Conversely, if the Company shall at any time or from time to time after date hereof combine the outstanding shares of Common Stock into a smaller number of shares, the number of shares of Common Stock issuable upon exercise of this Warrant shall be proportionately decreased and the Exercise Price in effect immediately before the combination shall be proportionately increased. Any adjustment under this Section 6 shall become effective at the close of business on the date the subdivision or combination becomes effective.

(b) Reclassification, Exchange, Combinations or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event.

(c) Reorganization. Upon the closing of any acquisition of the Company as a result of a merger, reorganization, sale of stock or assets or similar transaction ("Acquisition"), in which holders of Common Stock are entitled to receive stock, securities or other assets or property with respect to or in exchange for the Common Stock, the successor entity shall assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities, assets and property as would be payable for the shares of Common Stock issuable upon exercise of the unexercised portion of this Warrant as if such shares were outstanding on the record date for such Acquisition and subsequent closing. The Warrant Price and/or number of shares underlying this Warrant shall be adjusted accordingly.

(d) Certificate of Adjustment. In each case of an adjustment or readjustment of the Exercise Price or the number of shares of Common Stock issuable upon exercise of this Warrant, the Company, at its expense, shall compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate to Holder in accordance with the notice provisions of Section 7 of this Warrant. The certificate shall set forth such adjustment or readjustment and indicate the number of shares of Common Stock and the Exercise Price in effect after such adjustment or readjustment. The provisions of this Section 6 shall apply to successive splits, dividends, combinations, reclassifications, exchanges, substitutions, or other events that result in an adjustment to the shares or securities then underlying this Warrant.

(e) No Fractional Shares. No fractional shares of Common Stock shall be issued upon exercise of this Warrant. All shares of Common Stock (including fractions thereof) issuable upon exercise of this Warrant shall be aggregated for purposes of determining whether the exercise would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of any fractional share, the Company shall, in lieu of issuing any fractional share, pay cash equal to the product of such fraction multiplied by the Common Stock's fair market value (as determined by the Board of Directors) on the date of exercise.

7. Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

8. Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

9. Modifications. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Companyand the Holder.

10. No Stockholder Rights. Nothing contained in this Warrant shall be construed as conferring upon Holder or any other person the right to vote or to consent or to receive notice as a stockholder in respect of meetings of stockholders for the election of directors of the Company or any other matters or any rights whatsoever as a stockholder of the Company.

11. Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

12. Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

13. Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

14. Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

15. Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

NEMUS

By:_____
Name:
Title: President

NOTICE OF EXERCISE

TO: NEMUS

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

[ ] in lawful money of the United States; or

[ ] [if permitted] the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue a certificate or certificates representing said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

The Warrant Shares shall be delivered to the following DWAC Account Number or by physical delivery of a certificate to:

_____

_____

_____

(4) Accredited Investor. The undersigned is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____
Signature of Authorized Signatory of Investing Entity: _____
Name of Authorized Signatory: _____
Title of Authorized Signatory: _____
Date: _____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute
this form and supply required information.
Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, [____] all of or [_____] shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____ whose address is

_____.

_____

Date: _____, _____

Holder's Signature: _____

Holder's Address: _____

_____

Signature Guaranteed: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (the "Agreement") is made and entered into as of October 31, 2014, between Load Guard Logistics, Inc., a Nevada corporation (the "Parent"), and LGT, Inc., a Florida corporation wholly owned by the Parent (the "Sub").

RECITALS

WHEREAS, Parent is the sole owner of the Sub;

WHEREAS, Parent is the owner of certain assets and liabilities related to Parent's transportation and delivery business; and

WHEREAS, as a condition to the Agreement and Plan of Merger dated October 17, 2014 (the "Merger Agreement") between Parent, Nemus Acquisition Corp., Nemus and Nemus Bioscience, Inc. and immediately prior to Parent's repurchase and cancellation of 5,431,460 shares of Parent's common stock owned by Yosbani Mendez and Francisco Mendez, pursuant to the Stock Repurchase and Cancellation Agreement dated October 31, 2014 (the "Cancellation Agreement") between Parent, Yosbani Mendez and Francisco Mendez, Parent wishes to assign to Sub, and Sub wishes to assume from Parent, all of the assets and liabilities of the Parent on the terms and subject to the conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the above premises and the mutual representations, warranties, covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Assignment of Assets. Parent hereby assigns to Sub all of its rights, title and interest in, to and under all of its assets held as of immediately prior to the effective time of the Merger Agreement, (collectively, the "Assigned Assets").

2. Assumption of Assets and Liabilities. Sub hereby expressly assumes and agrees to perform all duties and obligations of Parent arising under all of Parent's liabilities (the "Liabilities") held as of immediately prior to the effective time of the Merger Agreement.

3. Representations of the Parent.

Parent hereby represent and warrant to Sub the following:

(a) Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada, with full power and authority to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted.

(b) Parent has the absolute and unrestricted right, power, legal capacity and authority to enter into and perform its obligations under this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement, when executed and delivered by Sub, will be a valid and binding obligation of Parent, enforceable against it in accordance with its terms.

(c) Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will conflict with, or (with or without notice or lapse of time, or both) result in a termination, breach or violation of (i) any instrument, contract or agreement to which Parent is a party or by it is bound, or (ii) any law, ordinance, judgment, decree, order, statute, or regulation, or that of any other governmental body or authority, applicable to Parent or its assets or properties.

(d) The Assigned Assets constitute all of the assets of Parent. Parent is the sole owner of the Assigned Assets and has good and marketable title to the Assigned Assets, free and clear of any liens, pledges, hypothecations, charges, adverse claims, options, preferential arrangements or restrictions of any kind, including, without limitation, any restriction of the use, voting, transfer, receipt of income or other exercise of any attributes of ownership. Upon the consummation of the transactions contemplated hereby, the Parent will have no assets.

(e) The Liabilities constitute all liabilities of Parent. Upon the consummation of the transactions contemplated hereby, the Parent will have no liabilities.

4. Representations of the Sub.

The Sub hereby represents and warrants to the Parent the following:

(a) Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida, with full power and authority to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted.

(b) The Sub has the absolute and unrestricted right, power, legal capacity and authority to enter into and perform its obligations under this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement, when executed and delivered by Parent, will be a valid and binding obligation of Sub, enforceable against it in accordance with its terms.

(c) Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will conflict with, or (with or without notice or lapse of time, or both) result in a termination, breach or violation of (i) any instrument, contract or agreement to which either Sub is a party or by which it is bound, or (ii) any law, ordinance, judgment, decree, order, statute, or regulation, or that of any other governmental body or authority, applicable to Sub or its assets or properties.

5. Power of Attorney. Parent hereby constitutes and appoints Sub its true, lawful and irrevocable attorney to demand, receive and enforce the performance of the terms of the Assigned Assets, or to otherwise deal in respect of the Assigned Assets, and to give receipts, releases and satisfactions for the same, and this may be done either in the name of Parent or in the name of Sub with the same force and effect as Parent could do if this Agreement had not been made.

6. Payment of Expenses. Sub shall be liable for any and all costs and expenses arising out of or in connection with the transactions contemplated by this Agreement. In the event that Parent receives any invoices for costs and/or expenses associated herewith after the date hereof, Parent shall forward such invoices to Sub for payment.

7. Indemnification. Sub shall indemnify and hold the Parent and each of the Parent's officers and directors (the 'Representatives") harmless from and against any and all liabilities, obligations, damages, losses, deficiencies, costs, penalties, interest and expenses (collectively, "Losses") arising out of, based upon, attributable to or resulting from any and all Losses incurred or suffered by the Parent or any of the Representatives resulting from or arising out of (i) any breach of a representation, warranty or covenant made by Sub as set forth herein; (ii) any claims from any third parties related to the business operations of Sub before and after the effective time of the Merger Agreement and Sub's Liabilities, including but not limited to all of Sub's notes payable and loan payable to Wells Fargo Bank, (iii) any claims from shareholders of the Parent that purchased shares of the Parent's common stock in the Parent's offerings in 2011, 2012 and 2013 and (iv) any claims by any shareholder of the Parent who owns or owned common stock of the Parent prior to the effective time under the Merger Agreement with respect to this Agreement and the Cancellation Agreement.

8. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of Nevada.

(b) If any covenant or agreement contained herein, or any part hereof, is held to be invalid, illegal or unenforceable for any reason, such provision will be deemed modified to the extent necessary to be valid, legal and enforceable and to give effect of the intent of the parties hereto.

(c) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. This Agreement supersedes all prior agreements between the parties with respect to the subject matter hereof or thereof. There are no representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein or in the other agreements referenced herein.

(d) This Agreement may not be amended or modified except by the express written consent of the parties hereto. Any waiver by the parties of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof or of any other provision.

(e) This Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective successors and permitted assignees and heirs and legal representatives.

(f) The parties hereto intend that this Agreement shall not benefit or create any right or cause of action in or on behalf of any person other than the parties hereto.

(g) The parties agree that this Agreement shall be deemed to have been jointly and equally drafted by them, and that the provisions of this Agreement therefore shall not be construed against a party or parties on the ground that such party or parties drafted or was more responsible for the drafting of any such provision(s). The parties further agree that they have each carefully read the terms and conditions of this Agreement, that they know and understand the contents and effect of this Agreement and that the legal effect of this Agreement has been fully explained to its satisfaction by counsel of its own choosing.

(h) The parties hereto agree to execute and deliver such further documents and instruments and to do such other acts and things any of them, as the case may be, may reasonably request in order to effectuate the transactions contemplated by this Agreement.

(i) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Facsimile and electronic copies in portable document format ("PDF") containing original signatures shall be deemed original signed copies of the executed documents provided by facsimile or PDF.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered, effective as of the date first above written.

PARENT:

LOAD GUARD LOGISTICS, INC.

By: /s/ Yosbani Mendez_____
Name: Yosbani Mendez
Title: President

SUB:

LGT, INC.

By: /s/ Francisco Mendez_____
Name: Francisco Mendez
Title: Secretary

STOCK REPURCHASE AND CANCELLATION AGREEMENT

THIS STOCK RE PURCHASE AND CANCELLATION AGREEMENT ("Agreement"), dated as of October 31, 2014, is made by and among Load Guard Logistics, Inc., a Nevada corporation ("Company") and Yosbani Mendez and Francisco Mendez (collectively, the "Seller").

RECITALS

WHEREAS, the Company owns one hundred percent (100%) of the issued and outstanding shares of capital stock (the "Purchase Price Shares") of LGT, Inc., a Florida corporation ("LGT");

WHEREAS, Seller holds an aggregate of five million four hundred thirty one thousand four hundred sixty (5,431,460) shares of common stock, $0.001 par value per share, of the Company (the "Shares") which the Seller has agreed to transfer to the Company for cancellation (the "Repurchase");

WHEREAS, the Company has entered into an Agreement and Plan of Merger, dated as of October 17, 2014 (the "Merger Agreement"), by and among the Company, Nemus, a California corporation ("Nemus"), the Company's wholly-owned subsidiary, Nemus Acquisition Corp., a California corporation ("Merger Sub") and Nemus Bioscience, Inc., a Nevada corporation, pursuant to which Merger Sub shall merge with and into Nemus (the "Merger"), and thereafter Nemus shall continue as the surviving corporation as a wholly-owned subsidiary of the Company; and

WHEREAS, in connection with the transactions contemplated by the Merger Agreement and in exchange for the Repurchase, the Company shall transfer to Seller the Purchase Price Shares on the terms and subject to the conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the above premises and the mutual representations, warranties, covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Repurchase and Sale of the Shares. Upon the terms and subject to the conditions set forth in this Agreement, the Company hereby agrees to repurchase from the Seller, and the Seller hereby agrees to sell to the Company, at the Closing (as defined below), all of the Seller's right, title and interest in and to the Shares. At the Closing, (i) Seller shall deliver to Company the certificate or certificates representing the Shares, duly executed and endorsed for transfer to Company and (ii) the Shares shall be cancelled and retired by the Company and shall be of no further force or effect.

2. Purchase Price. The purchase price for the Shares shall be the transfer and delivery by the Company to Seller of a certificate or certificates representing the Purchase Price Shares duly endorsed to Seller, which delivery shall vest Seller with good and marketable title to the Purchase Price Shares, free and clear of all liens and encumbrances.

3. Closing. The closing of the transactions contemplated in this Agreement (the "Closing") shall take place at the offices of the Company, or at such other place as the parties may mutually agree, immediately after the closing of the Merger.

4. Representations and Warranties of Seller. Seller represents and warrants to Company as of the date hereof as follows:

(a) Authority and Enforceability. The Seller has all requisite power, legal capacity and authority to execute, deliver and perform the Seller's obligations under this Agreement, including the transfer and sale of the Shares to the Company. This Agreement has been duly executed and delivered by Seller and constitutes the valid and binding agreement of Seller, enforceable against Seller in accordance with its terms, except to the extent that its enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

(b) Approvals. No action, approval, consent, authorization, notice or filing on the part of the Seller, including any action, approval, consent or authorization by or notice to or filing with any governmental or quasi-governmental agency, self-regulatory organization, commission, board, bureau or instrumentality, is necessary or required as to the Seller in order to permit the sale and transfer of the Shares in accordance with this Agreement.

(c) No Breach of Law. The execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated hereby do not violate any domestic or foreign, federal, state or local statute, law, ordinance, rule, administrative interpretation, regulation, order, writ, injunction, decree or other restriction of any governmental authority to which the Seller is subject or which otherwise is applicable to the Seller or the Shares.

(d) Ownership of Shares. The Seller is the sole holder of record, of the Shares, free and clear of any and all liens, and upon transfer of the Shares to the Company pursuant to Section 1 hereof, the Company will acquire good, valid and marketable title to the Shares, free and clear of any and all liens. The Shareholders have the sole and absolute right and power to sell, assign and transfer the Shares as provided in this Agreement, and there exist no restrictions on the transfer of the Shares to the Company.

5. Representations and Warranties of Company. Company represents and warrants to Seller as of the date hereof as follows:

(a) Authority and Enforceability. The Company has all requisite power, legal capacity and authority to enter into this Agreement and to assume and perform its obligations hereunder. The Company's board of directors has determined that it is fair and in the best interests of the Company and each of the Company's shareholders (including Company's shareholders holding shares of common stock that are not subject to repurchase in the Repurchase), and declared it advisable, to enter into this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors' rights generally and general principles of equity.

(b) Approvals. No action, approval, consent, authorization, notice or filing, including, any action, approval, consent or authorization by or notice to or filing with any governmental or quasi-governmental agency, self-regulatory organization, commission, board, bureau or instrumentality, is necessary or required as to the Company in order to permit the sale and transfer of the Purchase Price Shares, in accordance with this Agreement.

(c) Title to Purchase Price Shares. Company is the sole record and beneficial owner of the Purchase Price Shares. At Closing, Company will have good and marketable title to the Purchase Price Shares, which Purchase Price Shares are, and at the Closing will be, free and clear of all options, warrants, pledges, claims, liens and encumbrances, and any restrictions or limitations prohibiting or restricting transfer to Seller, except for restrictions on transfer as contemplated by applicable securities laws.

6. Indemnification. The Seller shall indemnify and hold the Company and each of the Company's officers and directors (the "Representatives") harmless from and against any and all liabilities, obligations, damages, losses, deficiencies, costs, penalties, interest and expenses (collectively, "Losses") arising out of, based upon, attributable to or resulting from any and all Losses incurred or suffered by the Company or any of the Representatives resulting from or arising out of (i) any breach of a representation, warranty or covenant made by Seller as set forth herein; (ii) any claims from any third parties related to the business operations of LGT before and after the effective time of the Merger Agreement and LGT's liabilities, including but not limited to all of LGT's notes payable and LGT's loan payable to Wells Fargo Bank, (iii) any claims from shareholders of the Company that purchased shares of the Company's common stock in the Company's offerings in 2011, 2012 and 2013 and (iv) any claims by any shareholder of the Company with respect to this Agreement and the Assignment and Assumption Agreement between the Company and LGT.

7. Miscellaneous.

(a) Notices. Any notice, request or other communication hereunder shall be given in writing and shall be served either personally, by overnight delivery or delivered by mail, certified return receipt and addressed to the following addresses:

If to Company:

Load Guard Logistics, Inc.
6317 SW 16th Street
Miami, FL 33155
Attn: Yosbani Mendez

If to Seller:

Yosbani Mendez
Francisco Mendez
6317 SW 16th Street
Miami, FL 33155

(b) Counterparts. This Agreement may be signed in any number of counterparts, each of which will be deemed an original but all of which together shall constitute one and the same instrument. Facsimile and electronic copies in portable document format ("PDF") containing original signatures shall be deemed original signed copies of the executed documents provided by facsimile or PDF.

(c) Waivers. No failure or delay by any party in exercising any right, power or privilege hereunder will operate as a waiver thereof nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(d) Successors and Assigns. The provisions of this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto.

(e) No Third Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their permitted successors and assigns and nothing herein expressed or implied will give or be construed to give to any person, other than the parties hereto, and such permitted successors and assigns, any legal or equitable rights hereunder.

(f) Governing Law. This Agreement will be governed by, and construed in accordance with, the internal substantive law of the State of Nevada.

(g) Headings. The headings in this Agreement are for convenience of reference only and will not control or affect the meaning or construction of any provisions hereof.

(h) Entire Agreement; Amendments. This Agreement constitutes the entire agreement among the parties with respect to the subject matter of this Agreement. This Agreement supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter hereof of this Agreement. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective.

(i) Severability. If any provision of this Agreement or the application of any such provision to any person or circumstance is held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, the remainder of the provisions of this Agreement will in no way be affected, impaired or invalidated, and to the extent permitted by applicable law, any such provision will be restricted in applicability or reformed to the minimum extent required for such provision to be enforceable. This provision will be interpreted and enforced to give effect to the original written intent of the parties prior to the determination of such invalidity or unenforceability.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered, effective as of the date first above written.

LOAD GUARD LOGISTICS, INC.

/s/ Yosbani Mendez

By: Name: Yosbani Mendez
Title: President

YOSBANI MENDEZ

/s/ Yosbani Mendez

Yosbani Mendez

FRANCISCO MENDEZ

/s/ Francisco Mendez

Francisco Mendez

LOCK-UP AGREEMENT

This LOCK-UP AGREEMENT (the "Agreement") is made and entered into as of October __, 2014, by and between Nemus Bioscience, Inc., formerly known as Load Guard Logistics, Inc., a Nevada corporation (the "Company") and _____ (the "Holder") in connection with the Holder's ownership of shares of the Company's common stock.

RECITALS

A. WHEREAS, the Company has entered into an Agreement and Plan of Merger dated October __, 2014 among the Company, Nemus, a California corporation ("Nemus"), and the Company's wholly-owned subsidiaries, Nemus Acquisition Corp. and Nemus Bioscience, Inc. (the "Merger Agreement"), pursuant to which Nemus Acquisition Corp. shall merge with and into Nemus and Nemus will survive as the wholly-owned subsidiary of the Company ("Merger");

B. WHEREAS, the Company has negotiated certain terms of the Merger Agreement, which require the execution of this Agreement as a condition precedent to closing of the Merger; and

C. WHEREAS, the holder is willing to enter into this Agreement in connection with the Merger on the terms provided herein.

NOW, THEREFORE, IN CONSIDERATION OF THESE MUTUAL PROMISES AND COVENANTS AND FOR SUCH OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, THE HOLDER AGREES AS FOLLOWS:

1. Background.

(a) At the effective time of the Merger, the Holder is the beneficial owner of _____ shares of the common stock, $.001 par value, of the Company (the "Shares").

(b) The Holder understands that, as a condition to closing the Merger, the Company has agreed to obtain an agreement from the Holder to refrain from selling the Shares from the date of this Agreement until the one year anniversary thereof (the "Restriction Period"), except as specified in Section 2(a) below.

2. Sale Restriction.

(a) The Holder hereby agrees that during the Restriction Period, the Holder will not sell, transfer, or otherwise dispose of the Shares, other than in connection with (i) an offer made to all stockholders of the Company in connection with merger, consolidation, or similar transaction involving the Company or (ii) an underwritten offering of the Company's securities. Notwithstanding any other provision of this Agreement, if the managing underwriters advise the Company that marketing factors require a limitation of the number of Shares to be underwritten or exclusion of the Shares, then the managing underwriters may exclude the Shares from the registration and the underwriting. If the Holder disapproves of the terms of any such underwriting, the Holder may elect to withdraw therefrom by written notice to the Company and the managing underwriters. Any Shares excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration. The Holder further agrees that the Company is authorized to and the Company agrees to place "stop orders" on its books to prevent any transfer of Shares of the Company held by the Holder in violation of this Agreement. The Company agrees to use commercially reasonable efforts not to allow any transaction inconsistent with this Agreement.

(b) Notwithstanding the foregoing restrictions on transfer, the Holder may, at any time and from time to time during the Restriction Period, transfer all or a portion of the Shares (i) as bona fide gifts or transfers by will or intestacy and (ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the Holder, provided that any such transfer shall not involve a disposition for value; provided, that, in the case of any gift or transfer described in clauses (i) and (ii), each donee or transferee agrees in writing to be bound by the terms and conditions contained herein in the same manner as such terms and conditions apply to the undersigned.

(c) In the event of any stock dividend, stock split or consolidation of shares or any like capital adjustment of any of the outstanding securities of the Company, all new, substituted or additional securities or other property to which Holder becomes entitled by reason of ownership of the Shares shall be subject to restriction with the same force and effect as the Shares subject to restriction immediately before such event.

3. Miscellaneous.

(a) At any time, and from time to time, after the signing of this Agreement, the Holder will execute such additional instruments and take such action as may be reasonably requested by the Company to carry out the intent and purposes of this Agreement.

(b) This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of Nevada or in the federal courts located in the state of Nevada. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. The parties executing this Agreement and other agreements referred to herein or delivered in connection herewith agree to submit to the in personam jurisdiction of such courts and hereby irrevocably waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement.

(c) Notice to the Company. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: (i) if to the Company, to: Nemus Bioscience, Inc., 650 Town Center Drive, Suite 620, Costa Mesa, CA 92626; or (ii) if to the Holder, to: _____, _____.

(d) Notice to the Holder. The Holder hereby irrevocably waives personal service of process and consents to process being served in any suit, action, or proceeding in connection with this Agreement by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to the Holder at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. The Holder irrevocably appoints the Company as its true and lawful agent for service of process upon whom all processes of law and notices may be served and given in the manner described above; and such service and notice shall be deemed valid personal service and notice upon the Holder with the same force and validity as if served upon the Holder.

(e) The restrictions on transfer described in this Agreement are in addition to and cumulative with any other restrictions on transfer otherwise agreed to by the Holder or to which the Holder is subject to by applicable law.

(f) This Agreement shall be binding upon the Holder, its legal representatives, successors, and assigns.

(g) This Agreement may be signed and delivered by facsimile or by electronic copies in portable document format ("PDF") and such facsimile or PDF signed and delivered shall be enforceable.

(h) The Company agrees not to take any action or allow any act to be taken that would be inconsistent with this Agreement.

(i) This Agreement is the entire understanding and agreement between the parties and supersedes all prior oral and written and all contemporaneous oral negotiations, commitments and understandings with respect to the subject matter of this Agreement. The Holder acknowledges that this Agreement may not be amended without the written consent of the Company, which consent may be withheld, delayed, or denied for any reason or for no reason.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties have executed this Agreement as of the day and year first above written.

THE COMPANY:
Nemus Bioscience, Inc.,
a Nevada corporation

By: _____

Its: Chief Executive Officer

THE HOLDER:
_____

By: _____

NEMUS BIOSCIENCE, INC.

2014 OMNIBUS INCENTIVE PLAN

NEMUS BIOSCIENCE, INC.
2014 OMNIBUS INCENTIVE PLAN

ARTICLE I

PURPOSE AND ADOPTION OF THE PLAN

1.01. Purpose. The purpose of the Nemus Bioscience, Inc. 2014 Omnibus Incentive Plan (as amended from time to time, the "Plan") is to assist in attracting and retaining highly competent employees, directors and consultants to act as an incentive in motivating selected employees, directors and consultants of the Company and its Subsidiaries to achieve long-term corporate objectives and to enable stock-based and cash-based incentive awards to qualify as performance-based compensation for purposes of the tax deduction limitations under Section 162(m) of the Code.

1.02. Adoption and Term. The Plan has been approved and adopted by the Board to be effective as of October 31, 2014 (the "Effective Date"). The Plan shall be subject to the approval of the stockholders of the Company within one (1) year from the date it was adopted. The Plan shall remain in effect until the tenth (10^{th}) anniversary of the Effective Date, or until terminated by action of the Board, whichever occurs sooner.

ARTICLE II

DEFINITIONS

For the purpose of this Plan, capitalized terms shall have the following meanings:

2.01 Affiliate means an entity in which, directly or indirectly through one or more intermediaries, the Company has at least a fifty percent (50%) ownership interest or, where permissible under Section 409A of the Code, at least a twenty percent (20%) ownership interest; *provided*, *however*, for purposes of any grant of an Incentive Stock Option, "Affiliate" means a corporation which, for purposes of Section 424 of the Code, is a parent or subsidiary of the Company, directly or indirectly.

2.02. Award means any one or a combination of Non-Qualified Stock Options or Incentive Stock Options described in Article VI, Stock Appreciation Rights described in Article VI, Restricted Shares and Restricted Stock Units described in Article VII, Performance Awards described in Article VIII, other stock-based Awards described in Article IX, short-term cash incentive Awards described in Article X or any other Award made under the terms of the Plan.

2.03. Award Agreement means a written agreement between the Company and a Participant or a written acknowledgment from the Company to a Participant specifically setting forth the terms and conditions of an Award granted under the Plan.

2.04. Award Period means, with respect to an Award, the period of time, if any, set forth in the Award Agreement during which specified target performance goals must be achieved or other conditions set forth in the Award Agreement must be satisfied.

2.05. Beneficiary means an individual, trust or estate who or which, by a written designation of the Participant filed with the Company, or if no such written designation is filed, by operation of law, succeeds to the rights and obligations of the Participant under the Plan and the Award Agreement upon the Participant's death.

2.06. Board means the Board of Directors of the Company.

2.07. Change in Control means, and shall be deemed to have occurred upon the occurrence of, any one of the following events:

(a) The acquisition in one or more transactions, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than the Company, an Affiliate or any employee benefit plan (or related trust) sponsored or maintained by the Company or an Affiliate, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a number of Company Voting Securities in excess of 50% of the Company Voting Securities unless such acquisition has been approved by the Board;

(b) Any election has occurred of persons to the Board that causes two-thirds of the Board to consist of persons other than (i) persons who were members of the Board on the Effective Date of the Plan and (ii) persons who were nominated for elections as members of the Board at a time when two-thirds of the Board consisted of persons who were members of the Board on the effective date of the Plan, provided, however, that any person nominated for election by a Board at least two-thirds of whom constituted persons described in clauses (i) and/or (ii) or by persons who were themselves nominated by such Board shall, for this purpose, be deemed to have been nominated by a Board composed of persons described in clause (i);

(c) The consummation (i.e. closing) of a reorganization, merger or consolidation involving the Company, unless, following such reorganization, merger or consolidation, all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Common Stock and Company Voting Securities immediately prior to such reorganization, merger or consolidation, following such reorganization, merger or consolidation beneficially own, directly or indirectly, more than 75% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors or trustees, as the case may be, of the entity resulting from such reorganization, merger or consolidation in substantially the same proportion as their ownership of the Outstanding Common Stock and Company Voting Securities immediately prior to such reorganization, merger or consolidation, as the case may be;

(d) The consummation (i.e. closing) of a sale or other disposition of all or substantially all the assets of the Company, unless, following such sale or disposition, all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Common Stock and Company Voting Securities immediately prior to such sale or disposition, following such sale or disposition beneficially own, directly or indirectly, more than 75% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors or trustees, as the case may be, of the entity purchasing such assets in substantially the same proportion as their ownership of the Outstanding Common Stock and Company Voting Securities immediately prior to such sale or disposition, as the case may be; or

(e) a complete liquidation or dissolution of the Company.

2.08. Code means the Internal Revenue Code of 1986, as amended. References to a section of the Code shall include that section and any comparable section or sections of any future legislation that amends, supplements or supersedes said section.

2.9. Committee has the meaning specified in Section 3.

2.10. Common Stock means the common stock of the Company, par value $0.001 per share.

2.11. Company means Nemus, a California corporation, and its successors.

2.12. Company Voting Securities means the combined voting power of all outstanding voting securities of the Company entitled to vote generally in the election of directors to the Board.

2.13. Date of Grant means the date designated by the Committee as the date as of which it grants an Award, which shall not be earlier than the date on which the Committee approves the granting of such Award.

2.14. Dividend Equivalent Account means a bookkeeping account in accordance with under Section 11.17 and related to an Award that is credited with the amount of any cash dividends or stock distributions that would be payable with respect to the shares of Common Stock subject to such Awards had such shares been outstanding shares of Common Stock.

2.15. Exchange Act means the Securities Exchange Act of 1934, as amended.

2.16. Exercise Price means, with respect to a Stock Appreciation Right, the amount established by the Committee in the Award Agreement which is to be subtracted from the Fair Market Value on the date of exercise in order to determine the amount of the payment to be made to the Participant, as further described in Section 6.02(b).

2.17. Fair Market Value means, as of any applicable date: (i) if the Common Stock is listed on a national securities exchange or is authorized for quotation on the Nasdaq National Market System ("NMS"), the closing sales price of the Common Stock on the exchange or NMS, as the case may be, on that date, or, if no sale of the Common Stock occurred on that date, on the next preceding date on which there was a reported sale; or (ii) if none of the above apply, the closing bid price as reported by the Nasdaq Capital Market on that date, or if no price was reported for that date, on the next preceding date for which a price was reported; or (iii) if none of the above apply, the last reported bid price published in the "pink sheets" or displayed on the Financial Industry Regulatory Authority ("FINRA"), Electronic Bulletin Board, or OTC Markets, Inc. as the case may be; or (iv) if none of the above apply, the fair market value of the Common Stock as determined under procedures established by the Committee.

2.18. Incentive Stock Option means a stock option within the meaning of Section 422 of the Code.

2.19. Merger means any merger, reorganization, consolidation, exchange, transfer of assets or other transaction having similar effect involving the Company.

2.20. Non-Qualified Stock Option means a stock option which is not an Incentive Stock Option.

2.21. Non-Vested Share means shares of the Company Common Stock issued to a Participant in respect of the non-vested portion of an Option in the event of the early exercise of such Participant's Options pursuant to such Participant's Award Agreement, as permitted in Section 6.06 below.

2.22. Options means all Non-Qualified Stock Options and Incentive Stock Options granted at any time under the Plan.

2.23. Outstanding Common Stock means, at any time, the issued and outstanding shares of Common Stock.

2.24. Participant means a person designated to receive an Award under the Plan in accordance with Section 5.01.

2.25. Performance Awards means Awards granted in accordance with Article VIII.

2.26. Performance Goals means revenues, units sold or growth in units sold, return on stockholders' equity, customer satisfaction or retention, return on investment or working capital, operating income, economic value added (the amount, if any, by which net operating income after tax exceeds a reference cost of capital), EBITDA (as net income (loss) before net interest expense, provision (benefit) for income taxes, and depreciation and amortization), expense targets, net income, earnings per share, share price, reductions in inventory, inventory turns, on-time delivery performance, operating efficiency, productivity ratios, market share or change in market share, any one of which may be measured with respect to the Company or any one or more of its Subsidiaries and divisions and either in absolute terms or as compared to another company or companies, and quantifiable, objective measures of individual performance relevant to the particular individual's job responsibilities.

2.27. Plan has the meaning given to such term in Section 1.01.

2.28. Purchase Price, with respect to Options, shall have the meaning set forth in Section 6.01(b).

2.39. Restricted Shares means Common Stock subject to restrictions imposed in connection with Awards granted under Article VII.

2.30. Restricted Stock Unit means a unit representing the right to receive Common Stock or the value thereof in the future subject to restrictions imposed in connection with Awards granted under Article VII.

2.31. Rule 16b-3 means Rule 16b-3 promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, as the same may be amended from time to time, and any successor rule.

2.32. Stock Appreciation Rights means awards granted in accordance with Article VI.

2.33. Termination of Service means the voluntary or involuntary termination of a Participant's service as an employee, director or consultant with the Company or an Affiliate for any reason, including death, disability, retirement or as the result of the divestiture of the Participant's employer or any similar transaction in which the Participant's employer ceases to be the Company or one of its Subsidiaries. Whether entering military or other government service shall constitute Termination of Service, or whether and when a Termination of Service shall occur as a result of disability, shall be determined in each case by the Committee in its sole discretion.

ARTICLE III

ADMINISTRATION

3.01. Administrator.

(a) Duties and Authority. The Plan shall be administered by the Board, or at the discretion of the Board, by a committee of the Board consisting of not less than two (2) directors (the "Committee"); provided, however, that if any member of the Committee is not a "Non-Employee Director" within the meaning of Rule 16b-3, then any Awards granted to individuals subject to the reporting requirements of Section 16 of the Exchange Act shall be approved by the Board. The Committee shall have exclusive and final authority in each determination, interpretation or other action affecting the Plan and its Participants.

The Committee shall have the sole discretionary authority to interpret the Plan, to establish and modify administrative rules for the Plan, to impose such conditions and restrictions on Awards as it determines appropriate, and to make all factual determinations with respect to and take such steps in connection with the Plan and Awards granted hereunder as it may deem necessary or advisable. The Committee shall not, however, have or exercise any discretion that would disqualify amounts payable under Article X as performance-based compensation for purposes of Section 162(m) of the Code. The Committee may delegate such of its powers and authority under the Plan as it deems appropriate to a subcommittee of the Committee or designated officers or employees of the Company. In the event of such delegation of authority or exercise of authority by the Board, references in the Plan to the Committee shall be deemed to refer, as appropriate, to the delegate of the Committee or the Board. Actions taken by the Committee or any subcommittee thereof, and any delegation by the Committee to designated officers or employees, under this Section 3.01 shall comply with Section 16(b) of the Exchange Act, the performance-based provisions of Section 162(m) of the Code, and the regulations promulgated under each of such statutory provisions, or the respective successors to such statutory provisions or regulations, as in effect from time to time, to the extent applicable.

(b) Indemnification. Each person who is or shall have been a member of the Board or the Committee, or an officer or employee of the Company to whom authority was delegated in accordance with the Plan shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such individual in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf; provided, however, that the foregoing indemnification shall not apply to any loss, cost, liability, or expense that is a result of his or her own willful misconduct. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, conferred in a separate agreement with the Company, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

ARTICLE IV

SHARES

4.01. Number of Shares Issuable. The total number of shares initially authorized to be issued under the Plan shall be _____ (___,000,000)shares of Common Stock. The foregoing share limit shall be subject to adjustment in accordance with Section 11.07. The shares to be offered under the Plan shall be authorized and unissued Common Stock, or issued Common Stock that shall have been reacquired by the Company. To the extent applicable, the total number of shares of authorized to be issued under the Plan shall be subject to Section 260.140.45 of Title 10 of the California Code of Regulations.

4.02. Shares Subject to Terminated Awards. Common Stock covered by any unexercised portions of terminated or forfeited Options (including canceled Options) granted under Article VI, Restricted Stock or Restricted Stock Units forfeited as provided in Article VII, other stock-based Awards terminated or forfeited as provided under the Plan, and Common Stock subject to any Awards that are otherwise surrendered by the Participant may again be subject to new Awards under the Plan. Shares of Common Stock surrendered to or withheld by the Company in payment or satisfaction of the Purchase Price of an Option or tax withholding obligation with respect to an Award shall be available for the grant of new Awards under the Plan. In the event of the exercise of Stock Appreciation Rights, whether or not granted in tandem with Options, only the number of shares of Common Stock actually issued in payment of such Stock Appreciation Rights shall be charged against the number of shares of Common Stock available for the grant of Awards hereunder.

ARTICLE V

PARTICIPATION

5.01. Eligible Participants. Participants in the Plan shall be such employees, directors and consultants of the Company and its Subsidiaries as the Committee, in its sole discretion, may designate from time to time. The Committee's designation of a Participant in any year shall not require the Committee to designate such person to receive Awards or grants in any other year. The designation of a Participant to receive Awards or grants under one portion of the Plan does not require the Committee to include such Participant under other portions of the Plan. The Committee shall consider such factors as it deems pertinent in selecting Participants and in determining the type and amount of their respective Awards. Subject to adjustment in accordance with Section 11.07, in any calendar year, no Participant shall be granted Awards in respect of more than 1.0 million shares of Common Stock (whether through grants of Options or Stock Appreciation Rights or other Awards of Common Stock or rights with respect thereto) or cash-based Awards for more than $1 million.

ARTICLE VI

STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

6.01. Option Awards.

(a) Grant of Options. The Committee may grant, to such Participants as the Committee may select, Options entitling the Participant to purchase shares of Common Stock from the Company in such number, at such price, and on such terms and subject to such conditions, not inconsistent with the terms of this Plan, as may be established by the Committee. The terms of any Option granted under this Plan shall be set forth in an Award Agreement.

(b) Purchase Price of Options. The Purchase Price of each share of Common Stock which may be purchased upon exercise of any Option granted under the Plan shall be determined by the Committee; provided, however, that in no event shall the Purchase Price be less than the Fair Market Value on the Date of Grant.

(c) Designation of Options. The Committee shall designate, at the time of the grant of each Option, the Option as an Incentive Stock Option or a Non-Qualified Stock Option; *provided, however,* that an Option may be designated as an Incentive Stock Option only if the applicable Participant is an employee of the Company on the Date of Grant.

(d) Option Term. The term of each Option shall be fixed by the Committee, but, subject to the special restrictions applicable to Incentive Stock Options specified in Section 6.01(e), no Option shall be exercisable more than ten (10) years after the Date of Grant.

(e) Special Incentive Stock Option Rules. No Participant may be granted Incentive Stock Options under the Plan (or any other plans of the Company) that would result in Incentive Stock Options to purchase shares of Common Stock with an aggregate Fair Market Value (measured on the Date of Grant) of more than $100,000 first becoming exercisable by the Participant in any one calendar year. Notwithstanding any other provision of the Plan to the contrary, the Exercise Price of each Incentive Stock Option shall be equal to or greater than the Fair Market Value of the Common Stock subject to the Incentive Stock Option as of the Date of Grant of the Incentive Stock Option; *provided*, *however*, that no Incentive Stock Option shall be granted to any person who, at the time the Option is granted, owns stock (including stock owned by application of the constructive ownership rules in Section 424(d) of the Code) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, unless at the time the Incentive Stock Option is granted the price of the Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock subject to the Incentive Stock Option and the Incentive Stock Option by its terms is not exercisable for more than five years from the Date of Grant.

(f) Rights As a Stockholder. A Participant or a transferee of an Option pursuant to Section 11.04 shall have no rights as a stockholder with respect to Common Stock covered by an Option until the Participant or transferee shall have become the holder of record of any such shares, and no adjustment shall be made for dividends in cash or other property or distributions or other rights with respect to any such Common Stock for which the record date is prior to the date on which the Participant or a transferee of the Option shall have become the holder of record of any such shares covered by the Option; provided, however, that Participants are entitled to share adjustments to reflect capital changes under Section 11.07.

(g) Exercise Due to Death or Disability. If an optionee's employment with the Company terminates by reason of death or disability, the Option may thereafter be immediately exercised, to the extent then exercisable (or on such accelerated basis as the Committee shall determine at or after the grant), by the legal representative of the optionee, by the legal representative of the estate of the optionee, or by the legatee of the optionee under the will of the optionee, within such period of time as is specified in the Award Agreement (of at least six (6) months) from the date of such death or disability.

(h) Period of Exercise After Termination of Employment. Except as otherwise provided in this paragraph or otherwise determined by the Committee, if an optionee's employment with the Company terminates for any reason other than death or disability (except for termination for cause as defined by applicable law), the optionee must exercise his or her Options, to the extent then exercisable (or on such accelerated basis as the Committee shall determine at or after grant), within such period of time as is specified in the Award Agreement (of at least thirty (30) days) from the date of such termination. If the optionee does not exercise his or her Options within such specified period, the Options automatically terminate, and such Options become null and void.

(i) Acceleration or Extension of Exercise Time. The Committee, in its sole discretion, shall have the right (but shall not be obligated), exercisable on or at any time after the Date of Grant, to permit the exercise of an Option or Stock Appreciation Right (i) prior to the time such Option or Stock Appreciation Right would become exercisable under the terms of the Award Agreement, (ii) after the termination of the Option or Stock Appreciation Right under the terms of the Award Agreement, or (iii) after the expiration of the Option or Stock Appreciation Right.

6.02. Stock Appreciation Rights.

(a) Stock Appreciation Right Awards. The Committee is authorized to grant to any Participant one or more Stock Appreciation Rights. Such Stock Appreciation Rights may be granted either independent of or in tandem with Options granted to the same Participant. Stock Appreciation Rights granted in tandem with Options may be granted simultaneously with, or, in the case of Non-Qualified Stock Options, subsequent to, the grant to such Participant of the related Option; provided however, that: (i) any Option covering any share of Common Stock shall expire and not be exercisable upon the exercise of any Stock Appreciation Right with respect to the same share, (ii) any Stock Appreciation Right covering any share of Common Stock shall expire and not be exercisable upon the exercise of any related Option with respect to the same share, and (iii) an Option and Stock Appreciation Right covering the same share of Common Stock may not be exercised simultaneously. Upon exercise of a Stock Appreciation Right with respect to a share of Common Stock, the Participant shall be entitled to receive an amount equal to the excess, if any, of (A) the Fair Market Value of a share of Common Stock on the date of exercise over (B) the Exercise Price of such Stock Appreciation Right established in the Award Agreement, which amount shall be payable as provided in Section 6.02(c).

(b) Exercise Price. The Exercise Price established under any Stock Appreciation Right granted under this Plan shall be determined by the Committee, but in the case of Stock Appreciation Rights granted in tandem with Options shall not be less than the Purchase Price of the related Option; provided, however, that in no event shall the Exercise Price be less than the Fair Market Value on the Date of Grant. Upon exercise of Stock Appreciation Rights granted in tandem with options, the number of shares subject to exercise under any related Option shall automatically be reduced by the number of shares of Common Stock represented by the Option or portion thereof which are surrendered as a result of the exercise of such Stock Appreciation Rights.

(c) Payment of Incremental Value. Any payment which may become due from the Company by reason of a Participant's exercise of a Stock Appreciation Right may be paid to the Participant as determined by the Committee (i) all in cash, (ii) all in Common Stock, or (iii) in any combination of cash and Common Stock. In the event that all or a portion of the payment is made in Common Stock, the number of shares of Common Stock delivered in satisfaction of such payment shall be determined by dividing the amount of such payment or portion thereof by the Fair Market Value on the Exercise Date. No fractional share of Common Stock shall be issued to make any payment in respect of Stock Appreciation Rights; if any fractional share would be issuable, the combination of cash and Common Stock payable to the Participant shall be adjusted as directed by the Committee to avoid the issuance of any fractional share.

6.03. Terms of Stock Options and Stock Appreciation Rights.

(a) Conditions on Exercise. An Award Agreement with respect to Options or Stock Appreciation Rights may contain such waiting periods, exercise dates and restrictions on exercise (including, but not limited to, periodic installments) as may be determined by the Committee at the time of grant. In the event the Committee grants an Option or Stock Appreciation Right that would be subject to Section 409A of the Code, the Committee may include such additional terms, conditions and restrictions on the exercise of such Option or Stock Appreciation Right as the Committee deems necessary or advisable in order to comply with the requirements of Section 409A of the Code.

(b) Duration of Options and Stock Appreciation Rights. Options and Stock Appreciation Rights shall terminate upon the first to occur of the following events:

(i) Expiration of the Option or Stock Appreciation Right as provided in the Award Agreement; or

(ii) Termination of the Award in the event of a Participant's disability, retirement, death or other Termination of Service as provided in the Award Agreement, subject to Sections 6.01(g) and 6.01(h); or

(iii) In the case of an Option, ten years from the Date of Grant (five years in certain cases, as described in Section 6.01(e)); or

(iv) Solely in the case of a Stock Appreciation Right granted in tandem with an Option, upon the expiration of the related Option.

6.04. Exercise Procedures. Each Option and Stock Appreciation Right granted under the Plan shall be exercised under such procedures and by such methods as the Board may establish or approve from time to time. The Purchase Price of shares purchased upon exercise of an Option granted under the Plan shall be paid in full in cash by the Participant pursuant to the Award Agreement; provided, however, that the Committee may (but shall not be required to) permit payment to be made (a) by delivery to the Company of shares of Common Stock held by the Participant, (b) by a "net exercise" method under which the Company reduces the number of shares of Common Stock issued upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate Exercise Price, or (c) such other consideration as the Committee deems appropriate and in compliance with applicable law (including payment under an arrangement constituting a brokerage transaction as permitted under the provisions of Regulation T applicable to cashless exercises promulgated by the Federal Reserve Board, unless prohibited by Section 402 of the Sarbanes-Oxley Act of 2002). In the event that any Common Stock shall be transferred to the Company to satisfy all or any part of the Purchase Price, the part of the Purchase Price deemed to have been satisfied by such transfer of Common Stock shall be equal to the product derived by multiplying the Fair Market Value as of the date of exercise times the number of shares of Common Stock transferred to the Company. The Participant may not transfer to the Company in satisfaction of the Purchase Price any fractional share of Common Stock. Any part of the Purchase Price paid in cash upon the exercise of any Option shall be added to the general funds of the Company and may be used for any proper corporate purpose. Unless the Committee shall otherwise determine, any Common Stock transferred to the Company as payment of all or part of the Purchase Price upon the exercise of any Option shall be held as treasury shares.

6.05. Change in Control. Unless otherwise provided by the Committee in the applicable Award Agreement, in the event of a Change in Control, no accelerated vesting of any Options or Stock Appreciation Rights outstanding on the date of such Change in Control shall occur.

ARTICLE VII

RESTRICTED SHARES AND RESTRICTED STOCK UNITS

7.01. Award of Restricted Stock and Restricted Stock Units. The Committee may grant to any Participant an Award of Restricted Shares consisting of a specified number of shares of Common Stock issued to the Participant subject to such terms, conditions and forfeiture and transfer restrictions, whether based on performance standards, periods of service, retention by the Participant of ownership of specified shares of Common Stock or other criteria, as the Committee shall establish. The Committee may also grant Restricted Stock Units representing the right to receive shares of Common Stock in the future subject to such terms, conditions and restrictions, whether based on performance standards, periods of service, retention by the Participant of ownership of specified shares of Common Stock or other criteria, as the Committee shall establish. With respect to performance-based Awards of Restricted Shares or Restricted Stock Units intended to qualify as "performance-based" compensation for purposes of Section 162(m) of the Code, performance targets will consist of specified levels of one or more of the Performance Goals. The terms of any Restricted Share and Restricted Stock Unit Awards granted under this Plan shall be set forth in an Award Agreement which shall contain provisions determined by the Committee and not inconsistent with this Plan.

7.02 Restricted Shares.

(a) Issuance of Restricted Shares. As soon as practicable after the Date of Grant of a Restricted Share Award by the Committee, the Company shall cause to be transferred on the books of the Company, or its agent, Common Stock, registered on behalf of the Participant, evidencing the Restricted Shares covered by the Award, but subject to forfeiture to the Company as of the Date of Grant if an Award Agreement with respect to the Restricted Shares covered by the Award is not duly executed by the Participant and timely returned to the Company. All Common Stock covered by Awards under this Article VII shall be subject to the restrictions, terms and conditions contained in the Plan and the Award Agreement entered into by the Participant. Until the lapse or release of all restrictions applicable to an Award of Restricted Shares, the share certificates representing such Restricted Shares may be held in custody by the Company, its designee, or, if the certificates bear a restrictive legend, by the Participant. Upon the lapse or release of all restrictions with respect to an Award as described in Section 7.02(d), one or more share certificates, registered in the name of the Participant, for an appropriate number of shares as provided in Section 7.02(d), free of any restrictions set forth in the Plan and the Award Agreement shall be delivered to the Participant.

(b) Stockholder Rights. Beginning on the Date of Grant of the Restricted Share Award and subject to execution of the Award Agreement as provided in Section 7.02(a), the Participant shall become a stockholder of the Company with respect to all shares subject to the Award Agreement and shall have all of the rights of a stockholder, including, but not limited to, the right to vote such shares and the right to receive dividends; provided, however, that any Common Stock distributed as a dividend or otherwise with respect to any Restricted Shares as to which the restrictions have not yet lapsed, shall be subject to the same restrictions as such Restricted Shares and held or restricted as provided in Section 7.02(a).

(c) Restriction on Transferability. None of the Restricted Shares may be assigned or transferred (other than by will or the laws of descent and distribution, or to a revocable inter vivos trust with respect to which the Participant is treated as the owner under Sections 671 through 677 of the Code, except to the extent that Section 16 of the Exchange Act limits a Participant's right to make such transfers), pledged or sold prior to lapse of the restrictions applicable thereto.

(d) Delivery of Shares Upon Vesting. Upon expiration or earlier termination of the forfeiture period without a forfeiture and the satisfaction of or release from any other conditions prescribed by the Committee, or at such earlier time as provided under the provisions of Section 7.04, the restrictions applicable to the Restricted Shares shall lapse. As promptly as administratively feasible thereafter, subject to the requirements of Section 11.05, the Company shall deliver to the Participant or, in case of the Participant's death, to the Participant's Beneficiary, one or more share certificates for the appropriate number of shares of Common Stock, free of all such restrictions, except for any restrictions that may be imposed by law.

(e) Forfeiture of Restricted Shares. Subject to Sections 7.02(f) and 7.04, all Restricted Shares shall be forfeited and returned to the Company and all rights of the Participant with respect to such Restricted Shares shall terminate unless the Participant continues in the service of the Company or an Affiliate as an employee until the expiration of the forfeiture period for such Restricted Shares and satisfies any and all other conditions set forth in the Award Agreement. The Committee shall determine the forfeiture period (which may, but need not, lapse in installments) and any other terms and conditions applicable with respect to any Restricted Share Award.

(f) Waiver of Forfeiture Period. Notwithstanding anything contained in this Article VII to the contrary, the Committee may, in its sole discretion, waive the forfeiture period and any other conditions set forth in any Award Agreement under appropriate circumstances (including the death, disability or Retirement of the Participant or a material change in circumstances arising after the date of an Award) and subject to such terms and conditions (including forfeiture of a proportionate number of the Restricted Shares) as the Committee shall deem appropriate.

7.03. Restricted Stock Units.

(a) Settlement of Restricted Stock Units. Payments shall be made to Participants with respect to their Restricted Stock Units as soon as practicable after the Committee has determined that the terms and conditions applicable to such Award have been satisfied or at a later date if distribution has been deferred. Payments to Participants with respect to Restricted Stock Units shall be made in the form of Common Stock, or cash or a combination of both, as the Committee may determine. The amount of any cash to be paid in lieu of Common Stock shall be determined on the basis of the Fair Market Value of the Common Stock on the date any such payment is processed. As to shares of Common Stock which constitute all or any part of such payment, the Committee may impose such restrictions concerning their transferability and/or their forfeiture as may be provided in the applicable Award Agreement or as the Committee may otherwise determine, provided such determination is made on or before the date certificates for such shares are first delivered to the applicable Participant.

(b) Shareholder Rights. Until the lapse or release of all restrictions applicable to an Award of Restricted Stock Units, no shares of Common Stock shall be issued in respect of such Awards and no Participant shall have any rights as a shareholder of the Company with respect to the shares of Common Stock covered by such Award of Restricted Stock Units.

(c) Waiver of Forfeiture Period. Notwithstanding anything contained in this Section 7.03 to the contrary, the Committee may, in its sole discretion, waive the forfeiture period and any other conditions set forth in any Award Agreement under appropriate circumstances (including the death, disability or retirement of the Participant or a material change in circumstances arising after the date of an Award) and subject to such terms and conditions (including forfeiture of a proportionate number of shares issuable upon settlement of the Restricted Stock Units constituting an Award) as the Committee shall deem appropriate.

(d) Deferral of Payment. If approved by the Committee and set forth in the applicable Award Agreement, a Participant may elect to defer the amount payable with respect to the Participant's Restricted Stock Units in accordance with such terms as may be established by the Committee, subject to the requirements of Section 409A of the Code.

7.04 Change in Control. Unless otherwise provided by the Committee in the applicable Award Agreement, no acceleration of the termination of any of the restrictions applicable to Restricted Shares and Restricted Stock Unit Awards shall occur in the event of a Change in Control.

ARTICLE VIII

PERFORMANCE AWARDS

8.01. Performance Awards.

(a) Award Periods and Calculations of Potential Incentive Amounts. The Committee may grant Performance Awards to Participants. A Performance Award shall consist of the right to receive a payment (measured by the Fair Market Value of a specified number of shares of Common Stock, increases in such Fair Market Value during the Award Period and/or a fixed cash amount) contingent upon the extent to which certain predetermined performance targets have been met during an Award Period. The Award Period shall be two or more fiscal or calendar years as determined by the Committee. The Committee, in its discretion and under such terms as it deems appropriate, may permit newly eligible Participants, such as those who are promoted or newly hired, to receive Performance Awards after an Award Period has commenced.

(b) Performance Targets. Subject to Section 11.18, the performance targets applicable to a Performance Award may include such goals related to the performance of the Company or, where relevant, any one or more of its Subsidiaries or divisions and/or the performance of a Participant as may be established by the Committee in its discretion. In the case of Performance Awards to "covered employees" (as defined in Section 162(m) of the Code), the targets will be limited to specified levels of one or more of the Performance Goals. The performance targets established by the Committee may vary for different Award Periods and need not be the same for each Participant receiving a Performance Award in an Award Period.

(c) Earning Performance Awards. The Committee, at or as soon as practicable after the Date of Grant, shall prescribe a formula to determine the percentage of the Performance Award to be earned based upon the degree of attainment of the applicable performance targets.

(d) Payment of Earned Performance Awards. Subject to the requirements of Section 11.05, payments of earned Performance Awards shall be made in cash or Common Stock, or a combination of cash and Common Stock, in the discretion of the Committee. The Committee, in its sole discretion, may define, and set forth in the applicable Award Agreement, such terms and conditions with respect to the payment of earned Performance Awards as it may deem desirable.

8.02. Termination of Service. In the event of a Participant's Termination of Service during an Award Period, the Participant's Performance Awards shall be forfeited except as may otherwise be provided in the applicable Award Agreement.

8.03. Change in Control. Unless otherwise provided by the Committee in the applicable Award Agreement, in the event of a Change in Control, no accelerated vesting of any Performance Awards outstanding on the date of such Change in Control shall occur.

ARTICLE IX

OTHER STOCK-BASED AWARDS

9.01. Grant of Other Stock-Based Awards. Other stock-based awards, consisting of stock purchase rights (with or without loans to Participants by the Company containing such terms as the Committee shall determine), Awards of Common Stock, or Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, may be granted either alone or in addition to or in conjunction with other Awards under the Plan. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Common Stock to be granted pursuant to such Awards, and all other conditions of the Awards. Any such Award shall be confirmed by an Award Agreement executed by the Committee and the Participant, which Award Agreement shall contain such provisions as the Committee determines to be necessary or appropriate to carry out the intent of this Plan with respect to such Award.

9.02. Terms of Other Stock-Based Awards. In addition to the terms and conditions specified in the Award Agreement, Awards made pursuant to this Article IX shall be subject to the following:

(a) Any Common Stock subject to Awards made under this Article IX may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses; and

(b) If specified by the Committee in the Award Agreement, the recipient of an Award under this Article IX shall be entitled to receive, currently or on a deferred basis, interest or dividends or dividend equivalents with respect to the Common Stock or other securities covered by the Award; and

(c) The Award Agreement with respect to any Award shall contain provisions dealing with the disposition of such Award in the event of a Termination of Service prior to the exercise, payment or other settlement of such Award, whether such termination occurs because of Retirement, disability, death or other reason, with such provisions to take account of the specific nature and purpose of the Award.

ARTICLE X

SHORT-TERM CASH INCENTIVE AWARDS

10.01. Eligibility. Executive officers of the Company who are from time to time determined by the Committee to be "covered employees" for purposes of Section 162(m) of the Code will be eligible to receive short-term cash incentive awards under this Article X.

10.02. Awards.

(a) Performance Targets. The Committee shall establish objective performance targets based on specified levels of one or more of the Performance Goals. Such performance targets shall be established by the Committee on a timely basis to ensure that the targets are considered "preestablished" for purposes of Section 162(m) of the Code.

(b) Amounts of Awards. In conjunction with the establishment of performance targets for a fiscal year or such other short-term performance period established by the Committee, the Committee shall adopt an objective formula (on the basis of percentages of Participants' salaries, shares in a bonus pool or otherwise) for computing the respective amounts payable under the Plan to Participants if and to the extent that the performance targets are attained. Such formula shall comply with the requirements applicable to performance-based compensation plans under Section 162(m) of the Code and, to the extent based on percentages of a bonus pool, such percentages shall not exceed 100% in the aggregate.

(c) Payment of Awards. Awards will be payable to Participants in cash each year upon prior written certification by the Committee of attainment of the specified performance targets for the preceding fiscal year or other applicable performance period.

(d) Negative Discretion. Notwithstanding the attainment by the Company of the specified performance targets, the Committee shall have the discretion, which need not be exercised uniformly among the Participants, to reduce or eliminate the award that would be otherwise paid.

(e) Guidelines. The Committee may adopt from time to time written policies for its implementation of this Article X. Such guidelines shall reflect the intention of the Company that all payments hereunder qualify as performance-based compensation under Section 162(m) of the Code.

(f) Non-Exclusive Arrangement. The adoption and operation of this Article X shall not preclude the Board or the Committee from approving other short-term incentive compensation arrangements for the benefit of individuals who are Participants hereunder as the Board or Committee, as the case may be, deems appropriate and in the best of the Company.

ARTICLE XI

TERMS APPLICABLE GENERALLY TO AWARDS GRANTED UNDER THE PLAN

11.01. Plan Provisions Control Award Terms. Except as provided in Section 11.16, the terms of the Plan shall govern all Awards granted under the Plan, and in no event shall the Committee have the power to grant any Award under the Plan which is contrary to any of the provisions of the Plan. In the event any provision of any Award granted under the Plan shall conflict with any term in the Plan as constituted on the Date of Grant of such Award, the term in the Plan as constituted on the Date of Grant of such Award shall control. Except as provided in Section 11.03 and Section 11.07, the terms of any Award granted under the Plan may not be changed after the Date of Grant of such Award so as to materially decrease the value of the Award without the express written approval of the holder.

11.02. Award Agreement. No person shall have any rights under any Award granted under the Plan unless and until the Company and the Participant to whom such Award shall have been granted shall have executed and delivered an Award Agreement or received any other Award acknowledgment authorized by the Committee expressly granting the Award to such person and containing provisions setting forth the terms of the Award.

11.03. Modification of Award After Grant. No Award granted under the Plan to a Participant may be modified (unless such modification does not materially decrease the value of the Award) after the Date of Grant except by express written agreement between the Company and the Participant, provided that any such change (a) shall not be inconsistent with the terms of the Plan, and (b) shall be approved by the Committee.

11.04. Limitation on Transfer. Except as provided in Section 7.02(c) in the case of Restricted Shares, a Participant's rights and interest under the Plan may not be assigned or transferred other than by will or the laws of descent and distribution, and during the lifetime of a Participant, only the Participant personally (or the Participant's personal representative) may exercise rights under the Plan. The Participant's Beneficiary may exercise the Participant's rights to the extent they are exercisable under the Plan following the death of the Participant.

11.05. Taxes. The Company shall be entitled, if the Committee deems it necessary or desirable, to withhold (or secure payment from the Participant in lieu of withholding) the amount of any withholding or other tax required by law to be withheld or paid by the Company with respect to any amount payable and/or shares issuable under such Participant's Award, or with respect to any income recognized upon a disqualifying disposition of shares received pursuant to the exercise of an Incentive Stock Option, and the Company may defer payment or issuance of the cash or shares upon exercise or vesting of an Award unless indemnified to its satisfaction against any liability for any such tax. The amount of such withholding or tax payment shall be determined by the Committee and shall be payable by the Participant at such time as the Committee determines in accordance with the following rules:

(a) The Participant shall have the right to elect to meet his or her withholding requirement (i) by having withheld from such Award at the appropriate time that number of shares of Common Stock, rounded down to the nearest whole share, whose Fair Market Value is equal to the amount of withholding taxes due, (ii) by direct payment to the Company in cash of the amount of any taxes required to be withheld with respect to such Award or (iii) by a combination of shares and cash.

(b) In the case of Participants who are subject to Section 16 of the Exchange Act, the Committee may impose such limitations and restrictions as it deems necessary or appropriate with respect to the delivery or withholding of shares of Common Stock to meet tax withholding obligations.

11.06. Surrender of Awards; Authorization of Repricing. Any Award granted under the Plan may be surrendered to the Company for cancellation on such terms as the Committee and the holder approve. Without requiring shareholder approval, the Committee may substitute a new Award under this Plan in connection with the surrender by the Participant of an equity compensation award previously granted under this Plan or any other plan sponsored by the Company, including the substitution or grant of (i) an Option or Stock Appreciation Right with a lower exercise price than the Option or Stock Appreciation Right being surrendered, (ii) a different type of Award upon the surrender or cancellation of an Option or Stock Appreciation Right with an exercise price above the Fair Market Value of the underlying Common Stock on the date of such substitution or grant, or (iii) any other Award constituting a repricing of an Option or Stock Appreciation Right.

11.07. Adjustments to Reflect Capital Changes.

(a) Recapitalization. In the event of any corporate event or transaction (including, but not limited to, a change in the Common Stock or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, partial or complete liquidation, stock dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of the Company, a combination or exchange of Common Stock, dividend in kind, or other like change in capital structure, number of outstanding shares of Common Stock, distribution (other than normal cash dividends) to shareholders of the Company, or any similar corporate event or transaction, the Committee, in order to prevent dilution or enlargement of Participants' rights under this Plan, shall make equitable and appropriate adjustments and substitutions, as applicable, to or of the number and kind of shares subject to outstanding Awards, the Purchase Price or Exercise Price for such shares, the number and kind of shares available for future issuance under the Plan and the maximum number of shares in respect of which Awards can be made to any Participant in any calendar year, and other determinations applicable to outstanding Awards. The Committee shall have the power and sole discretion to determine the amount of the adjustment to be made in each case.

(b) Merger. In the event that the Company is a party to a Merger, outstanding Awards shall be subject to the agreement of merger or reorganization. Such agreement may provide, without limitation, for the continuation of outstanding Awards by the Company (if the Company is a surviving corporation), for their assumption by the surviving corporation or its parent or subsidiary, for the substitution by the surviving corporation or its parent or subsidiary of its own awards for such Awards, for accelerated vesting and accelerated expiration, or for settlement in cash or cash equivalents.

(c) Options to Purchase Shares or Stock of Acquired Companies. After any Merger in which the Company or an Affiliate shall be a surviving corporation, the Committee may grant substituted options under the provisions of the Plan, pursuant to Section 424 of the Code, replacing old options granted under a plan of another party to the Merger whose shares or stock subject to the old options may no longer be issued following the Merger. The foregoing adjustments and manner of application of the foregoing provisions shall be determined by the Committee in its sole discretion. Any such adjustments may provide for the elimination of any fractional shares which might otherwise become subject to any Options.

11.08. No Right to Continued Service. No person shall have any claim of right to be granted an Award under this Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the service of the Company or any of its Subsidiaries.

11.09. Awards Not Includable for Benefit Purposes. Payments received by a Participant pursuant to the provisions of the Plan shall not be included in the determination of benefits under any pension, group insurance or other benefit plan applicable to the Participant which is maintained by the Company or any of its Subsidiaries, except as may be provided under the terms of such plans or determined by the Board.

11.10. Governing Law. All determinations made and actions taken pursuant to the Plan shall be governed by the laws of Californiaand construed in accordance therewith.

11.11. No Strict Construction. No rule of strict construction shall be implied against the Company, the Committee, or any other person in the interpretation of any of the terms of the Plan, any Award granted under the Plan or any rule or procedure established by the Committee.

11.12. Compliance with Rule 16b-3. It is intended that, unless the Committee determines otherwise, Awards under the Plan be eligible for exemption under Rule 16b-3. The Board is authorized to amend the Plan and to make any such modifications to Award Agreements to comply with Rule 16b-3, as it may be amended from time to time, and to make any other such amendments or modifications as it deems necessary or appropriate to better accomplish the purposes of the Plan in light of any amendments made to Rule 16b-3.

11.13. Captions. The captions (i.e., all Section headings) used in the Plan are for convenience only, do not constitute a part of the Plan, and shall not be deemed to limit, characterize or affect in any way any provisions of the Plan, and all provisions of the Plan shall be construed as if no captions have been used in the Plan.

11.14. Severability. Whenever possible, each provision in the Plan and every Award at any time granted under the Plan shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Plan or any Award at any time granted under the Plan shall be held to be prohibited by or invalid under applicable law, then (a) such provision shall be deemed amended to accomplish the objectives of the provision as originally written to the fullest extent permitted by law and (b) all other provisions of the Plan and every other Award at any time granted under the Plan shall remain in full force and effect.

11.15. Amendment and Termination.

(a) Amendment. The Board shall have complete power and authority to amend the Plan at any time; provided, however, that the Board shall not, without the requisite affirmative approval of stockholders of the Company, make any amendment which requires stockholder approval under the Code or under any other applicable law or rule of any stock exchange which lists Common Stock or Company Voting Securities. No termination or amendment of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted under the Plan, adversely affect the right of such individual under such Award.

(b) Termination. The Board shall have the right and the power to terminate the Plan at any time. No Award shall be granted under the Plan after the termination of the Plan, but the termination of the Plan shall not have any other effect and any Award outstanding at the time of the termination of the Plan may be exercised after termination of the Plan at any time prior to the expiration date of such Award to the same extent such Award would have been exercisable had the Plan not terminated.

11.16. Foreign Qualified Awards. Awards under the Plan may be granted to such employees of the Company and its Subsidiaries who are residing in foreign jurisdictions as the Committee in its sole discretion may determine from time to time. The Committee may adopt such supplements to the Plan as may be necessary or appropriate to comply with the applicable laws of such foreign jurisdictions and to afford Participants favorable treatment under such laws; provided, however, that no Award shall be granted under any such supplement with terms or conditions inconsistent with the provision set forth in the Plan.

11.17. Dividend Equivalents. For any Award granted under the Plan, the Committee shall have the discretion, upon the Date of Grant or thereafter, to establish a Dividend Equivalent Account with respect to the Award, and the applicable Award Agreement or an amendment thereto shall confirm such establishment. If a Dividend Equivalent Account is established, the following terms shall apply:

(a) Terms and Conditions. Dividend Equivalent Accounts shall be subject to such terms and conditions as the Committee shall determine and as shall be set forth in the applicable Award Agreement. Such terms and conditions may include, without limitation, for the Participant's Account to be credited as of the record date of each cash dividend on the Common Stock with an amount equal to the cash dividends which would be paid with respect to the number of shares of Common Stock then covered by the related Award if such shares of Common Stock had been owned of record by the Participant on such record date.

(b) Unfunded Obligation. Dividend Equivalent Accounts shall be established and maintained only on the books and records of the Company and no assets or funds of the Company shall be set aside, placed in trust, removed from the claims of the Company's general creditors, or otherwise made available until such amounts are actually payable as provided hereunder.

11.18 Adjustment of Performance Goals and Targets. Notwithstanding any provision of the Plan to the contrary, the Committee shall have the authority to adjust any Performance Goal, performance target or other performance-based criteria established with respect to any Award under the Plan if circumstances occur (including, but not limited to, unusual or nonrecurring events, changes in tax laws or accounting principles or practices or changed business or economic conditions) that cause any such Performance Goal, performance target or performance-based criteria to be inappropriate in the judgment of the Committee; provided, that with respect to any Award that is intended to qualify for the "performance-based compensation" exception under Section 162(m) of the Code and the regulations thereunder, any adjustment by the Committee shall be consistent with the requirements of Section 162(m) and the regulations thereunder.

11.19 Legality of Issuance. Notwithstanding any provision of this Plan or any applicable Award Agreement to the contrary, the Committee shall have the sole discretion to impose such conditions, restrictions and limitations (including suspending exercises of Options or Stock Appreciation Rights and the tolling of any applicable exercise period during such suspension) on the issuance of Common Stock with respect to any Award unless and until the Committee determines that such issuance complies with (i) any applicable registration requirements under the Securities Act of 1933, as amended, or the Committee has determined that an exemption therefrom is available, (ii) any applicable listing requirement of any stock exchange on which the Common Stock is listed, (iii) any applicable Company policy or administrative rules, and (iv) any other applicable provision of state, federal or foreign law, including foreign securities laws where applicable.

11.20 Restrictions on Transfer. Regardless of whether the offering and sale of Common Stock under the Plan have been registered under the Securities Act of 1933, as amended, or have been registered or qualified under the securities laws of any state, the Company may impose restrictions upon the sale, pledge, or other transfer of such Common Stock (including the placement of appropriate legends on stock certificates) if, in the judgment of the Company and its counsel, such restrictions are necessary or desirable to achieve compliance with the provisions of the Securities Act of 1933, as amended, the securities laws of any state, the United States or any other applicable foreign law.

11.21 Further Assurances. As a condition to receipt of any Award under the Plan, a Participant shall agree, upon demand of the Company, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company, to implement the provisions and purposes of the Plan.

11.22 Financial Statements. To the extent required by Section 260.140.46 of Title 10 of the California Code of Regulations, the Company shall deliver financial statements to all persons to whom an Award is granted pursuant to the Plan or to all persons who otherwise hold an outstanding Option or other Award under the Plan at least annually. This Section 11.22 shall not apply to key persons whose duties in connection with the Company and its Affiliates assure them access to equivalent information.

NOTICE OF GRANT OF [INCENTIVE/NON-QUALIFIED] STOCK OPTION AWARD

NEMUS BIOSCIENCE, INC.
2014 OMNIBUS INCENTIVE PLAN

FOR GOOD AND VALUABLE CONSIDERATION, Nemus Bioscience, Inc. (the "Company") hereby grants, pursuant to the provisions of the Company's 2014 Omnibus Incentive Plan (the "Plan"), to the Participant designated in this Notice of Grant of **[Incentive/Non-Qualified]** Stock Option Award (the "Notice") an option to purchase the number of shares of the common stock of the Company set forth in the Notice (the "Shares"), subject to certain restrictions as outlined below in this Notice and the additional provisions set forth in the attached Terms and Conditions of Stock Option Award (collectively, the "Agreement"). Also enclosed is a copy of the Plan.

Optionee: **[_____]**

Date of Grant: _____	**Type of Option**: **[Incentive/Non-Qualified]** Stock Option
Exercise Price per Share: $____	**Expiration Date**: _____
Total Number of Shares Granted: _____	**Total Exercise Price**: $_____
Vesting Schedule: **[1/5 vesting on each of the first, second, third, fourth and fifth anniversaries of the date of the grant]**	

Exercise After Termination of Service:

Termination of Service for any reason: any non-vested portion of the Option expires immediately;

Termination of Service due to death or Disability: vested portion of the Option is exercisable by the Optionee (or, in the event of the Optionee's death, the Optionee's Beneficiary) for _____ **[months/years]** [MUST BE AT LEAST 6 MONTHS] after the Optionee's Termination;

Termination of Service for any reason other than death or Disability (except for termination for cause as defined by applicable law): vested portion of the Option is exercisable for a period of _____ **[days/months]** [MUST BE AT LEAST 30 DAYS] following the Optionee's Termination.

In no event may this Option be exercised after the Expiration Date as provided above

By signing below, the Optionee agrees that this **[Incentive/Non-Qualified]** Stock Option Award is granted under and governed by the terms and conditions of the Company's 2014 Omnibus Incentive Plan and the attached Terms and Conditions.

Participant

_____

Date: _____

Nemus Bioscience, Inc.

By: _____
Title: _____
Date: _____

TERMS AND CONDITIONS OF STOCK OPTION AWARD

1. Grant of Option. The Option granted to the Optionee and described in the Notice of Grant is subject to the terms and conditions of the Plan, which is incorporated by reference in its entirety into these Terms and Conditions of Stock Option Award.

The Board of Directors of the Company has authorized and approved the 2014 Omnibus Incentive Plan (the "Plan"). The Committee has approved an award to the Optionee of a number of shares of the Company's common stock, conditioned upon the Participant's acceptance of the provisions set forth in the Notice and these Terms and Conditions within 60 days after the Notice and these Terms and Conditions are presented to the Optionee for review. For purposes of the Notice and these Terms and Conditions, any reference to the Company shall include a reference to any Affiliate.

If designated in the Notice of Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that the Option fails to meet the requirements of an ISO under Section 422 of the Code, this Option shall be treated as a Non-Qualified Stock Option ("NSO").

The Company intends that this Option not be considered to provide for the deferral of compensation under Section 409A of the Code and that this Agreement shall be so administered and construed. Further, the Company may modify the Plan and this Award to the extent necessary to fulfill this intent.

2. Exercise of Option.

(a) Right to Exercise. This Option shall be exercisable, in whole or in part, during its term in accordance with the Vesting Schedule set out in the Notice of Grant and with the applicable provisions of the Plan and this Option Agreement. No Shares shall be issued pursuant to the exercise of an Option unless the issuance and exercise comply with applicable laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which the Option is exercised with respect to such Shares. The Committee may, in its discretion, (i) accelerate vesting of the Option, or (ii) extend the applicable exercise period to the extent permitted under Section 6.03 of the Plan.

(b) Method of Exercise. The Optionee may exercise the Option by delivering an exercise notice in a form approved by the Company (the "Exercise Notice") which shall state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised, and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Shares exercised. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price.

(c) Acceleration of Vesting on Change in Control. Unless otherwise specified in the Notice of Grant, in the event of a Change in Control, no accelerated vesting of any Options outstanding on the date of such Change in Control shall occur.

3. Method of Payment. If the Optionee elects to exercise the Option by submitting an Exercise Notice under Section 2(b) of this Agreement, the aggregate Exercise Price (as well as any applicable withholding or other taxes) shall be paid by cash or check; *provided, however*, that the Committee may consent, in its discretion, to payment in any of the following forms, or a combination of them:

(a) cash or check;

(b) a "net exercise" (as described in the Plan or such other consideration received by the Company under a cashless exercise program approved by the Company in connection with the Plan;

(c) surrender of other Shares owned by the Optionee which have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares and any applicable withholding; or

(d) any other consideration that the Committee deems appropriate and in compliance with applicable law.

4. Restrictions on Exercise. This Option may not be exercised until such time as the Plan has been approved by the stockholders of the Company, or if the issuance of the Shares upon exercise or the method of payment of consideration for those shares would constitute a violation of any applicable law or regulation.

5. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of the Optionee only by the Optionee **[IF THE OPTION IS A NSO, THE FOLLOWING LANGUAGE MAY BE INCLUDED PERMITTING LIMITED TRANSFER OF THE OPTION] [; provided, however, that the Optionee may transfer the Options (i) pursuant to a qualified domestic relations order (as defined by the Code or the rules thereunder) or (ii) to any member of the Optionee's Immediate Family or to a trust, limited liability company, family limited partnership or other equivalent vehicle, established for the exclusive benefit of one or more members of his Immediate Family by delivering to the Company a Notice of Assignment in a form acceptable to the Company. No transfer or assignment of the Option to or on behalf of an Immediate Family member under this Section 5 shall be effective until the Company has acknowledged such transfer or assignment in writing. "Immediate Family" means the Optionee's parents, spouse, children, siblings, and grandchildren. Following transfer, the Options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. In the event an Option is transferred as contemplated in this Section 5, such Option may not be subsequently transferred by the transferee except by will or the laws of descent and distribution.]** The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

6. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

7. Withholding.

(a) The Committee shall determine the amount of any withholding or other tax required by law to be withheld or paid by the Company with respect to any income recognized by the Optionee with respect to the Option Award.

(b) The Optionee shall be required to meet any applicable tax withholding obligation in accordance with the provisions of Section 11.05 of the Plan.

(c) Subject to any rules prescribed by the Committee, the Optionee shall have the right to elect to meet any withholding requirement (i) by having withheld from this Award at the appropriate time that number of whole shares of common stock whose fair market value is equal to the amount of any taxes required to be withheld with respect to such Award, (ii) by direct payment to the Company in cash of the amount of any taxes required to be withheld with respect to such Award or (iii) by a combination of shares and cash.

8. Defined Terms. Capitalized terms used but not defined in the Notice and these Terms and Conditions shall have the meanings set forth in the Plan, unless such term is defined in any Employment Agreement between the Optionee and the Company or an Affiliate. Any terms used in the Notice and these Terms and Conditions, but defined in the Optionee's Employment Agreement are incorporated herein by reference and shall be effective for purposes of the Notice and these Terms and Conditions without regard to the continued effectiveness of the Employment Agreement.

9. Optionee Representations. The Optionee hereby represents to the Company that the Optionee has read and fully understands the provisions of the Notice, these Terms and Conditions and the Plan and the Optionee's decision to participate in the Plan is completely voluntary. Further, the Optionee acknowledges that the Optionee is relying solely on his or her own advisors with respect to the tax consequences of this stock option award.

10. Regulatory Limitations on Exercises. Notwithstanding the other provisions of this Option Agreement, no option exercise or issuance of shares of Common Stock pursuant to this Option Agreement shall be effective if (i) the shares reserved under the Plan are not subject to an effective registration statement at the time of such exercise or issuance, or otherwise eligible for an exemption from registration, or (ii) the Company determines in good faith that such exercise or issuance would violate any applicable securities or other law or regulation.

11. Miscellaneous.

(a) Notices. All notices, requests, deliveries, payments, demands and other communications which are required or permitted to be given under these Terms and Conditions shall be in writing and shall be either delivered personally or sent by registered or certified mail, or by private courier, return receipt requested, postage prepaid to the parties at their respective addresses set forth herein, or to such other address as either shall have specified by notice in writing to the other. Notice shall be deemed duly given hereunder when delivered or mailed as provided herein.

(b) Waiver. The waiver by any party hereto of a breach of any provision of the Notice or these Terms and Conditions shall not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. These Terms and Conditions, the Notice and the Plan constitute the entire agreement between the parties with respect to the subject matter hereof.

(d) Binding Effect; Successors. These Terms and Conditions shall inure to the benefit of and be binding upon the parties hereto and to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in these Terms and Conditions, express or implied, is intended to confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

(e) Governing Law. The Notice and these Terms and Conditions shall be governed by and construed in accordance with the laws of the State of Nevada.

(f) Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of these Terms and Conditions.

(g) Conflicts; Amendment. The provisions of the Plan are incorporated in these Terms and Conditions in their entirety. In the event of any conflict between the provisions of these Terms and Conditions and the Plan, the provisions of the Plan shall control. The Agreement may be amended at any time by written agreement of the parties hereto.

(h) No Right to Continued Employment. Nothing in the Notice or these Terms and Conditions shall confer upon the Optionee any right to continue in the employ or service of the Company or affect the right of the Company to terminate the Optionee's employment or service at any time.

(i) Further Assurances. The Optionee agrees, upon demand of the Company or the Committee, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company or the Committee, as the case may be, to implement the provisions and purposes of the Notice and these Terms and Conditions and the Plan.

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE UNIVERSITY OF MISSISSIPPI
AND
NEMUS

THIS AGREEMENT is made and entered into on 31st day of July 2013 (the "Effective Date") by and between the University of Mississippi, National Center for Natural Products Research with a principal address at University, Mississippi, 38677 (MISSISSIPPI) and NEMUS, a California corporation with a principal address at 16440 Bake Parkway, Suite 150, Irvine, CA 92618. This Agreement is a joint research agreement for purposes of the CREATE Act (the Cooperative Research and Technology Enhancement Act of 2004) with reference to any patent applications stemming from joint research that may result from the sharing of Confidential Information. MISSISSIPPI and NEMUS will seek to develop and implement a mutually beneficial collaboration consisting of, but not limited to, the following areas of cooperation:

1. The cooperative activities to be covered by this Agreement include extracting, manipulating and studying Cannabis in any form, including but not limited to it's individual molecules, in dried flower form or any combinations thereof, as well as synthetic versions of any and all; developing related IP, including but not limited to trade secrets, patents, copyrights and trademarks; with intentions to create and commercialize medicines using such.
2. Confidential Information exchanged between the parties will be protected under the terms of the Confidential Disclosure Agreement with an Effective Date of July 2, 2013.
3. The parties will negotiate a separate Research Agreement that will detail, among other things, how research findings will be published while protecting the intellectual property of each party.
3. NEMUS will own all right, title and interest in and to any invention, whether or not patentable, invented solely by employees of NEMUS. MISSISSIPPI will own all right, title and interest in and to any invention, whether or not patentable, invented solely by employees of MISSISSIPPI. Right, title and interest in and to inventions, whether or not patentable, invented jointly by employees of NEMUS and MISSISSIPPI will be owned jointly by NEMUS and MISSISSIPPI, each party having an equal and undivided interest. The Parties will negotiate a separate License Agreement in good faith.
4. The term of this Agreement is five (5) years after the Effective Date and may be extended in writing by mutual agreement of the Parties. The Agreement may be terminated by either Party with a minimum of three (3) months written notice to the other Party.
5. Delivery of an executed counterpart of a signature page to this Agreement by e-mail shall be effective as delivery of a manually executed counterpart of this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this agreement to be duly executed by its legally authorized agent on the day and year indicated below.

THE UNIVERSITY OF MISSISSIPPI

By:	*/s/ Walter G. Chambliss*	7/31/13
Name:	Walter G. Chambliss, Ph.D.	Date
Title:	Director of Technology Management Office of Research and Sponsored Programs	

Acknowledged:

By:	*/s/ Dr. Mahmoud A. ElSohly*
Name:	Mahmoud A. ElSohly, Ph.D.
Title:	Research Professor, National Center for Natural Products Research

NEMUS, a California Corporation

By:	*/s/ Red A. Lapham*	07/31/13
Name:	Reg A. Lapham	Date
Title:	CEO	

OPTION AGREEMENT

THIS OPTION AGREEMENT made effective the 15th day of May 2014 (hereinafter called the "Effective Date"), by and between THE UNIVERSITY OF MISSISSIPPI, NATIONAL CENTER FOR NATURAL PRODUCTS RESEARCH , with a principal address at University, Mississippi 38677 (hereinafter called "UM"), and NEMUS, a California corporation with a principal address at 16440 Bake Parkway, Suite 150, Irvine, CA 92618 (hereinafter called "NEMUS).

RECITALS

WHEREAS, UM and NEMUS executed a Memorandum of Understanding with an effective date of July 29, 2013 in order to explore potential collaborative activities related to FDA approved cannabis based products;

WHEREAS, UM has the right to grant a license to intellectual property, proprietary data and know-how related to a suppository dosage form containing Dronabinol Hemisuccinate and other esters. ("NPC 4718");

WHEREAS, NEMUS has an interest in conducting due diligence on NPC 4718 including but not limited to evaluating the cost and timing of development of NPC 4718 into an FDA approved drug product, and in determining the commercial potential of NPC 4718;

WHEREAS, UM is willing to grant NEMUS an exclusive option to license rights to NPC 4718 in order for NEMUS to conduct due diligence.

NOW, THEREFORE, in consideration of the premises and the performance of the covenants herein contained it is agreed as follows:

I. OBLIGATIONS AND REPRESENTATIONS OF UM

1. UM hereby grants to NEMUS, on the terms and conditions herein set forth, a nonassignable, exclusive option to exclusively license UM's rights to NPC 4718, as defined in Appendix A, within three (3) months of the Effective Date of this Agreement (the "Option Period"). UM hereby waives its normal monthly option fee during the Option Period. If the Option Period is extended beyond three (3) months in accordance with Section V.1., UM will charge NEMUS an option fee of $7,500 per month for each month beyond three (3) months. In exchange for this exclusive option, NEMUS agrees to provide UM with a copy of all research and development, manufacturing, and commercialization related information and data generated by NEMUS or otherwise obtained by NEMUS related to NPC 4718 (collectively the "Studies") during the Option Period.

2. UM represents to NEMUS that UM has the right to grant licenses to NPC 4718, and NPC 4718 is not subject to any lien, license, assignment, security interest, or other encumbrances.

3. During the term of this Agreement UM agrees to notify 3rd parties who express interest in licensing NPC 4718 that the technology is under an exclusive option with another company. NEMUS understands and agrees that UM retains the right to list NPC 4718 as available for licensing on UM's website and in UM technology related publications during the term of this Agreement.

II. OBLIGATIONS AND REPRESENTATIONS OF NEMUS

1. NEMUS will exercise diligence during the term of this Agreement in evaluating its interest in NPC 4718.

2. If NEMUS decides not to exercise the option, NEMUS agrees to provide UM within thirty (30) days after expiration or termination of this Agreement copies of all Studies as defined in Section I.1. NEMUS agrees and understands that UM shall own all right, title and interest in these Studies with no financial obligation to NEMUS.

III. EXERCISE OF OPTION

The option herein granted shall be exercisable by NEMUS by providing written notice to UM at any time during the term of the Option Period. If NEMUS fails to exercise the option, UM shall be free to license or option NPC 4718 to any third party with no further obligations to NEMUS.

IV. LICENSE AGREEMENT

In the event NEMUS exercises its option hereunder, the parties will negotiate in good faith a License Agreement containing the usual and customary representations, warranties, covenants, and agreements. The terms and some of the general conditions of the License Agreement are contained in APPENDIX B.

V. TERM AND TERMINATION

1. This AGREEMENT will expire on August 15, 2014 and may be extended by mutual agreement of the parties in writing under the financial terms detailed in Section I.1.

2. NEMUS may terminate this AGREEMENT at any time by notifying UM in writing of its intent to terminate and the effective termination date. In such event, NEMUS will provide UM a copy of all Studies as defined in Section I.1 within thirty (30) days.

3. Upon termination of this AGREEMENT, the parties shall have no further rights or obligations except as expressly set forth herein.

IN WITNESS WHEREOF, each of the parties hereto has caused this agreement to be duly executed by its legally authorized agent on the day and year indicated below.

THE UNIVERSITY OF MISSISSIPPI

By:	*/s/ Walter G Chambliss*	4/15/14
Name:	Walter G. Chambliss, Ph.D.	Date
Title:	Director of Technology Management Office of Research and Sponsored Programs	

Acknowledged:

By:	*/s/ Mahmoud A. ElSohly*	4/15/14
Name:	Mahmoud A. ElSohly, Ph.D.	Date
Title:	Research Professor, National Center for Natural Products Research	

NEMUS, a California Corporation

By:	*/s/ Reg A. Lapham*	4/16/14
Name:	Reg A. Lapham	Date
Title:	CEO	

APPENDIX A

NPC 4718 Intellectual Property, Know-How and Technical Information

- U.S. Patent No. 5,389,375 "Stable Suppository Formulations Effecting Bioavailability of Delta 9-THC," Issued Date: February 14, 1995. Expired.
- U.S. Patent No. 5,508,037, "Stable Suppository Formulations Effecting Bioavailability of Delta 9-THC", Issued Date: April 16, 1996. Expired.
- U.S. Patent No. 6,008,383 "Method of Preparing Delta-9-Tetrahydrocannabinol Esters", Issued Date: December 28, 1999. Expiration date: October 26, 2018.

APPENDIX B
TERM SHEET
University of Mississippi (UM)/NEMUS Proposed License Terms for NPC 4718

TERMS OF LICENSE AGREEMENT[1]

Licensed Field	All uses
Licensed Territory	Worldwide
Term	Ten (10) years after first commercial sale. Will be extended for up to ten (10) additional years on an annual basis if there is no generic competition to a Licensed Product in the U.S. market. Generic competition does not including any generic product to a Licensed Product in which Nemus receives financial considerations including but not limited to royalties on sales, revenue sharing, marketing sharing or equity.
License	UM will grant to NEMUS an exclusive worldwidelicense to UM Know-How and Technical Information related to NPC 4718, with the right to make, have made, use, lease, distribute, import, sell, offer for sale and otherwise exploit Licensed Products in the Licensed Field, subject to agreement on final terms.
Diligence Requirements	UM and NEMUS will agree to development milestones to accompany a Development Plan that will be an exhibit to the License Agreement. NEMUS must use commercially reasonable efforts to commercialize and market all Products as soon as practicable in accordance with the development milestones.
License Issue Fee	$65,000 upfront payment
Upfront Equity	Waived
License Maintenance Fees	$25,000 per year per Licensed Product due on the anniversary of the Effective Date – credited against royalties in the current fiscal year.
Milestone Payments	$200,000 within thirty (30) day of submission of an NDA or a 505b(2) application to the FDA. $400,000 within thirty (30) days of receiving approval of a NDA or a 505b(2) application to the FDA.
Running Royalties	Five and one-half percent (5.5%) of Net Sales of all Licensed Products paid to UM quarterly. No royalty will be due on Licensed Products used in clinical trials or other pre-FDA approved development studies.
Sublicensing	With written permission of UM. Share of sublicensing income including upfront and milestone payments, equity, and royalties: 60% NEMUS, 40% UM with minimum of five and one-half percent (5.5%) royalty to UM.
Indemnification	NEMUS will indemnify, defend and hold harmless UM, the State of Mississippi, officers, employees, students, and agents from and against any and all liability, loss, damage, action, claim or expense that results from or arises out of actions or omissions of NEMUS and its Affiliates in the performance of the License Agreement. As a state agency, UM and is unable to indemnify NEMUS.
Insurance	NEMUS and its Affiliates will procure and maintain policies of insurance for comprehensive general liability and products liability coverage in the larger amount of $6.5 million per claim and $6.5 million in aggregate or that amount deemed customary and appropriate in the pharmaceutical industry for the stage of development.
Miscellaneous:	1. Due to UM's status as a state agency, UM will not agree to: (a) allow the License Agreement to be governed by another state's laws, (b) settle disputes by arbitration, or (c) pay attorney's fees of NEMUS under any circumstances. 2. NEMUS, Affiliates, and their employees, and agents will not use UM's or UM's name, seal, logo, trademark, or service mark, or any adaptation of them, or the name, mark, or logo of any representative or organization of UM or UM in any way without the prior written consent of UM or UM, in its sole discretion. 3. The Know-How and Technical Information are provided on an "AS IS" basis, and UM makes no representations, express or implied. 4. Until execution of a final License Agreement acceptable to the parties containing the above terms and conditions, this Term Sheet is a non-binding expression of the intent of the parties. This Term Sheet is only a list of proposed points that may or may not become part of an eventual contract. It is not based on any agreement between the parties. It is not intended to impose any obligation whatsoever on either party, including without limitation an obligation to bargain in good faith or in any way other than at arms-length. The parties do not intend to be bound by any agreement until both agree to and sign a License Agreement, and neither party may reasonably rely on any promises inconsistent with this paragraph.

[1] Capitalized terms used in this Term Sheet will be defined in the License Agreement.

CONFIDENTIAL

AMENDMENT TO THE OPTION AGREEMENT

THIS AMENDMENT IS MADE TO THE OPTION AGREEMENT with an effective date of May 15, 2014 between THE UNIVERSITY OF MISSISSIPPI, NATIONAL CENTER FOR NATURAL PRODUCTS RESEARCH, with a principal address at University, Mississippi 38677 (hereinafter called "UM"), and NEMUS, a California corporation with a principal address at 16440 Bake Parkway, Suite 150, Irvine, CA 92618 (hereinafter called "NEMUS). The Effective Date of this Amendment is June 23, 2014.

The Parties hereby agree to the following changes to the Option Agreement related to a suppository dosage form containing Dronabinol Hemisuccinate and other esters, ("NPC 4718"):

1. Appendix A is replaced with the revised Appendix A attached to this Amendment adding an additional patent thereby expanding the possible number of active pharmaceutical ingredients that can be delivered rectally. The field of use of U.S. Patent No. 6,008,383 and U.S. Patent Application No. 2011/027555 has been limited to rectal delivery to differentiate this Option Agreement from other Option Agreements to be executed between NEMUS and UM covering other routes of delivery

2. Appendix B is replaced with the revised Appendix B attached to this Amendment adding a $100,000 milestone payment for the submission of an IND application to the FDA or an equivalent application to a regulatory agency anywhere in the world. This licensing term was inadvertently left off the original Option Agreement.

All other terms and conditions of the Option Agreement remain unchanged.

IN WITNESS WHEREOF, each of the parties hereto has caused this agreement to be duly executed by its legally authorized agent on the day and year indicated below.

THE UNIVERSITY OF MISSISSIPPI

By:	*/s/ Walter G. Chambliss*	6/26/14
Name:	Walter G. Chambliss, Ph.D.	Date
Title:	Director of Technology Management Office of Research and Sponsored Programs	

Acknowledged:

By:	*/s/ Mahmoud A. ElSohly*	7/22/14
Name:	Mahmoud A. ElSohly, Ph.D.	Date
Title:	Research Professor, National Center for Natural Products Research	

NEMUS, a California Corporation

By:	*/s/ Reg A. Lapham*	06-26-14
Name:	Reg A. Lapham	Date
Title:	President	

REVISED APPENDIX A

NPC 4817 Intellectual Property, Know-How and Technical Information

- U.S. Patent No. 5,389,375 "Stable Suppository Formulations Effecting Bioavailability of Delta 9-THC," Issued Date: February 14, 1995. Expired.
- U.S. Patent No. 5,508,037, "Stable Suppository Formulations Effecting Bioavailability of Delta 9-THC", Issued Date: April 16, 1996. Expired.
- U.S. Patent No. 6,008,383 "Method of Preparing Delta-9-Tetrahydrocannabinol Esters", Issued Date: December 28, 1999. Expiration date: October 26, 2018. Field of use limited to rectal delivery.
- U.S. Patent Application No. 2011/0275555, "Compositions Containing Delta-9-THC Amino Acid Esters and Process of Preparation". Filing date: October 31, 2008, Notice of Allowance Received by not yet issued. Field of use limited to rectal delivery.

APPENDIX B
REVISED TERM SHEET
University of Mississippi (UM)/NEMUS Proposed License Terms for NPC 4718
TERMS OF LICENSE AGREEMENT[1]

Licensed Field	All therapeutics uses of cannabinoids.
Licensed Territory	Worldwide
Term	Ten (10) years after first commercial sale of until expiration of last licensed patent, whichever comes last. Will be extended for up to ten (10) additional years on an annual basis if there is no generic competition to a Licensed Product in the U.S. market. Generic competition does not including any generic product to a Licensed Product in which Nemus receives financial considerations including but not limited to royalties on sales, revenue sharing, marketing sharing or equity.
License	UM will grant to NEMUS an exclusive worldwide license to UM Know-How and Technical Information related to UM 1490, with the right to make, have made, use, lease, distribute, import, sell, offer for sale and otherwise exploit Licensed Products in the Licensed Field, subject to agreement on final terms.
Diligence Requirements	UM and NEMUS will agree to development milestones to accompany a Development Plan that will be an exhibit to the License Agreement. NEMUS must use commercially reasonable efforts to commercialize and market all Products as soon as practicable in accordance with the development milestones.
License Issue Fee	$65,000 upfront payment
Upfront Equity	Waived
License Maintenance Fees	$25,000 per year per Licensed Product due on the anniversary of the Effective Date - credited against royalties in the current fiscal year.
Milestone Payments	$100,000 within thirty (30) days of submission of an IND application to the FDA or an equivalent application to a regulatory agency anywhere in the world. $200,000 within thirty (30) days of submission of an NDA or a 505b(2) application to the FDA or an equivalent application to a regulatory agency anywhere in the world. $400,000 within thirty (30) days of receiving approval of a NDA or a 505b(2) application to the FDA or an equivalent approval from a regulatory agency anywhere in the world.
Running Royalties	Five and one-half percent (5.5%) of Net Sales of all Licensed Products paid to UM quarterly. No royalty will be due on Licensed Products used in clinical trials or other pre- FDA approved development studies.
Sublicensing	With written permission of UM. Share of sublicensing income including upfront and milestone payments, equity, and royalties: 60% NEMUS, 40% UM with minimum of five and one-half percent (5.5%) royalty to UM.
Indemnification	NEMUS will indemnify, defend and hold harmless UM, and the State of Mississippi, the officers, employees, students, and agents of UM from and against any and all liability, loss, damage, action, claim or expense that results from or arises out of actions or omissions of NEMUS and its Affiliates in the performance of the License Agreement. As state agencies, UM are unable to indemnify NEMUS.
Insurance	NEMUS and its Affiliates will procure and maintain policies of insurance for comprehensive general liability and products liability coverage in the larger amount of $6.5 million per claim and $6.5 million in aggregate or that amount deemed customary and appropriate in the pharmaceutical industry for the stage of development.

1 Capitalized terms used in this Term Sheet will be defined in the License Agreement.

Miscellaneous:	1. Due to UM's status as state agencies, UM will not agree to: (a) allow the License Agreement to be governed by another state's laws, (b) settle disputes by arbitration, or (c) pay attorney's fees of NEMUS under any circumstances. 2. NEMUS, Affiliates, and their employees, and agents will not use UM's name, seal, logo, trademark, or service mark, or any adaptation of them, or the name, mark, or logo of any representative or organization of UM in any way without the prior written consent of UM in its sole discretion. 3. The Know-How and Technical Information are provided on an "AS IS" basis, and UM makes no representations, express or implied. 4. Until execution of a final License Agreement acceptable to the parties containing the above terms and conditions, this Term Sheet is a non-binding expression of the intent of the parties. This Term Sheet is only a list of proposed points that may or may not become part of an eventual contract. It is not based on any agreement between the parties. It is not intended to impose any obligation whatsoever on either party, including without limitation an obligation to bargain in good faith or in any way other than at arms-length. The parties do not intend to be bound by any agreement until both agree to and sign a License Agreement, and neither party may reasonably rely on any promises inconsistent with this paragraph.

CONFIDENTIAL

OPTION AGREEMENT

THIS OPTION AGREEMENT made effective the 1st of July 2014 (hereinafter called the "Effective Date"), by and between THE UNIVERSITY OF MISSISSIPPI, NATIONAL CENTER FOR NATURAL PRODUCTS RESEARCH, with a principal address at University, Mississippi 38677 (hereinafter called "UM"), and NEMUS, a California corporation with a principal address at 16440 Bake Parkway, Suite 150, Irvine, CA 92618 (hereinafter called "NEMUS).

RECITALS

WHEREAS, UM and NEMUS executed a Memorandum of Understanding with an effective date of July 29, 2013 in order to explore potential collaborative activities related to FDA approved cannabis based products;

WHEREAS, UM has the right to grant a license to intellectual property, proprietary data and know-how related to transmucosal delivery of cannabinoids ("UM 1490");

WHEREAS, NEMUS has an interest in conducting due diligence on including but not limited to evaluating the cost and timing of development of UM 1490 into an FDA approved drug product, and in determining the commercial potential of UM 1490;

WHEREAS, UM is willing to grant NEMUS an exclusive option to license rights to UM 1490 in order for NEMUS to conduct due diligence.

NOW, THEREFORE, in consideration of the premises and the performance of the covenants herein contained it is agreed as follows:

I. OBLIGATIONS AND REPRESENTATIONS OF UM

1. UM hereby grants to NEMUS, on the terms and conditions herein set forth, a nonassignable, exclusive option expiring on October 15, 2014 (the "Option Period"), to exclusively license UM's rights to UM 1490, as defined in Appendix A. UM will charge NEMUS an option fee of $7,500 per month for each month starting on August 15, 2014. In exchange for this exclusive option, NEMUS agrees to provide UM with a copy of all research and development, manufacturing, and commercialization related information and data generated by NEMUS or otherwise obtained by NEMUS related to UM 1490 (collectively the "Studies") during the Option Period.

2. UM represents to NEMUS that UM has the right to grant licenses to UM 1490, and UM 1490 is not subject to any lien, license, assignment, security interest, or other encumbrances.

3. During the term of this Agreement UM agrees to notify 3rd parties who express interest in licensing UM 1490 that the technology is under an exclusive option with another company. NEMUS understands and agrees that UM retains the right to list UM 1490 as available for licensing on UM's website and in UM technology related publications during the term of this Agreement.

II. OBLIGATIONS AND REPRESENTATIONS OF NEMUS

1. NEMUS will exercise diligence during the term of this Agreement in evaluating its interest in UM 1490.

2. If NEMUS decides not to exercise the option, NEMUS agrees to provide UM within thirty (30) days after expiration or termination of this Agreement copies of all Studies as defined in Section I.1. NEMUS agrees and understands that UM shall own all right, title and interest in these Studies with no financial obligation to NEMUS.

III. EXERCISE OF OPTION

The option herein granted shall be exercisable by NEMUS by providing written notice to UM at any time during the term of the Option Period. If NEMUS fails to exercise the option, UM shall be free to license or option UM 1490 to any third party with no further obligations to NEMUS.

IV. LICENSE AGREEMENT

In the event NEMUS exercises its option hereunder, the parties will negotiate in good faith a License Agreement containing the usual and customary representations, warranties, covenants, and agreements. The terms and some of the general conditions of the License Agreement are contained in APPENDIX B.

V. TERM AND TERMINATION

1. This AGREEMENT will expire on October 15, 2014 and may be extended by mutual agreement of the parties in writing under the financial terms detailed in Section I.1.

2. NEMUS may terminate this AGREEMENT at any time by notifying UM in writing of its intent to terminate and the effective termination date. In such event, NEMUS will provide UM a copy of all Studies as defined in Section I.1 within thirty (30) days.

3. Upon termination of this AGREEMENT, the parties shall have no further rights or obligations except as expressly set forth herein.

IN WITNESS WHEREOF, each of the parties hereto has caused this agreement to be duly executed by its legally authorized agent on the day and year indicated below.

THE UNIVERSITY OF MISSISSIPPI

By:	*/s/ Walter G. Chambliss*	6/30/14
Name:	Walter G. Chambliss, Ph.D.	Date
Title:	Director of Technology Management Office of Research and Sponsored Programs	

Acknowledged:

By:	*/s/ Mahmoud A. ElSohly*	7/22/14
Name:	Mahmoud A. ElSohly, Ph.D.	Date
Title:	Research Professor, National Center for Natural Products Research	

NEMUS, a California Corporation

By:	*/s/ Reg A. Lapham*	6/30/14
Name:	Reg A. Lapham	Date
Title:	President	

APPENDIX A

UM 1490 Intellectual Property, Know-How and Technical Information

- U.S. Patent No. 6,375,963; "Bioadhesive Hot-Melt Extruded Film for Topical and Mucosal Adhesion Applications and Drug Delivery and Process for Preparation Thereof. Issued Date: April 23, 2002. Expiration date: June 16, 2019. This Option Agreement is limited to the delivery of cannabinoids using this patented delivery system. The delivery of any active pharmaceutical ingredient that is not in the cannabinoid class of compounds is outside the field of use granted in this Option Agreement.

- U.S. Patent No. 6,008,383 "Method of Preparing Delta-9-Tetrahydrocannabinol Esters". Issued Date: December 28, 1999. Expiration date: October 26, 2018. Field of use limited to oral mucosal delivery.

- U.S. Patent Application No. 2011/0275555, "Compositions Containing Delta-9-THC Amino Acid Esters and Process of Preparation". Filing date: October 31, 2008, Notice of Allowance Received by not yet issued. Field of use limited to oral mucosal delivery.

APPENDIX B
TERM SHEET
University of Mississippi (UM)/NEMUS Proposed License Terms for UM 1490

TERMS OF LICENSE AGREEMENT[1]

Licensed Field	All therapeutics uses of cannabinoids.
Licensed Territory	Worldwide
Term	Ten (10) years after first commercial sale of until expiration of last licensed patent, whichever comes last. Will be extended for up to ten (10) additional years on an annual basis if there is no generic competition to a Licensed Product in the U.S. market. Generic competition does not including any generic product to a Licensed Product in which Nemus receives financial considerations including but not limited to royalties on sales, revenue sharing, marketing sharing or equity.
License	UM will grant to NEMUS an exclusive worldwidelicense to UM Know-How and Technical Information related to UM 1490, with the right to make, have made, use, lease, distribute, import, sell, offer for sale and otherwise exploit Licensed Products in the Licensed Field, subject to agreement on final terms.
Diligence Requirements	UM and NEMUS will agree to development milestones to accompany a Development Plan that will be an exhibit to the License Agreement. NEMUS must use commercially reasonable efforts to commercialize and market all Products as soon as practicable in accordance with the development milestones.
License Issue Fee	$65,000 upfront payment
Upfront Equity	Waived
License Maintenance Fees	$25,000 per year per Licensed Product due on the anniversary of the Effective Date – credited against royalties in the current fiscal year.
Milestone Payments	$100,000 within thirty (30) days of submission of an IND application to the FDA or an equivalent application to a regulatory agency anywhere in the world. $200,000 within thirty (30) days of submission of an NDA or a 505b(2) application to the FDA or an equivalent application to a regulatory agency anywhere in the world. $400,000 within thirty (30) days of receiving approval of a NDA or a 505b(2) application to the FDA or an equivalent approval from a regulatory agency anywhere in the world.
Running Royalties	Five and one-half percent (5.5%) of Net Sales of all Licensed Products paid to UM quarterly. No royalty will be due on Licensed Products used in clinical trials or other pre-FDA approved development studies.
Sublicensing	With written permission of UM. Share of sublicensing income including upfront and milestone payments, equity, and royalties: 60% NEMUS, 40% UM with minimum of five and one-half percent (5.5%) royalty to UM.
Indemnification	NEMUS will indemnify, defend and hold harmless UM, the University of Texas ("UT"), the State of Mississippi, the State of Texas, officers, employees, students, and agents of UM and UT from and against any and all liability, loss, damage, action, claim or expense that results from or arises out of actions or omissions of NEMUS and its Affiliates in the performance of the License Agreement. As state agencies, UM and UT are unable to indemnify NEMUS.
Insurance	NEMUS and its Affiliates will procure and maintain policies of insurance for comprehensive general liability and products liability coverage in the larger amount of $6.5 million per claim and $6.5 million in aggregate or that amount deemed customary and appropriate in the pharmaceutical industry for the stage of development.
Miscellaneous:	1. Due to UM's and UT's status as state agencies, UM and UT will not agree to: (a) allow the License Agreement to be governed by another state's laws, (b) settle disputes by arbitration, or (c) pay attorney's fees of NEMUS under any circumstances. 2. NEMUS, Affiliates, and their employees, and agents will not use UM's or UT's name, seal, logo, trademark, or service mark, or any adaptation of them, or the name, mark, or logo of any representative or organization of UM or UT in any way without the prior written consent of UM or UT, in its sole discretion. 3. The Know-How and Technical Information are provided on an "AS IS" basis, and UM makes no representations, express or implied. 4. Until execution of a final License Agreement acceptable to the parties containing the above terms and conditions, this Term Sheet is a non-binding expression of the intent of the parties. This Term Sheet is only a list of proposed points that may or may not become part of an eventual contract. It is not based on any agreement between the parties. It is not intended to impose any obligation whatsoever on either party, including without limitation an obligation to bargain in good faith or in any way other than at arms-length. The parties do not intend to be bound by any agreement until both agree to and sign a License Agreement, and neither party may reasonably rely on any promises inconsistent with this paragraph.

[1] Capitalized terms used in this Term Sheet will be defined in the License Agreement.

CONFIDENTIAL

OPTION AGREEMENT

THIS OPTION AGREEMENT made effective the 1st of July 2014 (hereinafter called the "Effective Date"), by and between THE UNIVERSITY OF MISSISSIPPI, NATIONAL CENTER FOR NATURAL PRODUCTS RESEARCH, with a principal address at University, Mississippi 38677 (hereinafter called "UM"), and NEMUS, a California corporation with a principal address at 16440 Bake Parkway, Suite 150, Irvine, CA 92618 (hereinafter called "NEMUS).

RECITALS

WHEREAS, UM and NEMUS executed a Memorandum of Understanding with an effective date of July 29, 2013 in order to explore potential collaborative activities related to FDA approved cannabis based products;

WHEREAS, UM has the right to grant a license to intellectual property, proprietary data and know-how related to the treatment of methicillin-resistant *Staphylococcus aureus* infections using cannabinoids ("UM 5070");

WHEREAS, NEMUS has an interest in conducting due diligence on including but not limited to evaluating the cost and timing of development of UM into an FDA approved drug product, and in determining the commercial potential of UM 5070;

WHEREAS, UM is willing to grant NEMUS an exclusive option to license rights to UM 5070 in order for NEMUS to conduct due diligence.

NOW, THEREFORE, in consideration of the premises and the performance of the covenants herein contained it is agreed as follows:

I. OBLIGATIONS AND REPRESENTATIONS OF UM

1. UM hereby grants to NEMUS, on the terms and conditions herein set forth, a nonassignable, exclusive option expiring on October 15, 2014 (the "Option Period"), to exclusively license UM's rights to UM 5070, as defined in Appendix A. UM will charge NEMUS an option fee of *** per month for each month starting on August 15, 2014. In exchange for this exclusive option, NEMUS agrees to provide UM with a copy of all research and development, manufacturing, and commercialization related information and data generated by NEMUS or otherwise obtained by NEMUS related to UM 5070 (collectively the "Studies") during the Option Period.

2. UM represents to NEMUS that UM has the right to grant licenses to UM 5070, and UM 5070 is not subject to any lien, license, assignment, security interest, or other encumbrances.

3. During the term of this Agreement UM agrees to notify 3rd parties who express interest in licensing UM 5070 that the technology is under an exclusive option with another company. NEMUS understands and agrees that UM retains the right to list UM 5070 as available for licensing on UM's website and in UM technology related publications during the term of this Agreement.

*** Certain confidential information contained in this document, marked with three asterisks (***), has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

II. OBLIGATIONS AND REPRESENTATIONS OF NEMUS

1. NEMUS will exercise diligence during the term of this Agreement in evaluating its interest in UM 5070.

2. If NEMUS decides not to exercise the option, NEMUS agrees to provide UM within thirty (30) days after expiration or termination of this Agreement copies of all Studies as defined in Section I.1. NEMUS agrees and understands that UM shall own all right, title and interest in these Studies with no financial obligation to NEMUS.

III. EXERCISE OF OPTION

The option herein granted shall be exercisable by NEMUS by providing written notice to UM at any time during the term of the Option Period. If NEMUS fails to exercise the option, UM shall be free to license or option UM 5070 to any third party with no further obligations to NEMUS.

IV. LICENSE AGREEMENT

In the event NEMUS exercises its option hereunder, the parties will negotiate in good faith a License Agreement containing the usual and customary representations, warranties, covenants, and agreements. The terms and some of the general conditions of the License Agreement are contained in APPENDIX B.

V. TERM AND TERMINATION

1. This AGREEMENT will expire on October 15, 2014 and may be extended by mutual agreement of the parties in writing under the financial terms detailed in Section I.1.

2. NEMUS may terminate this AGREEMENT at any time by notifying UM in writing of its intent to terminate and the effective termination date. In such event, NEMUS will provide UM a copy of all Studies as defined in Section I.1 within thirty (30) days.

3. Upon termination of this AGREEMENT, the parties shall have no further rights or obligations except as expressly set forth herein.

IN WITNESS WHEREOF, each of the parties hereto has caused this agreement to be duly executed by its legally authorized agent on the day and year indicated below.

THE UNIVERSITY OF MISSISSIPPI

By:	*/s/ Walter G. Chambliss*	6/24/14
Name:	Walter G. Chambliss, Ph.D.	Date
Title:	Director of Technology Management Office of Research and Sponsored Programs	

Acknowledged:

By:	*/s/ Mahmoud A. ElSohly*	7/22/14
Name:	Mahmoud A. ElSohly, Ph.D.	Date
Title:	Research Professor, National Center for Natural Products Research	

NEMUS, a California Corporation

By:	*/s/ Reg A. Lapham*	06/26/14
Name:	Reg A. Lapham	Date
Title:	CEO	

APPENDIX A

UM 5070 Intellectual Property, Know-How and Technical Information

- UM Research Disclosure entitled "Compositions for the Treatment of Methicillin-Resistant *Staphylococcus aureus* Infections".

APPENDIX B
TERM SHEET
University of Mississippi (UM)/NEMUS Proposed License Terms for UM 5070
TERMS OF LICENSE AGREEMENT[1]

Licensed Field	All therapeutic uses of cannabinoids.
Licensed Territory	Worldwide
Term	Ten (10) years after first commercial sale of until expiration of last licensed patent, whichever comes last. Will be extended for up to ten (10) additional years on an annual basis if there is no generic competition to a Licensed Product in the U.S. market. Generic competition does not including any generic product to a Licensed Product in which Nemus receives financial considerations including but not limited to royalties on sales, revenue sharing, marketing sharing or equity.
License	UM will grant to NEMUS an exclusive worldwidelicense to UM Know-How and Technical Information related to UM 5070, with the right to make, have made, use, lease, distribute, import, sell, offer for sale and otherwise exploit Licensed Products in the Licensed Field, subject to agreement on final terms.
Diligence Requirements	UM and NEMUS will agree to development milestones to accompany a Development Plan that will be an exhibit to the License Agreement. NEMUS must use commercially reasonable efforts to commercialize and market all Products as soon as practicable in accordance with the development milestones.
License Issue Fee	***
Upfront Equity	Waived
License Maintenance Fees	*** per year per Licensed Product due on the anniversary of the Effective Date – credited against royalties in the current fiscal year.
Milestone Payments	*** within thirty (30) days of submission of an IND application to the FDA or an equivalent application to a regulatory agency anywhere in the world. *** within thirty (30) days of submission of an NDA or a 505b(2) application to the FDA or an equivalent application to a regulatory agency anywhere in the world. *** within thirty (30) days of receiving approval of a NDA or a 505b(2) application to the FDA or an equivalent approval from a regulatory agency anywhere in the world.
Running Royalties	*** of Net Sales of all Licensed Products paid to UM quarterly. No royalty will be due on Licensed Products used in clinical trials or other pre-FDA approved development studies.
Sublicensing	With written permission of UM. Share of sublicensing income including upfront and milestone payments, equity, and royalties: *** with minimum of *** royalty to UM.

[1] Capitalized terms used in this Term Sheet will be defined in the License Agreement.

*** Certain confidential information contained in this document, marked with three asterisks (***), has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Indemnification	NEMUS will indemnify, defend and hold harmless UM, the State of Mississippi, officers, employees, students, and agents of UM from and against any and all liability, loss, damage, action, claim or expense that results from or arises out of actions or omissions of NEMUS and its Affiliates in the performance of the License Agreement. As state agencies, UM and UT are unable to indemnify NEMUS.
Insurance	NEMUS and its Affiliates will procure and maintain policies of insurance for comprehensive general liability and products liability coverage in the larger amount of $6.5 million per claim and $6.5 million in aggregate or that amount deemed customary and appropriate in the pharmaceutical industry for the stage of development.
Miscellaneous:	1. Due to UM's status as a state agency, UM will not agree to: (a) allow the License Agreement to be governed by another state's laws, (b) settle disputes by arbitration, or (c) pay attorney's fees of NEMUS under any circumstances. 2. NEMUS, Affiliates, and their employees, and agents will not use UM's name, seal, logo, trademark, or service mark, or any adaptation of them, or the name, mark, or logo of any representative or organization of UM in any way without the prior written consent of UM, in its sole discretion. 3. The Know-How and Technical Information are provided on an "AS IS" basis, and UM makes no representations, express or implied. 4. Until execution of a final License Agreement acceptable to the parties containing the above terms and conditions, this Term Sheet is a non-binding expression of the intent of the parties. This Term Sheet is only a list of proposed points that may or may not become part of an eventual contract. It is not based on any agreement between the parties. It is not intended to impose any obligation whatsoever on either party, including without limitation an obligation to bargain in good faith or in any way other than at arms-length. The parties do not intend to be bound by any agreement until both agree to and sign a License Agreement, and neither party may reasonably rely on any promises inconsistent with this paragraph.

CONFIDENTIAL

OPTION AGREEMENT

THIS OPTION AGREEMENT made effective the 1st of July 2014 (hereinafter called the "Effective Date"), by and between THE UNIVERSITY OF MISSISSIPPI, NATIONAL CENTER FOR NATURAL PRODUCTS RESEARCH, with a principal address at University, Mississippi 38677 (hereinafter called "UM"), and NEMUS, a California corporation with a principal address at 16440 Bake Parkway, Suite 150, Irvine, CA 92618 (hereinafter called "NEMUS).

RECITALS

WHEREAS, UM and NEMUS executed a Memorandum of Understanding with an effective date of July 29, 2013 in order to explore potential collaborative activities related to FDA approved cannabis based products;

WHEREAS, UM has the right to grant a license to intellectual property, proprietary data and know-how related to ocular delivery of cannabinoids ("UM 8790");

WHEREAS, NEMUS has an interest in conducting due diligence on including but not limited to evaluating the cost and timing of development of UM into an FDA approved drug product, and in determining the commercial potential of UM 8790;

WHEREAS, UM is willing to grant NEMUS an exclusive option to license rights to UM 8790 in order for NEMUS to conduct due diligence.

NOW, THEREFORE, in consideration of the premises and the performance of the covenants herein contained it is agreed as follows:

I. OBLIGATIONS AND REPRESENTATIONS OF UM

1. UM hereby grants to NEMUS, on the terms and conditions herein set forth, a nonassignable, exclusive option expiring on October 15, 2014 (the "Option Period"), to exclusively license UM's rights to UM 8790, as defined in Appendix A. UM will charge NEMUS an option fee of $7,500 per month for each month starting on August 15, 2014. In exchange for this exclusive option, NEMUS agrees to provide UM with a copy of all research and development, manufacturing, and commercialization related information and data generated by NEMUS or otherwise obtained by NEMUS related to UM 8790 (collectively the "Studies") during the Option Period.

2. UM represents to NEMUS that UM has the right to grant licenses to UM 8790 , and UM 8790 is not subject to any lien, license, assignment, security interest, or other encumbrances.

3. During the term of this Agreement UM agrees to notify 3rd parties who express interest in licensing UM 8790 that the technology is under an exclusive option with another company. NEMUS understands and agrees that UM retains the right to list UM 8790 as available for licensing on UM's website and in UM technology related publications during the term of this Agreement.

II. OBLIGATIONS AND REPRESENTATIONS OF NEMUS

1. NEMUS will exercise diligence during the term of this Agreement in evaluating its interest in UM 8790 .

2. If NEMUS decides not to exercise the option, NEMUS agrees to provide UM within thirty (30) days after expiration or termination of this Agreement copies of all Studies as defined in Section I.1. NEMUS agrees and understands that UM shall own all right, title and interest in these Studies with no financial obligation to NEMUS.

III. EXERCISE OF OPTION

The option herein granted shall be exercisable by NEMUS by providing written notice to UM at any time during the term of the Option Period. If NEMUS fails to exercise the option, UM shall be free to license or option UM 8790 to any third party with no further obligations to NEMUS.

IV. LICENSE AGREEMENT

In the event NEMUS exercises its option hereunder, the parties will negotiate in good faith a License Agreement containing the usual and customary representations, warranties, covenants, and agreements. The terms and some of the general conditions of the License Agreement are contained in APPENDIX B.

V. TERM AND TERMINATION

1. This AGREEMENT will expire on October 15, 2014 and may be extended by mutual agreement of the parties in writing under the financial terms detailed in Section I.1.

2. NEMUS may terminate this AGREEMENT at any time by notifying UM in writing of its intent to terminate and the effective termination date. In such event, NEMUS will provide UM a copy of all Studies as defined in Section I.1 within thirty (30) days.

3. Upon termination of this AGREEMENT, the parties shall have no further rights or obligations except as expressly set forth herein.

IN WITNESS WHEREOF, each of the parties hereto has caused this agreement to be duly executed by its legally authorized agent on the day and year indicated below.

THE UNIVERSITY OF MISSISSIPPI

By:	*/s/ Walter G. Chambliss*	6/30/14
Name:	Walter G. Chambliss, Ph.D.	Date
Title:	Director of Technology Management Office of Research and Sponsored Programs	

Acknowledged:

By:	*/s/ Mahmoud A.ElSohly*	7/22/14
Name:	Mahmoud A. ElSohly, Ph.D.	Date
Title:	Research Professor, National Center for Natural Products Research	

NEMUS, a California Corporation

By:	*/s/ Reg A. Lapham*	06-30-14
Name:	Reg A. Lapham	Date
Title:	President	

APPENDIX A

UM 8790 Intellectual Property, Know-How and Technical Information

- U.S. Patent No. 6,008,383 "Method of Preparing Delta-9-Tetrahydrocannabinol Esters". Issued Date: December 28, 1999. Expiration date: October 26, 2018. Field of use limited to ocular delivery.

- U.S. Patent Application No. 2011/0275555, "Compositions Containing Delta-9-THC Amino Acid Esters and Process of Preparation". Filing date: October 31, 2008, Notice of Allowance Received by not yet issued. Field of use limited to ocular delivery.

- Pending. UM Research Disclosure covering ocular delivery of cannabinoids.

APPENDIX B
TERM SHEET
University of Mississippi (UM)/NEMUS Proposed License Terms for UM 8790
TERMS OF LICENSE AGREEMENT[1]

Licensed Field	All therapeutic uses of cannabinoids.
Licensed Territory	Worldwide
Term	Ten (10) years after first commercial sale of until expiration of last licensed patent, whichever comes last. Will be extended for up to ten (10) additional years on an annual basis if there is no generic competition to a Licensed Product in the U.S. market. Generic competition does not including any generic product to a Licensed Product in which Nemus receives financial considerations including but not limited to royalties on sales, revenue sharing, marketing sharing or equity.
License	UM will grant to NEMUS an exclusive worldwidelicense to UM Know-How and Technical Information related to UM 8790, with the right to make, have made, use, lease, distribute, import, sell, offer for sale and otherwise exploit Licensed Products in the Licensed Field, subject to agreement on final terms.
Diligence Requirements	UM and NEMUS will agree to development milestones to accompany a Development Plan that will be an exhibit to the License Agreement. NEMUS must use commercially reasonable efforts to commercialize and market all Products as soon as practicable in accordance with the development milestones.
License Issue Fee	$65,000 upfront payment
Upfront Equity	Waived
License Maintenance Fees	$25,000 per year per Licensed Product due on the anniversary of the Effective Date – credited against royalties in the current fiscal year.
Milestone Payments	$100,000 within thirty (30) days of submission of an IND application to the FDA or an equivalent application to a regulatory agency anywhere in the world. $200,000 within thirty (30) days of submission of an NDA or a 505b(2) application to the FDA or an equivalent application to a regulatory agency anywhere in the world. $400,000 within thirty (30) days of receiving approval of a NDA or a 505b(2) application to the FDA or an equivalent approval from a regulatory agency anywhere in the world.
Running Royalties	Five and one-half percent (5.5%) of Net Sales of all Licensed Products paid to UM quarterly. No royalty will be due on Licensed Products used in clinical trials or other pre-FDA approved development studies.
Sublicensing	With written permission of UM. Share of sublicensing income including upfront and milestone payments, equity, and royalties: 60% NEMUS, 40% UM with minimum of five and one-half percent (5.5%) royalty to UM.
Indemnification	NEMUS will indemnify, defend and hold harmless UM, the State of Mississippi, officers, employees, students, and agents of UM from and against any and all liability, loss, damage, action, claim or expense that results from or arises out of actions or omissions of NEMUS and its Affiliates in the performance of the License Agreement. As state agencies, UM and UT are unable to indemnify NEMUS.
Insurance	NEMUS and its Affiliates will procure and maintain policies of insurance for comprehensive general liability and products liability coverage in the larger amount of $6.5 million per claim and $6.5 million in aggregate or that amount deemed customary and appropriate in the pharmaceutical industry for the stage of development.
Miscellaneous:	1. Due to UM's status as a state agency, UM will not agree to: (a) allow the License Agreement to be governed by another state's laws, (b) settle disputes by arbitration, or (c) pay attorney's fees of NEMUS under any circumstances. 2. NEMUS, Affiliates, and their employees, and agents will not use UM's name, seal, logo, trademark, or service mark, or any adaptation of them, or the name, mark, or logo of any representative or organization of UM in any way without the prior written consent of UM, in its sole discretion. 3. The Know-How and Technical Information are provided on an "AS IS" basis, and UM makes no representations, express or implied. 4. Until execution of a final License Agreement acceptable to the parties containing the above terms and conditions, this Term Sheet is a non-binding expression of the intent of the parties. This Term Sheet is only a list of proposed points that may or may not become part of an eventual contract. It is not based on any agreement between the parties. It is not intended to impose any obligation whatsoever on either party, including without limitation an obligation to bargain in good faith or in any way other than at arms-length. The parties do not intend to be bound by any agreement until both agree to and sign a License Agreement, and neither party may reasonably rely on any promises inconsistent with this paragraph.

[1] Capitalized terms used in this Term Sheet will be defined in the License Agreement.

CONFIDENTIAL

LICENSE AGREEMENT

THIS LICENSE AGREEMENT ("Agreement") is made as of this September 29, 2014 ("Effective Date") by and between the UNIVERSITY OF MISSISSIPPI, SCHOOL OF PHARMACY, an educational institution with a principal address at University, Mississippi 38677 ("UM") and NEMUS, a corporation organized and existing under the laws of California with a principal address 16133 Ventura Blvd., 7th Floor, Encino, CA 91436 ("Licensee")

RECITALS

WHEREAS, UM is the owner of certain patent applications and other technology related to ocular delivery of amino acid ester prodrugs of delta-9-tetrahydrocannabinol;

WHEREAS, Licensee wishes to acquire certain rights and licenses with respect to ocular delivery of amino acid ester prodrugs of delta-9tetrahydrocannabinol in accordance with the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, and intending to be legally bound herby, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Unless otherwise provided in this Agreement, the following terms when used with initial capital letters shall have the meanings set forth below:

"Affiliate" means, when used with reference to Licensee, any person directly or indirectly controlling, controlled by or under common control with Licensee.

"Bankruptcy Event" means the person in question becomes insolvent, or voluntary or involuntary proceedings by or against such person are instituted in bankruptcy or under any insolvency law, or a receiver or custodian is appointed for such person, or proceedings are instituted by or against such person for corporate dissolution of such person, which proceedings, if involuntary, shall not have been dismissed within sixty (60) days after the date of filing, or such person makes an assignment for the benefit of creditors, or substantially all of the assets of such person are seized or attached in an insolvency-related proceeding and not released within sixty (60) days thereafter.

"Calendar Quarter" means each three-month period, or any portion thereof, beginning on January 1, April 1, July 1 and October 1.

"Calendar Year" means each twelve-month period commencing upon January 1.

"Confidential Information" means (i) the Technical Information, (ii) any other information or material in tangible form that is marked as confidential or proprietary by the furnishing party at the time it is delivered to the receiving party, and (iii) information that is furnished orally if the furnishing party identifies such information as confidential or proprietary when it is disclosed and promptly confirms such designation in writing after such disclosure.

"Effective Date" shall have the meaning set forth on page 1 of this Agreement.

*** Certain confidential information contained in this document, marked with three asterisks (***), has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

"Federal Government Interest" means the rights of the United States Government and agencies thereof under Public Laws 96_517, 97_256 and 98_620, codified at 35 U.S.C.§§ 200-212, and any regulations issued thereunder, as such statute or regulations may be amended from time to time hereafter.

"Field" means all indications for Products administered via ocular delivery.

"Improvements" means any improvement, modification or other refinement, regardless of the patentability thereof to (a) the subject matter of the Licensed Technology that is within the scope of the Patents, or (b) the development, manufacture, use or sale of which, except for the licenses granted herein, would infringe any of the Patents including for patent applications those claims therein treated as if they were issued).

"Licensed Technology" means and includes UM Know-How, the Patents and Improvements.

"Net Sales" means Licensee's invoice price or fee, less the following for all Products sold for commercial use or Commercially Used by Licensee or its Affiliates:

(a) any and all normal and customary trade, prompt payment, cash and quantity discounts, customary allowances actually granted to purchasers of a Product for returns and recalled Product (including in connection with Product withdrawals, expired Product and Product recalls), chargeback and reporting fees paid to wholesalers and other distributors, allowances to end users participating in incentive programs, rebates and other credit adjustments based upon shipping discrepancies and order errors;

(b) administrative fees to managed health care organizations;

(c) freight expenses for shipping Product in finished package form (including insurance) to such purchasers, including without limitation the costs of export licenses, shipping, postage and handling charges, if not paid by the purchaser;

(d) commissions or fees paid to independent sales representatives, brokers, dealers, or distributors;

(e) any taxes and tariffs or duties paid, absorbed or allowed that are paid on sales of Product in finished package form, (excluding income taxes);

(f) allocated costs for sales samples of Products, for all Products sold or Commercially Used by Licensee or its Affiliates; and

(g) Amounts invoiced for Products that are not paid within the required time.

Sales to a Third Party distributor of such Product in any given country shall be considered a sale to a Third Party purchaser for commercial use. Sale or transfer to an Affiliate or sublicensee for re-sale by such Affiliate or sublicensee shall not be considered a sale for the purpose of this provision, but the resale by such Affiliate or sublicensee to a Third Party for commercial use shall be a sale for such purposes.

Notwithstanding the foregoing, in the event a Product is sold in a country in the Territory as a Combination Product, Net Sales of the Combination Product will be calculated as follows:

(i) If the Product (without such Other Component) and the Other Component(s) contained in the Combination Product each are sold separately in such country, Net Sales will be calculated by multiplying the total Net Sales (as described above) of the Combination Product by the fraction A/(A+B), where A is the average gross selling price in such country of the Product (without such Other Component) sold separately in the same formulation and dosage, and B is the sum of the average gross selling prices in such country of such Other Component(s) sold separately in the same formulation and dosage, during the applicable Calendar Year.

(ii) If the Product (without such Other Component) is sold independently of the Other Component(s) contained in the Combination Product in such country, but the average gross selling price of such Other Component(s) in such country cannot be determined, Net Sales will be calculated by multiplying the total Net Sales (as described above) of the Combination Product by the fraction A/C where A is the average gross selling price in such country of such Product (without such Other Component) sold independently and C is the average gross selling price in such country of the entire Combination Product, during the applicable Calendar Year.

(iii) If the Other Component(s) contained in the Combination Product are sold independently of the Product (without such Other Component) in such country, but the average gross selling price of such Product (without such Other Component) in such country cannot be determined, Net Sales will be calculated by multiplying the total Net Sales (as described above) of the Combination Product by the fraction (1-(B/C)), where B is the average gross selling price in such country of such Other Component(s) and C is the average gross selling price in such country of the entire Combination Product, during the applicable Calendar Year.

(iv) If the Product (without such Other Component) contained in the Combination Product and Other Component(s) contained in the Combination Product are not sold separately in such country, or if they are sold separately but the average gross selling price of neither such Product (without such Other Component) nor such Other Component(s) can be determined in such country, Net Sales of the Combination Product in such country will be calculated by mutual agreement of the Parties.

"Other Component" means any therapeutically active pharmaceutical ingredient that is not covered or claimed by, or is not included in, the Licensed Technology, or any proprietary delivery device or other proprietary delivery means.

"Patent(s)" means any patents or patent applications which claim the invention(s) summarized in Appendix A, including without limitation any United States Letters Patent, and all continuations, continuations-in-part, additions, divisions, renewals, extensions, reexaminations and reissues of any of the foregoing, all foreign counterparts of any of the foregoing, and any other patent applications or patents which relate to the Licensed Technology owned or controlled by UM during the term of this Agreement.

"Patent Expenses" means (a) all reasonable fees, expenses, and charges of outside patent counsel related to Patent Rights listed in Exhibit A currently or added by amendment at a future date, incurred by UM in connection with the preparation, filing, prosecution, issuance, re-issuance, re-examination, interference, and/or maintenance of applications for patent rights, currently contained or that may be added to Exhibit A; and (b) an administrative fee in the amount of twenty percent (20%) of the amount of future Patent Expenses incurred in the course of activities conducted pursuant to (a), subject to Article 7.

"Person" means an individual, partnership, corporation, joint venture, unincorporated association, or other entity, or a government or department of agency thereof.

"Products" means any article or portion thereof which is made, produced, or used in whole or in material part, by or with the use of the Licensed Technology.

"Technical Information" means and includes all technical information, trade secrets, developments, discoveries, know-how, methods, techniques, formulae, processes and other information relating to the Licensed Technology that UM owns or controls on the date hereof or owns or controls in the future, and provides to Licensee pursuant to this Agreement, including by way of illustration and not limitation, designs, data, drawings, documents, models, and other similar information .

"UM Know-How" means all information, technical data and assistance, inventions and discoveries of UM disclosed or provided to Licensee by UM relating to the exploitation of any invention described in the Patents.

"Valid Claim" means a claim of an unexpired issued Patent that has not been withdrawn, canceled or disclaimed or held invalid by a court or governmental authority of competent jurisdiction in an unappealed or unappealable decision.

ARTICLE 2
GRANT OF LICENSE

2.1 Grant of License. Subject to the terms and conditions contained in this Agreement, UM hereby grants to Licensee an exclusive, perpetual, non-transferrable except otherwise allowed in this Agreement, worldwide, royalty-bearing right and license to use and practice the Licensed Technology to develop, make, have made, use, sell, offer for sale and import Products in the Field. Notwithstanding the foregoing, UM expressly reserves a non-transferable royalty-free right to use the Licensed Technology in the Field itself, including use by its faculty, staff and researchers, for educational and non-commercial research purposes only.

2.2 Right to Sub-license. Licensee shall have the right to sub-license to any third party, in whole or in part, its rights under this Agreement with written permission of UM, such permission not to be unreasonably withheld ; provided that no such written permission of UM shall be required for the grant of any sublicense to any biotechnology or pharmaceutical company that has, at the time of the grant of such sublicense, annual revenues that are within the highest thirty (30) greatest annual revenues among biotechnology or pharmaceutical companies worldwide. If Licensee requests permission to grant a sublicense pursuant to this Section 2.2, UM shall provide a response to such request within fifteen (15) days after its receipt of such request, and if UM fails to do so within such time period, such permission will be deemed to have been granted. As a condition of granting sub-licenses, Licensee will provide UM with full and complete copies of all contracts and agreements between it and any sublicensee within ten (10) business days after execution of same. UM will maintain such copies and their terms in confidence as required in Article 8. A grant of a sublicense will be invalid if any agreement between Licensee and such sublicensee prohibits, restricts or conditions Licensee's provision of such copies to UM as required in this article.

2.3 No Rights by Implication. No rights or licenses with respect to the Licensed Technology are granted or deemed granted hereunder or in connection herewith, other than those rights or licenses expressly granted in this Agreement.

ARTICLE 3
LICENSING FEES AND EQUITY

3.1 Upfront, Annual License Maintenance Fee and Milestone Payments. In consideration of the license granted hereunder, Licensee shall pay UM the following non-refundable payments:

(a). One-Time Upfront Payment - *** within fifteen (15) days of the Effective Date of this Agreement. Such payments will be paid in four equal installments (each equal to $***), each due on the first day of each of the first four (4) calendar months after the Effective Date.

(b) Annual License Maintenance Fee. *** dollars ($***) due on the anniversary of the Effective Date. The Annual License Maintenance Fee will be credited against royalties in the current fiscal year.

(c) One-Time Milestone Payments.

i. *** paid in four equal installments (each equal to $***) on the first day of each of the first four (4) calendar months following the submission of the first Investigational New Drug Application ("IND") to the Food and Drug Administration ("FDA") or an equivalent application to a regulatory agency anywhere in the world, for a Product.

ii. ***, paid in four equal installments (each equal to $***) on the first day of each of the first four (4) calendar months following the first submission of a New Drug Application ("NDA"), including but not limited to a 505b2 application, or an equivalent application to a regulatory agency anywhere in the world for a Product.

iii. *** paid in four equal installments (each equal to $***) on the first day of each calendar month following the first approval of a New Drug Application ("NDA"), the including but not limited to a 505b2 application to the FDA, or an equivalent application to a regulatory agency anywhere in the world, for a Product.

3.2 Royalties and Sublicense Licensing Fee Payments.

(a). In further consideration of the rights and licenses granted hereunder, Licensee shall pay UM a royalty of *** of Net Sales of all Products sold by Licensee or its Affiliate for commercial use.

(b). No royalty shall be due on Products used for clinical trial or other research or developmental uses. No additional royalty will be due for the use of an amino acid ester of THC in a Product containing an amino acid ester of THC that otherwise is generating royalties under this Agreement. For avoidance of doubt, Licensee's obligation to pay UM a royalty on sales will not be calculated twice - once for the use of an amino acid ester of THC in a formulation for ocular delivery and once for the sale of a Product containing THC for ocular delivery.

*** Certain confidential information contained in this document, marked with three asterisks (***), has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

(c). In the event Licensed Technology is sub-licensed by Licensee to a third party, Licensee will be obligated to pay UM *** of any and all licensing fees received by Licensee, including but not limited to upfront fees (whether paid in cash, equity of the sub-licensee or other consideration), royalties, and milestone payments, received in consideration of the grant of sub-licenses of the Licensed Technology, however such sub-licenses may be characterized . The percentage payable with respect to sublicensing fees received by Licensee will decrease from *** to the amounts indicated below if Licensee sublicenses the Licensed Technology after completion of the following development milestones:

(i). *** if such sub-license is granted after completion of Phase II clinical trials but prior to the commencement of Phase III clinical trials;

(ii) ***, if such sub-license is granted upon or after the commencement of Phase III clinical trials but prior to receipt of the first regulatory approval of Products;

(iii) *** if the sub-license is granted upon or after the first regulatory approval of Products based on a 505(b)2 New Drug Application ((not a 505(b)1 New Drug Application)) filed with the FDA or equivalent thereof; or

(iv) *** if the sub-license is granted upon or after the first regulatory approval of a Product based on a 505(b)1 New Drug Application ((not a 505(b)(2) application)) filed with the FDA, or equivalent thereof.

(d). Notwithstanding the foregoing, in the event the foregoing percentages of the amounts received by the Licensee from a sub-licensee in the form of a royalty on net sales of Products sold by or on behalf of the Sub-licensee does not equal a minimum of *** of Net Sales (calculated *mutatis mutandis* as if such Net Sales were made by Licensee), Licensee will be obligated to pay UM a royalty of *** of Net Sales by or on behalf of such Sub-licensee (calculated *mutatis mutandis* as if such Net Sales were made by Licensee), subject to reduction as set forth below.

(e). If, in connection with the manufacture, use, or commercialization of a Product, Licensee or its Affiliate is obligated to make royalty payments to any third parties, then Licensee may offset against the royalty owed to UM for that Product *** of the royalty payable to such third parties, provided that in no event would any such offsets result in reducing royalties due to UM by more than *** of those otherwise payable to UM.

(f). If no Valid Claim covers a Product in a country at the time such Product is sold in such country, then the royalties payable under this Section 3.2 on Net Sales of Products by Licensee or its Affiliates shall be reduced by ***. This reduction in royalties does not apply if a patent application that is part of the Patents licensed under this Agreement is pending in the country and the intention of UM is to obtain a Valid Claim that covers the Product in the country. In no event would the royalty due to UM with respect to Net Sales of Products sold in a given country be reduced by operation of the foregoing offsets and reductions to less than *** of Net Sales of Products in such country.

(g). Royalties and payments due with respect to shall be paid pursuant to this Section 3.2 until the later of, on a country by country and Product by Product basis, (i) the date upon which no Valid Claim of a Patent included in the Licensed Technology covers the Product in such country, or (ii) ten (10) years after first commercial sale of such Product in such country.

**Certain confidential information contained in this document, marked with three asterisks (***), has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

3.3 Payments. Royalties and other amounts payable under this Agreement shall be paid within forty five (45) days following the last day of the Calendar Quarter in which royalties and other amounts accrue. The last such payment shall be made within forty five (45) days after termination of this Agreement. Payments shall be deemed paid as of the day on which they are received by UM.

3.4 Reimbursement of Patent Expenses. UM's out-of-pocket Patent Expenses incurred before the Effective Date of this Agreement ("Sunk Patent Expenses") are to be paid by Licensee under the License Agreement executed by the parties for delivery of amino acid esters to the oral cavity ("Oral Cavity License Agreement"). Should the Oral Cavity License Agreement be terminated for any reason before payment of UM's Sunk Patent Expenses, Licensee shall reimburse UM's Sunk Patent Expenses under this Agreement by February 15, 2015. In addition, Licensee will reimburse UM's future Patent Expenses incurred after the Effective Date of this Agreement that have not been paid under the terms of the Oral Cavity License Agreement within forty-five (45) days of receipt of an invoice from UM detailing the Patent Expenses incurred by UM.

3.5 Reports. Licensee shall deliver to UM within forty five (45) days after the end of each Calendar Quarter following commercial sale of a Product a report setting forth in reasonable detail the calculation of the royalties and other amounts payable to UM for such Calendar Quarter pursuant to this Article 3, including, without limitation, the Products sold in each country during such Calendar Quarter, the Net Sales thereof, and, within sixty (60) days after the end of each Calendar Quarter, similar reports containing corresponding information relating to royalties payable due to sales by permitted sub-licensees pursuant to Article 3.2. An example of an acceptable royalty report is provided in Appendix D.

3.6 Currency, Place of Payment, Interest.

(a) All dollar amounts referred to in this Agreement are expressed in United States dollars. All payments to UM under this Agreement shall be made in United States dollars (or other legal currency of the United States), as directed by UM, by check payable to the University of Mississippi" or by wire transfer to an account as UM may designate from time to time.

(b) If Licensee receives revenues from sales of Products in a currency other than United States dollars, royalties shall be converted into United States dollars at the applicable conversion rate for the foreign currency as published in the "Exchange Rates" table in the eastern edition of *The Wall Street Journal* as of the last date of the Calendar Quarter.

(c) Amounts that are not paid when due shall accrue interest-from the due date until paid, at an annual rate equal to the "Prime Rate" plus 2% as published in the "Money Rates" table in the eastern edition of *The Wall Street Journal* as of the due date.

3.7 Records. Licensee will maintain complete and accurate books and records that enable the royalties payable hereunder to be verified. The records for each Calendar Quarter shall be maintained for two years after the submission of each report under Article 3.4 hereof. Upon reasonable prior notice to Licensee, UM and its accountants shall have access to the books and records of Licensee to conduct a review or audit thereof no more than one (1) time per years. Such access shall be available during normal business hours. In the event such audit reveals any error in the computation of amounts due pursuant to Section 3.2 exceeding 5% of the amount owed, the Licensee shall promptly reimburse UM for all reasonable expenses and costs incurred in the conduct of such review or audit.

ARTICLE 4
CERTAIN OBLIGATIONS OF LICENSEE

4.1 Licensee Efforts; Reporting.

(a) Licensee shall use its reasonable efforts to develop for commercial use and to market Products as soon as practicable, and to continue to market Products as long as commercially viable, all as is consistent with sound and reasonable business practice.

(b) Licensee shall provide UM once per Calendar Year on December 1 with written reports, setting forth in such detail as UM may reasonably request, the progress of the development, evaluation, testing and commercialization of Products. Licensee shall notify UM within thirty (30) days of the end of the first Calendar Quarter in which the first commercial sale of a Product occurs.

4.2 Compliance with Laws. Licensee shall use its best efforts to comply in all material respects with all prevailing laws, rules and regulations pertaining to the development, testing, manufacture, marketing and import or export of Products. Without limiting the foregoing, Licensee acknowledges that the transfer of certain commodities and technical data is subject to United States laws and regulations controlling the export of such commodities and technical data, including all Export Administration Regulations of the United States Department of Commerce. These laws and regulations, among other things, prohibit or require a license for the export of certain types of technical data to specified countries. Licensee will comply in all material respects with all United States laws and regulations controlling the export of commodities and technical data.

4.3 Government Approvals. Licensee will be responsible for obtaining, at its cost and expense, all governmental approvals required to commercially market Products.

4.4 Patent Notices. Licensee shall mark or cause to be marked all Products made or sold in the United States with all applicable patent numbers where necessary to preserve the ability to claim damages for infringement, upon advice of counsel. If it is not practical for a Product to be so marked, then Licensee shall mark or cause to be marked the package for each Product with all applicable patent numbers.

4.5 Bankruptcy or Equivalent. Licensee will provide written notice to UM prior to the filing of a petition in bankruptcy or equivalent if Licensee intends to file a voluntary petition, or, if known by Licensee through statements or letters from a creditor or otherwise, if a third party intends to file an involuntary petition in bankruptcy against Licensee. Notice will be given at least 75 days before the planned filing or, if such notice is not feasible, as soon as Licensee is aware of the planned filing. Licensee's failure to perform this obligation is deemed to be a material pre-petition incurable breach under this Agreement not subject to the 60-day notice requirement of Section 9.2, and UM is deemed to have terminated this Agreement forty-five (45) days prior to the filing of the bankruptcy.

ARTICLE 5
REPRESENTATIONS

5.1 Representations of UM. UM represents to Licensee as follows:

(a) this Agreement, when executed and delivered by UM, will be the legal, valid and binding obligation of UM, enforceable against UM in accordance with its terms;

(b) UM subject to certain rights under 37 CFR 401.14 retained by the federal government in inventions resulting from federally supported work is the owner of all right, title and interest in and to the Licensed Technology, and has not granted rights in or to the Licensed Technology to any person other than Licensee;

(c) UM has not received any written notice that the Licensed Technology infringes the proprietary rights of any third party;

(d) the inventions claimed in the Patents to the knowledge of UM have not been publicly used, offered for sale, or disclosed in a printed publication by employees of UM more than one year prior to the filing of the U.S. application for the Patents.

5.2 Representations and Warranties of Licensee. Licensee represents and warrants to UM as follows:

(a) Licensee is a corporation duly organized, validly existing and in good standing under the laws of California and has all requisite corporate power and authority to execute, deliver and perform this Agreement;

(b) This Agreement, when executed and delivered by Licensee, will be the legal, valid and binding obligation of Licensee, enforceable against Licensee in accordance with its terms;

(c) the execution, delivery and performance of this Agreement by Licensee does not conflict with, or constitute a breach or default under,

(i) the charter documents of Licensee,

(ii) any law, order, judgment or governmental rule or regulation applicable to Licensee, or

(iii) any provision of any agreement, contract, commitment or instrument to which Licensee is a party; and the execution, delivery and performance of this Agreement by Licensee does not require the consent, approval or authorization of, or notice, declaration, filing or registration with, any governmental or regulatory authority.

ARTICLE 6
LIABILITY AND INDEMNIFICATION

6.1 No warranties; Limitation on Liability. EXCEPT AS EXPLICITLY SET FORTH IN THIS AGREEMENT, UM MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO: (I) COMMERCIAL UTILITY; OR (II) MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE; OR (III) THAT THE USE OF THE LICENSED TECHNOLOGY WILL NOT INFRINGE ANY PATENT, COPYRIGHT OR TRADEMARK OR OTHER PROPRIETARY OR PROPERTY RIGHTS OF OTHERS. UM SHALL NOT BE LIABLE TO LICENSEE, LICENSEE'S SUCCESSORS OR ASSIGNS OR ANY THIRD PARTY WITH RESPECT TO ANY CLAIM ON ACCOUNT OF, OR ARISING FROM, THE USE OF INFORMATION IN CONNECTION WITH THE LICENSED TECHNOLOGY SUPPLIED HEREUNDER OR THE MANUFACTURE, USE OR SALE OF PRODUCTS OR ANY OTHER MATERIAL OR ITEM DERIVED THEREFROM.

6.2 Liability. UM is an agency of the State of Mississippi under the management and control of the Board of Trustees of the State Institutions of Higher Learning (IHL). As authorized by law, IHL maintains a program of self-insurance for purposes of workers' compensation and general liability, pursuant to the Mississippi Tort Claims Act as set forth in Chapter 46, Title 11, Mississippi Code 1972, as amended. Accordingly, any liability of UM for any damages, losses, or costs arising out of or related to acts performed by UM or it employees under this Agreement is governed by the Tort Claims Act.

6.3 Licensee Indemnification. Licensee will indemnify, defend and hold harmless UM, its trustees, officers, agents and employees (collectively, the "Indemnified Parties"), from and against any and all liability, loss, damage, action, claim or expense suffered or incurred by the Indemnified Parties which results from or arises out of third party claims in connection with (individually, a "Liability" and collectively, the "Liabilities"):

(a) breach by Licensee of any duty, covenant or agreement contained in this Agreement or a lawsuit, action, or claim brought by any third party that includes any allegation which, if proven true, would constitute a breach by Licensee of any duty, covenant or agreement contained in this Agreement;

(b) the development, use, manufacture, promotion, sale, distribution or other disposition of any Products by Licensee, its Affiliates, assignees, vendors or other third parties, for personal injury, including death, or property damage arising from any of the foregoing. The indemnification obligation under Article 6.3 shall not apply to any contributory negligence or product liability of the Indemnified Party which may have occurred prior to the execution of this Agreement. Licensee will indemnify and hold harmless the Indemnified Parties from and against any Liabilities resulting from:

(i) any product liability or other claim of any kind related to the use by a third party of a Product that was manufactured, sold, distributed or otherwise disposed by Licensee, its Affiliates, assignees, vendors or other third parties;
(ii) clinical trials or studies conducted by or on behalf of Licensee relating to any Products, including, without limitation, any claim by or on behalf of a human subject of any such clinical trial or study, any claim arising from the procedures specified in any protocol used in any such clinical trial or study, any claim of deviation, authorized or unauthorized, from the protocols of any such clinical trial or study, any claim resulting from or arising out of the manufacture or quality control by a third party of any substance administered in any clinical trial or study;
(iii) Licensee's failure to comply with all prevailing laws, rules and regulations pertaining to the development, testing, manufacture, marketing and import or export of Products.

6.4 Procedures. The Indemnified Party shall promptly notify Licensee of any claim or action giving rise to a Liability subject to the provisions of Article 6.3. Licensee shall have the duty to defend any such claim or action, at its cost and expense. Indemnified Party must have the right, however, to approve counsel through the Mississippi Attorney General and through its governing board to represent it, and such approval will not be unreasonably withheld. In the event Licensee or any of its parents, affiliates or subsidiaries is also named in a particular claim, Licensee may choose the same attorneys who defend the Indemnified Parties to defend Licensee unless there arises a conflict of interest between the Licensee and one or more of the Indemnified Parties or among the Indemnified Parties. The indemnification rights of UM or other Indemnified Party contained herein are in addition to all other rights which such Indemnified Party may have at law or in equity or otherwise.

6.5 Product Liability Insurance. Beginning with the commencement of human clinical trials of any Product and continuing for a period of time after Licensee ceases manufacturing and marketing Products that is reasonable based upon industry standards, Licensee shall maintain general liability and product liability insurance that is reasonable based upon industry standards, but not less than $5 million per incident and $5 million in the aggregate. The insurance amounts specified herein shall not be deemed a limitation on Licensee's indemnification liability under this Agreement. Licensee shall provide UM with copies of such policies, upon request of UM. Licensee shall notify UM at least ten (10) days prior to cancellation of any such coverage.

ARTICLE 7
PATENTS AND INFRINGEMENT

7.1 Prosecution of Patents.

(a) Responsibilities for Patent Prosecution and Maintenance.

(i) UM using one of its approved outside patent attorneys is responsible for preparing, filing, and prosecuting any patent applications, maintaining any issued patents, and prosecuting and maintaining any and all continuations, continuations-in-part, divisional, substitutions, reissues, or re-examinations (or the foreign equivalent of these) related to the Patent rights in accordance with the process summarized in Appendix C. Licensee will reimburse UM for Patent Expenses subject to 3.1.c. hereof.

(ii) UM will prepare, file, and prosecute Patent(s), including Improvements in the United States. In the event of Improvements UM may also prepare, file, and prosecute international applications under the Patent Cooperation Treaty. Licensee will specify in writing to UM the foreign countries in which patent applications for Improvements are to be filed and prosecuted. UM will notify Licensee ninety (90) days in advance of a national stage filing deadline, and Licensee will specify such additional countries no later than thirty (30) days before the national stage filing deadline for the pertinent patent application.

(iii) UM is solely responsible for making decisions regarding content of U.S. and foreign applications to be filed and prosecution of the applications, continuations, continuations-in-part, divisional, substitutions, reissues, or re-examinations (or the foreign equivalent of these) related thereto.

(iv)Licensee will cooperate with UM in the filing, prosecution, and maintenance of any Patents. UM will advise Licensee promptly as to all material developments with respect to the applications. Copies of all papers received and filed in connection with prosecution of applications in all countries will be provided promptly after receipt or filing to Licensee to enable it to advise UM concerning the applications.

(v) No party shall be liable for any loss, as a whole or in part, of a patent term extension granted by the U.S. Patent and Trademark Office (or its foreign equivalents) on a Patent, even if such loss results from acts or omissions of the prosecuting party or its personnel.

(vi) Each party agrees to promptly forward all written communications from the other party regarding prosecution of Patents to its patent counsel as appropriate, with a written confirmation to the other party that the communications have been forwarded.

7.2 Infringement by Third Party.

(a) Each party will promptly notify the other party of any infringement or possible infringement of any of the Patents or other Licensed Technology. Licensee shall have the right, but not the obligation, to prosecute such infringement at its own expense. In such event, UM shall cooperate with Licensee, at UM's expense. Licensee shall not settle or compromise any such suit in a manner that imposes any obligations or restrictions on UM or grants any rights to the Licensed Technology which are inconsistent with the rights and obligations of Licensee or UM pursuant to this Agreement, without UM's written consent.

(b) If Licensee fails to prosecute or chooses not to prosecute such infringement within one hundred and twenty (120) days after receiving notice thereof, UM shall have the right, but not the obligation, to prosecute such infringement at its own expense. In such event, Licensee shall cooperate with UM, at UM's expense.

(b) Any recovery obtained by the prosecuting party as a result of such proceeding, by settlement or otherwise, shall be applied first to the prosecuting party, an amount equal to two times its costs and expenses of the litigation, with the remainder to be paid 80% to the prosecuting party and 20% to the other party.

ARTICLE 8
CONFIDENTIALITY AND PUBLICATIONS

8.1 Confidentiality. To the extent allowed by law, both parties shall maintain in confidence and shall not disclose to any third party the Confidential Information received pursuant to this Agreement, without the prior written consent of the disclosing party except that the Confidential Information may be disclosed by either party only to those third parties (x) who have a need to know the information in connection with the exercise by either party of its rights under this Agreement and who agreed in writing to keep the information confidential to the same extent as is required of the parties under this Article 8.1, or (y) to whom either party is legally obligated to disclose the information. The foregoing obligation shall not apply to information which:

(a) is, at the time of disclosure, publicly known or available to the public, provided that Information will not be deemed to be within the public domain merely because individual parts of such Information are found separately within the public domain, but only if all the material features comprising such Confidential Information are found in combination in the public domain;

(b) is known to recipient at the time of disclosure of such Confidential Information not under confidentiality provided that recipient promptly notifies disclosing party in writing of this prior knowledge within thirty (30) days of receipt;

(c) is hereafter furnished to recipient by a third party, as a matter of right and without restriction on disclosure, provided that recipient promptly notifies disclosing party in writing of this third party disclosure after receipt thereof;

(d) is made public by disclosing party;

(e) is disclosed with the written approval of either party;

(f) is the subject of a legally binding court order compelling disclosure, provided that recipient must give disclosing party notice of any request for disclosure pursuant to any legal proceeding, within two (2) days of receipt of such request by recipient, and recipient must cooperate with disclosing party in obtaining appropriate protective orders to preserve the confidentiality of the Confidential Information;

(g) must be disclosed to comply with applicable laws, rules, regulations or rules of a securities exchange, provided that the party subject thereto uses reasonable efforts to minimize the scope of disclosure and to seek confidential treatment thereof.

8.2 Publications. Should UM desire to disclose publicly, in writing or by oral presentation, Confidential Information related to the Licensed Technology, UM shall notify Licensee in writing of its intention at least ninety (90) days before such disclosure. UM shall include with such notice a description of the oral presentation or, in the case of a manuscript or other proposed written disclosure, a current draft of such written disclosure. Licensee may request UM, no later than ninety (90) days following the receipt of UM's notice, to file a patent application, copyright or other filing related to such Invention. All such filings shall be subject to the provisions of Article 8.1 of this Agreement. Upon receipt of such request, UM shall arrange for a delay in publication, to permit filing of a patent or other application. Should Licensee reasonably determine that more than ninety (90) days is required in order to file any such patent information (including additional time required to perform additional research required for adequate patent disclosure), or, if Licensee reasonably determines that such Confidential Information cannot be adequately protected through patenting and such Confidential Information has commercial value as a trade secret, then publication or disclosure shall be postponed until the parties can mutually agree upon a reasonable way to proceed.

8.3 Use of Name; Disclosure of Agreement. Neither Licensee nor UM shall directly or indirectly use the other party's name, seal, logo, trademark, or service mark, or any adaptation of them, or the name of any trustee, officer or employee thereof, without that party's prior written consent, or disclose the terms of this Agreement to third parties except that UM or Licensee may disclose this Agreement to any sublicenses or Affiliate and may disclose an accurate description of the terms of this Agreement to the extent required under federal or state securities, tax, grant administration, or other governmental disclosure laws, rules or regulations or rules of a securities exchange, provided that UM shall take steps to preserve the confidentiality of such information to the extent allowed by law.

ARTICLE 9
TERM AND TERMINATION

9.1 Term. This Agreement and the licenses granted herein shall commence on the Effective Date and shall continue, subject to earlier termination under Articles 9.2 or 9.3 hereof, until the later of the expiration of the last to expire of the patents or patent applications within the Licensed Technology, or expiration of Licensee's payment obligations under Article 3. Upon expiration of the term, Licensee shall have an irrevocable, perpetual, nonexclusive, royalty-free, worldwide license, with the right to grant sublicenses through multiple tiers, under the Licensed Technology, to develop, make, use, sell, offer for sale and import Product in the Field.

9.2 Termination by UM. Upon the occurrence of any of the events set forth below ("Events of Default"), UM shall have the right to terminate this Agreement by giving writtennotice of termination, such termination effective with the giving of such notice:

(a) nonpayment of any material amount payable to UM that is continuing sixty (60) calendar days after UM gives Licensee written notice of such nonpayment;

(b) any material breach by Licensee of any covenant (other than a payment breach referred to in clause (a) above or a Development Plan breach referred to in section 9.3 below) or any representation or warranty contained in this Agreement that is continuing sixty (60) calendar days after UM gives Licensee written notice of such breach;

(c) Licensee fails to comply in any material respect with the terms of the license granted under Article 2 hereof and such noncompliance is continuing sixty (60) calendar days after UM gives Licensee notice of such noncompliance;

(d) Licensee becomes subject to a Bankruptcy Event;

(e) the dissolution or cessation of operations by Licensee;

(f) If after the first commercial sale of a Product and during the term of this Agreement, Licensee materially fails to make reasonable efforts to commercialize at least one (1) Product or fails to keep at least one (1) Product on the market after the first commercial sale for a continuous period of one (1) year, other than for reasons outside of Licensee's control (e.g., action by regulatory authorities).

9.3 Development Plan. Licensee will provide UM with a Development Plan reasonably acceptable to UM within six (6) months of the Effective Date of this Agreement. Such Development Plan will be added to this Agreement as Appendix B. UM shall be entitled to terminate this Agreement if Licensee fails to meet the pre-established development milestones contained in the Development Plan. The milestones may be changed as agreed upon in advance in writing by both parties. UM shall give written notice of its decision to terminate this Agreement specifying a failure of the Development Plan milestones. Unless Licensee has remedied such failure or both parties have agreed, in writing, to a revised milestone schedule (which agreement will not be unreasonably withheld) within sixty (60) days after receipt of such notice, this Agreement will be deemed to terminate as of the expiration of such sixty (60) day period.

9.4 Termination by Licensee. Licensee shall have the right to terminate this Agreement, at any time with or without cause, upon sixty (60) days' written notice to the UM.

9.5 Rights and Duties Upon Termination. Within thirty (30) days after termination (but not expiration) of this Agreement, each party shall return to the other party any Confidential Information of the other party. If terminated by Licensee the Licensee also shall return all Licensed Technology which is embodied in physical form to the UM promptly upon the termination of this Agreement. In the event of an early termination of this Agreement , Licensee and its sub-licensees shall have the right to use or sell all the Product(s) on hand or in the process of manufacturing at the time of such early termination, provided that Licensee shall be obligated to pay to UM a royalty on such sales as set forth in this Agreement if, at that time there remains in existence any of UM's Patents covering the transfer of such Product(s) and a royalty or other payment is payable pursuant to the terms of this Agreement. Within thirty (30) days after termination of this Agreement by the UM under Article 9.2 or by Licensee without Cause under Article 9.4, Licensee agrees:

(a) to provide UM with copies of all results of research, development and marketing studies pertaining to the Products and Licensed Technology controlled by Licensee, its Affiliates or sublicencees;

(b) to provide UM an electronic and paper copy of any IND, NDA and any other documents and correspondence related to the Licensed Technology and Product(s) between Licensee and the Food and Drug Administration and other domestic and foreign government agencies controlled by Licensee, its Affiliates or sublicencees; and

(c) to provide UM with an electronic and paper copy of any and all patent and trademark documents and correspondence related to the Licensed Technology and Product(s) between Licensee and the U.S. Patent Office and foreign government equivalents to the extent owned by Licensee, its Affiliates, or sublicencees.

(d) that UM shall own all right, title and interest in said research, development and marketing results as well as regulatory and intellectual property related applications submitted to all government agencies that is owned by Licensee, its Affiliates, or sub-licensees. Licensee, its Affiliates or sub-licensees shall assign all such patents owned by Licensee, its Affiliates or sub-licensees in which UM is not an inventor to UM.

(e) to perform all acts deemed necessary or desirable by UM to permit and assist it, at UM's expense, in evidencing, perfecting, obtaining, maintaining, defending and enforcing UM's ownership rights and/or any assignment with respect to inventions and patents to be assigned to UM pursuant to this Section 9.5 in any and all countries. Such acts may include, but are not limited to, execution of documents and assistance or cooperation in legal proceedings. Upon termination, Licensee, its Affiliates and sub-licensees herby irrevocably designates and appoints UM and its duly authorized officers and agents, as its agents and attorneys-in-fact to act for and in its behalf and instead of Licensee, its Affiliates and sub-licensees, to execute and file any documents and to do all other lawfully permitted acts to further the foregoing purposes with the same legal force and effect as if executed by Licensee, its Affiliates and sub-licensees.

9.6 Provisions Surviving Termination. Licensee's obligation to pay any royalties accrued but unpaid prior to termination of this Agreement shall survive such termination. Licensee shall owe UM royalties on sales when Licensee has received payments from a sub-licensee or Affiliate. In addition, all provisions required to interpret the rights and obligations of the parties arising prior to the termination date shall survive expiration or termination of this Agreement.

ARTICLE 10
MISCELLANEOUS

10.1 Assignment. This Agreement and the rights and benefits conferred upon Licensee hereunder may not be transfered or assigned to any Person, directly or by merger, by sale or assignment of membership interests in Licensee, or by other operation of law, without the express written permission of UM, which permission will not be unreasonably withheld. Notwithstanding the requirement set forth in the preceding sentence, Licensee may assign or transfer its interests in this Agreement without written permission from UM in the following circumstances:

(a) an assignment in connection with the sale or transfer of all or substantially all of Licensee's assets which relate to the development or use of the Licensed Technology or a Product(s) provided that the buyer or transferee is at least as financially stable as Licensee and following the sale or transfer would be as capable of performing its obligations under this Agreement as Licensee would be; or

(b) an assignment by Licensee to an Affiliate of Licensee; or

(c) an assignment of a security interest in this Agreement as a part of a security interest in all or substantially all of the Licensee's assets which relate to the Licensed Technology. or a Product(s).

Any prohibited assignment of this Agreement or the rights hereunder shall be null and void. No assignment shall relieve Licensee of responsibility for the performance of any accrued obligations which it has prior to such assignment. This Agreement shall inure to the benefit of permitted assigns of Licensee.

10.2 No Waiver. A waiver by either party of a breach or violation of any provision of this Agreement will not constitute or be construed as a waiver of any subsequent breach or violation of that provision or as a waiver of any breach or violation of any other provision of this Agreement.

10.3 Independent Contractor. Nothing herein shall be deemed to establish a relationship of principal and agent between UM and Licensee, nor any of their agents or employees for any purpose whatsoever. This Agreement shall not be construed as constituting UM and Licensee as partners, or as creating any other form of legal association or arrangement which could impose liability upon one party for the act or failure to act of the other party. No employees or staff of UM shall be entitled to any benefits applicable to employees of Licensee. Neither party shall be bound by the acts or conduct of the other party.

10.4 Notices. Any notice under this Agreement shall be sufficiently given if sent in writing by prepaid, first class, certified or registered mail, return receipt requested, addressed as follows:

if to UM, to:

University of Mississippi
P.O. Box 1848
100 Barr Hall
University, MS 38677
Attention: Dr. Walter G. Chambliss
Director of Technology Management

if to Licensee, to:

Nemus
16133 Ventura Blvd.
7th Floor, Encino, CA 91436
Attention: Reg A. Lapham
President

or to such other addresses as may be designated from time to time by notice given in accordance with the terms of this Article.

10.5 Entire Agreement. This Agreement, together with the attachments hereto, embodies the entire understanding between the parties relating to the subject matter hereof and supersedes all prior understandings and agreements, whether written or oral. This Agreement may not be modified or varied except by a written document signed by duly authorized representatives of both parties.

10.6 Severability. In the event that any provision of this Agreement shall be held to be unenforceable, invalid or in contravention of applicable law, such provision shall be of no effect, the remaining portions of this Agreement shall continue in full force and effect, and the parties shall negotiate in good faith to replace such provision with a provision which effects to the extent possible the original intent of such provision.

10.7 Force Majeure. In the event that either party's performance of its obligations under this Agreement shall be prevented by any cause beyond its reasonable control, including without limitation acts of God, acts of government, shortage of material, accident, fire, delay or other disaster, provided that the effected party shall have used its reasonable best efforts to avoid or remove the cause of such nonperformance and to minimize the duration and negative affect of such nonperformance, then such effected party's performance shall be excused and the time for performance shall be extended for the period of delay or inability to perform due to such occurrence. The affected party shall continue performance under this Agreement using its best efforts as soon as such cause is removed.

10.8 Headings. Any headings and captions used in this Agreement are for convenience of reference only and shall not affect its construction or interpretation.

10.9 No Third Party Benefits. Nothing in this Agreement, express or implied, is intended to confer on any person other than the parties hereto or their permitted assigns, any benefits, rights or remedies.

10.10 Governing Law. This Agreement shall be construed in accordance with and governed by the internal laws of the State of Mississippi, excluding such state's rules relating to conflicts of laws, and its form, execution, validity, construction and effect shall be determined in accordance with such internal laws.

10.11 Counterparts. This Agreement shall become binding when any one or more counterparts hereof,individually or taken together, shall bear the signatures of each of the parties hereto. ThisAgreement may be executed in any number of counterparts, each of which shall be deemed an original as against the party whose signature appears thereon, but all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by e-mail shall be effective as delivery of a manually executed counterpart of this Agreement.

10.12 Resolution of Disputes. In the event of any dispute, controversy or claim arising out of or relating to this Agreement, or to any breach hereof, the parties shall attempt first to resolve the dispute by good faith negotiation. If the parties are unable to reach agreement by negotiating in good faith within sixty (60) days of written assertion of a claim, they agree to try to settle the dispute by nonbinding mediation in accordance with the mediation rules of the American Arbitration Association ("AAA"). Such nonbinding mediation shall be undertaken on a confidential basis and shall take place in Oxford, Mississippi, unless the parties agree to an alternative location.

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

UNIVERSITY OF MISSISSIPPI

/s/ WALTER G. CHAMBLISS	9/29/14
Walter G. Chambliss, Ph.D.	Date

Director of Technology Management, Office of Research & Sponsored Programs

Acknowledged by:

/S/ MAHMOUD A. ELSOHLY	9/29/14
Mahmoud A. ElSohly, Ph.D.	Date

Research Professor, National Center for Natural Products Research

/S/ DAVID D. ALLEN	9/29/14
David D. Allen, Ph.D.	Date

Dean, School of Pharmacy

NEMUS

/S/ REG A. LAPHAM	9/29/14
Reg A. Lapham	Date

President

APPENDIX A

PATENTS

1. **UM 5050** ***Compositions Containing Delta-9-THC Amino Acid Esters and Process of Preparation***

   Issued: US Patent # 8,809,261

   Pending: US CIP USSN 14/462,482

   JP 2011 534860

   JP DIV SN TBA

   EP 09 824 226.6

   AU 2009308665

   CA 2,741,862

   HK 11113006.2

APPENDIX B

DEVELOPMENT PLAN

APPENDIX C
UM RESPONSIBILITIES FOR KEEPING LICENSEE INFORMED

The Division of Technology Management ("DTM") at UM is responsible for managing the patent prosecution process for the Licensed Technology. The following procedure will be followed:

1. Outside Patent Counsel ("OPC") will notify DTM when an office action is received from the United States Patent and Trademark Office "USPTO") or foreign counterpart and send a copy to DTM. If the office action is straightforward (e.g. very similar to a previously submitted response in another country or minor claim changes to be consistent with patent law), DTM will ask patent counsel to draft a response/amendment for review by DTM and Licensee. DTM will send a copy of the office action to Licensee and to the Principal Investigator(s) at UM. If the office action requires a strategic discussion, DTM will schedule a conference call between Licensee (and Licensee's counsel if desired), DTM, the PI(s) and OPC. At any time, regardless of the complexity of the office action, Licensee may request a conference call to discuss the pending office action and DTM will set one up. The same procedures are used when dealing with prosecution timelines and deadlines (including but not limited to 30/31 national entries on PCT applications and claim amendments following Search Reports).
2. OPC will send a "final" draft version of the response/amendment to DTM for review/approval. DTM will forward it to Licensee and the PI(s) and ask for comments. This generally requires a quick turnaround time (e.g. 24 to 48 hours) depending on how many drafts have been exchanged.
3. OPC will file the response/amendment and send DTM a copy of the filed document. DTM will forward the document to Licensee and the PI(s).
4. Improvements to the patented pending technology will be documented in accordance with UM's Patent and Invention Policy by researchers using DTMs Research Disclosure Form. DTM will send a copy of the Research Disclosure Form to Licensee if Licensee has not already reviewed the disclosure. The disclosure will be sent to OPC for review and a conference call will be set up with DTM, Licensee (and Licensee's counsel if desired), the PI(s) (and other researchers as appropriate) and the OPC to discuss strategies of incorporating the Improvement.
5. When OPC receives a notice of allowance for the pending claims, OPC will send the notice to DTM. DTM will forward the notice to Licensee, and the PI(s). DTM will ask Licensee and the PI(s) if there are any Improvements that need to be considered for incorporation before the patent issues (typically 3 to 6 weeks). DTM will ask Licensee and the PI if the issue fee should be paid or if the claims should be further amended.
6. DTM will send Licensee a monthly IP report, usually the first week of every month, detailing all issued and pending patents. The report will include a status item for every docket as well as timeline for any pending deadlines with a countries patent office. Estimates for each action item will be included if they are available from OPC.

In all of the above, the final prosecution decisions rest with DTM, however the wishes of Licensee and the PI(s) are taken seriously. In addition Licensee is advised that on occasion the OPC (no matter which OPC DTM uses) will fail to provide DTM with timely notice of actions needed during prosecution negating some of the above steps. In such cases DTM will notify Licensee and the PIs of the situation and respond as needed to meet required deadlines.

APPENDIX D

Example Sales and Royalty Report

Licensee: _____ UM Agreement ID: _____

Period Covered: _____ through _____

Prepared by: _____ Date: _____
(Company Representative)

Approved by: _____ Date: _____
(Company Representative)

If license agreement covers several major product lines, please prepare a separate report for each line. Then combine all product lines into a summary report.

Report Type: ☐ Single Product or Process Line Report: _____
(product name)

☐ Multiproduct Summary Report, Page ____ of ____

Other Compensation: ☐ Annual Payments, milestones, or other fees & compensation

Annual Payments, milestones, or other fees & compensation Amount Due: _____

☐ No Compensation of Royalty Due this Period Reason: _____

Country	Quantity Produced	Quantity Sold	Gross Sales ($)	*Net Sales ($)	Royalty Rate	Conversion Rate (if applicable)	Royalty Due this Period
USA							
Canada							
Japan							
Other:							
TOTAL:							

* To calculate net sales, use the following space to list separately the specific types of allowed deductions under the license agreement and the corresponding amounts: _____

Then calculate the final Net Sales amount by subtracting these amounts from Gross Sales, and note in the column above.

CONFIDENTIAL

LICENSE AGREEMENT

THIS LICENSE AGREEMENT ("Agreement") is made as of this September 29, 2014 ("Effective Date") by and between the UNIVERSITY OF MISSISSIPPI, SCHOOL OF PHARMACY, an educational institution with a principal address at University, Mississippi 38677 ("UM") and NEMUS, a corporation organized and existing under the laws of California with a principal address 16133 Ventura Blvd., 7th Floor, Encino, CA 91436 ("Licensee")

RECITALS

WHEREAS, UM is the owner of certain patent applications and other technology related to delivery of amino acid ester prodrugs of delta-9‐tetrahydrocannabinol via the oral cavity;

WHEREAS, Licensee wishes to acquire certain rights and licenses with respect to delivery of amino acid ester prodrugs of delta-9‐tetrahydrocannabinol via the oral cavity in accordance with the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, and intending to be legally bound herby, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Unless otherwise provided in this Agreement, the following terms when used with initial capital letters shall have the meanings set forth below:

"Affiliate" means, when used with reference to Licensee, any person directly or indirectly controlling, controlled by or under common control with Licensee.

"Bankruptcy Event" means the person in question becomes insolvent, or voluntary or involuntary proceedings by or against such person are instituted in bankruptcy or under any insolvency law, or a receiver or custodian is appointed for such person, or proceedings are instituted by or against such person for corporate dissolution of such person, which proceedings, if involuntary, shall not have been dismissed within sixty (60) days after the date of filing, or such person makes an assignment for the benefit of creditors, or substantially all of the assets of such person are seized or attached in an insolvency-related proceeding and not released within sixty (60) days thereafter.

"Calendar Quarter" means each three-month period, or any portion thereof, beginning on January 1, April 1, July 1 and October 1.

"Calendar Year" means each twelve-month period commencing upon January 1.

"Confidential Information" means (i) the Technical Information, (ii) any other information or material in tangible form that is marked as confidential or proprietary by the furnishing party at the time it is delivered to the receiving party, and (iii) information that is furnished orally if the furnishing party identifies such information as confidential or proprietary when it is disclosed and promptly confirms such designation in writing after such disclosure.

"Effective Date" shall have the meaning set forth on page 1 of this Agreement.

*** Certain confidential information contained in this document, marked with three asterisks (***), has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

"Federal Government Interest" means the rights of the United States Government and agencies thereof under Public Laws 96_517, 97_256 and 98_620, codified at 35 U.S.C.§§ 200-212, and any regulations issued thereunder, as such statute or regulations may be amended from time to time hereafter.

"Field" means all indications for Products administered via the oral cavity.

"Improvements" means any improvement, modification or other refinement, regardless of the patentability thereof to (a) the subject matter of the Licensed Technology that is within the scope of the Patents, or (b) the development, manufacture, use or sale of which, except for the licenses granted herein, would infringe any of the Patents including for patent applications those claims therein treated as if they were issued).

"Licensed Technology" means and includes UM Know-How, the Patents and Improvements.

"Net Sales" means Licensee's invoice price or fee, less the following for all Products sold for commercial use or Commercially Used by Licensee or its Affiliates:

(a) any and all normal and customary trade, prompt payment, cash and quantity discounts, customary allowances actually granted to purchasers of a Product for returns and recalled Product (including in connection with Product withdrawals, expired Product and Product recalls), chargeback and reporting fees paid to wholesalers and other distributors, allowances to end users participating in incentive programs, rebates and other credit adjustments based upon shipping discrepancies and order errors;

(b) administrative fees to managed health care organizations;

(c) freight expenses for shipping Product in finished package form (including insurance) to such purchasers, including without limitation the costs of export licenses, shipping, postage and handling charges, if not paid by the purchaser;

(d) commissions or fees paid to independent sales representatives, brokers, dealers, or distributors;

(e) any taxes and tariffs or duties paid, absorbed or allowed that are paid on sales of Product in finished package form, (excluding income taxes);

(f) allocated costs for sales samples of Products, for all Products sold or Commercially Used by Licensee or its Affiliates; and

(g) Amounts invoiced for Products that are not paid within the required time.

Sales to a Third Party distributor of such Product in any given country shall be considered a sale to a Third Party purchaser for commercial use. Sale or transfer to an Affiliate or sublicensee for re-sale by such Affiliate or sublicensee shall not be considered a sale for the purpose of this provision, but the resale by such Affiliate or sublicensee to a Third Party for commercial use shall be a sale for such purposes.

Notwithstanding the foregoing, in the event a Product is sold in a country in the Territory as a Combination Product, Net Sales of the Combination Product will be calculated as follows:

(i) If the Product (without such Other Component) and the Other Component(s) contained in the Combination Product each are sold separately in such country, Net Sales will be calculated by multiplying the total Net Sales (as described above) of the Combination Product by the fraction A/(A+B), where A is the average gross selling price in such country of the Product (without such Other Component) sold separately in the same formulation and dosage, and B is the sum of the average gross selling prices in such country of such Other Component(s) sold separately in the same formulation and dosage, during the applicable Calendar Year.

(ii) If the Product (without such Other Component) is sold independently of the Other Component(s) contained in the Combination Product in such country, but the average gross selling price of such Other Component(s) in such country cannot be determined, Net Sales will be calculated by multiplying the total Net Sales (as described above) of the Combination Product by the fraction A/C where A is the average gross selling price in such country of such Product (without such Other Component) sold independently and C is the average gross selling price in such country of the entire Combination Product, during the applicable Calendar Year.

(iii) If the Other Component(s) contained in the Combination Product are sold independently of the Product (without such Other Component) in such country, but the average gross selling price of such Product (without such Other Component) in such country cannot be determined, Net Sales will be calculated by multiplying the total Net Sales (as described above) of the Combination Product by the fraction (1-(B/C)), where B is the average gross selling price in such country of such Other Component(s) and C is the average gross selling price in such country of the entire Combination Product, during the applicable Calendar Year.

(iv) If the Product (without such Other Component) contained in the Combination Product and Other Component(s) contained in the Combination Product are not sold separately in such country, or if they are sold separately but the average gross selling price of neither such Product (without such Other Component) nor such Other Component(s) can be determined in such country, Net Sales of the Combination Product in such country will be calculated by mutual agreement of the Parties.

"Other Component" means any therapeutically active pharmaceutical ingredient that is not covered or claimed by, or is not included in, the Licensed Technology, or any proprietary delivery device or other proprietary delivery means.

"Patent(s)" means any patents or patent applications which claim the invention(s) summarized in Appendix A, including without limitation any United States Letters Patent, and all continuations, continuations-in-part, additions, divisions, renewals, extensions, reexaminations and reissues of any of the foregoing, all foreign counterparts of any of the foregoing, and any other patent applications or patents which relate to the Licensed Technology owned or controlled by UM during the term of this Agreement.

"Patent Expenses" means (a) all reasonable fees, expenses, and charges of outside patent counsel related to Patent Rights listed in Exhibit A currently or added by amendment at a future date, incurred by UM in connection with the preparation, filing, prosecution, issuance, re-issuance, re-examination, interference, and/or maintenance of applications for patent rights, currently contained or that may be added to Exhibit A; and (b) an administrative fee in the amount of twenty percent (20%) of the amount of future Patent Expenses incurred in the course of activities conducted pursuant to (a), subject to Article 7.

"Person" means an individual, partnership, corporation, joint venture, unincorporated association, or other entity, or a government or department of agency thereof.

"Products" means any article or portion thereof which is made, produced, or used in whole or in material part, by or with the use of the Licensed Technology.

"Technical Information" means and includes all technical information, trade secrets, developments, discoveries, know-how, methods, techniques, formulae, processes and other information relating to the Licensed Technology that UM owns or controls on the date hereof or owns or controls in the future, and provides to Licensee pursuant to this Agreement, including by way of illustration and not limitation, designs, data, drawings, documents, models, and other similar information .

"UM Know-How" means all information, technical data and assistance, inventions and discoveries of UM disclosed or provided to Licensee by UM relating to the exploitation of any invention described in the Patents.

"Valid Claim" means a claim of an unexpired issued Patent that has not been withdrawn, canceled or disclaimed or held invalid by a court or governmental authority of competent jurisdiction in an unappealed or unappealable decision.

ARTICLE 2
GRANT OF LICENSE

2.1 Grant of License. Subject to the terms and conditions contained in this Agreement, UM hereby grants to Licensee an exclusive, perpetual, non-transferrable except otherwise allowed in this Agreement, worldwide, royalty-bearing right and license to use and practice the Licensed Technology to develop, make, have made, use, sell, offer for sale and import Products in the Field. Notwithstanding the foregoing, UM expressly reserves a non-transferable royalty-free right to use the Licensed Technology in the Field itself, including use by its faculty, staff and researchers, for educational and non-commercial research purposes only.

2.2 Right to Sub-license. Licensee shall have the right to sub-license to any third party, in whole or in part, its rights under this Agreement with written permission of UM, such permission not to be unreasonably withheld ; provided that no such written permission of UM shall be required for the grant of any sublicense to any biotechnology or pharmaceutical company that has, at the time of the grant of such sublicense, annual revenues that are within the highest thirty (30) greatest annual revenues among biotechnology or pharmaceutical companies worldwide. If Licensee requests permission to grant a sublicense pursuant to this Section 2.2, UM shall provide a response to such request within fifteen (15) days after its receipt of such request, and if UM fails to do so within such time period, such permission will be deemed to have been granted. As a condition of granting sub-licenses, Licensee will provide UM with full and complete copies of all contracts and agreements between it and any sublicensee within ten (10) business days after execution of same. UM will maintain such copies and their terms in confidence as required in Article 8. A grant of a sublicense will be invalid if any agreement between Licensee and such sublicensee prohibits, restricts or conditions Licensee's provision of such copies to UM as required in this article.

2.3 No Rights by Implication. No rights or licenses with respect to the Licensed Technology are granted or deemed granted hereunder or in connection herewith, other than those rights or licenses expressly granted in this Agreement.

ARTICLE 3
LICENSING FEES AND EQUITY

3.1 Upfront, Annual License Maintenance Fee and Milestone Payments. In consideration of the license granted hereunder, Licensee shall pay UM the following non-refundable payments:

(a). One-Time Upfront Payment - *** within fifteen (15) days of the Effective Date of this Agreement. Such payments will be paid in four equal installments (each equal to $***), each due on the first day of each of the first four (4) calendar months after the Effective Date.

(b) Annual License Maintenance Fee. *** due on the anniversary of the Effective Date. The Annual License Maintenance Fee will be credited against royalties in the current fiscal year.

(c) One-Time Milestone Payments.

i. *** paid in four equal installments (each equal to $***) on the first day of each of the first four (4) calendar months following the submission of the first Investigational New Drug Application ("IND") to the Food and Drug Administration ("FDA") or an equivalent application to a regulatory agency anywhere in the world, for a Product.

ii. ***, paid in four equal installments each equal to $***) on the first day of each of the first four (4) calendar months following the first submission of a New Drug Application ("NDA"), including but not limited to a 505b2 application, or an equivalent application to a regulatory agency anywhere in the world for a Product.

iii. *** paid in four equal installments (each equal to $***) on the first day of each calendar month following the first approval of a New Drug Application ("NDA"), the including but not limited to a 505b2 application to the FDA, or an equivalent application to a regulatory agency anywhere in the world, for a Product.

3.2 Royalties and Sublicense Licensing Fee Payments.

(a). In further consideration of the rights and licenses granted hereunder, Licensee shall pay UM a royalty of *** of Net Sales of all Products sold by Licensee or its Affiliate for commercial use.

(b). No royalty shall be due on Products used for clinical trial or other research or developmental uses. No additional royalty will be due for the use of an amino acid ester of THC in a Product containing an amino acid ester of THC that otherwise is generating royalties under this Agreement. For avoidance of doubt, Licensee's obligation to pay UM a royalty on sales will not be calculated twice - once for the use of an amino acid ester of THC in a formulation for delivery in the oral cavity and once for the sale of a Product containing THC for delivery in the oral cavity.

(c). In the event Licensed Technology is sub-licensed by Licensee to a third party, Licensee will be obligated to pay UM *** of any and all licensing fees received by Licensee, including but not limited to upfront fees (whether paid in cash, equity of the sub-licensee or other consideration), royalties, and milestone payments, received in consideration of the grant of sub-licenses of the Licensed Technology, however such sub-licenses may be characterized.

*** Certain confidential information contained in this document, marked with three asterisks (***), has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

The percentage payable with respect to sublicensing fees received by Licensee will decrease from*** to the amounts indicated below if Licensee sublicenses the Licensed Technology after completion of the following development milestones:

(i). *** if such sub-license is granted after completion of Phase II clinical trials but prior to the commencement of Phase III clinical trials;

(ii) ***, if such sub-license is granted upon or after the commencement of Phase III clinical trials but prior to receipt of the first regulatory approval of Products;

(iii) *** if the sub-license is granted upon or after the first regulatory approval of Products based on a 505(b)2 New Drug Application ((not a 505(b)1 New Drug Application)) filed with the FDA or equivalent thereof; or

(iv) *** if the sub-license is granted upon or after the first regulatory approval of a Product based on a 505(b)1 New Drug Application ((not a 505(b)(2) application)) filed with the FDA, or equivalent thereof.

(d). Notwithstanding the foregoing, in the event the foregoing percentages of the amounts received by the Licensee from a sub-licensee in the form of a royalty on net sales of Products sold by or on behalf of the Sub-licensee does not equal a minimum of *** of Net Sales (calculated *mutatis mutandis* as if such Net Sales were made by Licensee), Licensee will be obligated to pay UM a royalty of *** of Net Sales by or on behalf of such Sub-licensee (calculated *mutatis mutandis* as if such Net Sales were made by Licensee), subject to reduction as set forth below.

(e). If, in connection with the manufacture, use, or commercialization of a Product, Licensee or its Affiliate is obligated to make royalty payments to any third parties, then Licensee may offset against the royalty owed to UM for that Product *** of the royalty payable to such third parties, provided that in no event would any such offsets result in reducing royalties due to UM by more than *** of those otherwise payable to UM.

(f). If no Valid Claim covers a Product in a country at the time such Product is sold in such country, then the royalties payable under this Section 3.2 on Net Sales of Products by Licensee or its Affiliates shall be reduced by ***. This reduction in royalties does not apply if a patent application that is part of the Patents licensed under this Agreement is pending in the country and the intention of UM is to obtain a Valid Claim that covers the Product in the country. In no event would the royalty due to UM with respect to Net Sales of Products sold in a given country be reduced by operation of the foregoing offsets and reductions to less than *** of Net Sales of Products in such country.

(g). Royalties and payments due with respect to shall be paid pursuant to this Section 3.2 until the later of, on a country by country and Product by Product basis, (i) the date upon which no Valid Claim of a Patent included in the Licensed Technology covers the Product in such country, or (ii) ten (10) years after first commercial sale of such Product in such country.

*** Certain confidential information contained in this document, marked with three asterisks (***), has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

3.3 Payments. Royalties and other amounts payable under this Agreement shall be paid within forty five (45) days following the last day of the Calendar Quarter in which royalties and other amounts accrue. The last such payment shall be made within forty five (45) days after termination of this Agreement. Payments shall be deemed paid as of the day on which they are received by UM.

3.4 Reimbursement of Patent Expenses. Licensee will reimburse UM's out-of-pocket Patent Expenses incurred before the Effective Date totaling, as of 8/28/2014 , ***, by February 15, 2015. Licensee will reimburse UM's Patent Expenses incurred after the Effective Date within forty-five (45) days of receipt of an invoice from UM detailing the Patent Expenses incurred by UM.

3.5 Reports. Licensee shall deliver to UM within forty five (45) days after the end of each Calendar Quarter following commercial sale of a Product a report setting forth in reasonable detail the calculation of the royalties and other amounts payable to UM for such Calendar Quarter pursuant to this Article 3, including, without limitation, the Products sold in each country during such Calendar Quarter, the Net Sales thereof, and, within sixty (60) days after the end of each Calendar Quarter, similar reports containing corresponding information relating to royalties payable due to sales by permitted sub-licensees pursuant to Article 3.2 . An example of an acceptable royalty report is provided in Appendix D.

3.6 Currency, Place of Payment, Interest.

(a) All dollar amounts referred to in this Agreement are expressed in United States dollars. All payments to UM under this Agreement shall be made in United States dollars (or other legal currency of the United States), as directed by UM, by check payable to the University of Mississippi" or by wire transfer to an account as UM may designate from time to time.

(b) If Licensee receives revenues from sales of Products in a currency other than United States dollars, royalties shall be converted into United States dollars at the applicable conversion rate for the foreign currency as published in the "Exchange Rates" table in the eastern edition of *The Wall Street Journal* as of the last date of the Calendar Quarter.

(c) Amounts that are not paid when due shall accrue interest-from the due date until paid, at an annual rate equal to the "Prime Rate" plus 2% as published in the "Money Rates" table in the eastern edition of *The Wall Street Journal* as of the due date.

3.7 Records. Licensee will maintain complete and accurate books and records that enable the royalties payable hereunder to be verified. The records for each Calendar Quarter shall be maintained for two years after the submission of each report under Article 3.4 hereof. Upon reasonable prior notice to Licensee, UM and its accountants shall have access to the books and records of Licensee to conduct a review or audit thereof no more than one (1) time per years. Such access shall be available during normal business hours. In the event such audit reveals any error in the computation of amounts due pursuant to Section 3.2 exceeding 5% of the amount owed, the Licensee shall promptly reimburse UM for all reasonable expenses and costs incurred in the conduct of such review or audit.

*** Certain confidential information contained in this document, marked with three asterisks (***), has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

ARTICLE 4
CERTAIN OBLIGATIONS OF LICENSEE

4.1 Licensee Efforts; Reporting.

(a) Licensee shall use its reasonable efforts to develop for commercial use and to market Products as soon as practicable, and to continue to market Products as long as commercially viable, all as is consistent with sound and reasonable business practice.

(b) Licensee shall provide UM once per Calendar Year on December 1 with written reports, setting forth in such detail as UM may reasonably request, the progress of the development, evaluation, testing and commercialization of Products. Licensee shall notify UM within thirty (30) days of the end of the first Calendar Quarter in which the first commercial sale of a Product occurs.

4.2 Compliance with Laws. Licensee shall use its best efforts to comply in all material respects with all prevailing laws, rules and regulations pertaining to the development, testing, manufacture, marketing and import or export of Products. Without limiting the foregoing, Licensee acknowledges that the transfer of certain commodities and technical data is subject to United States laws and regulations controlling the export of such commodities and technical data, including all Export Administration Regulations of the United States Department of Commerce. These laws and regulations, among other things, prohibit or require a license for the export of certain types of technical data to specified countries. Licensee will comply in all material respects with all United States laws and regulations controlling the export of commodities and technical data.

4.3 Government Approvals. Licensee will be responsible for obtaining, at its cost and expense, all governmental approvals required to commercially market Products.

4.4 Patent Notices. Licensee shall mark or cause to be marked all Products made or sold in the United States with all applicable patent numbers where necessary to preserve the ability to claim damages for infringement, upon advice of counsel. If it is not practical for a Product to be so marked, then Licensee shall mark or cause to be marked the package for each Product with all applicable patent numbers.

4.5 Bankruptcy or Equivalent. Licensee will provide written notice to UM prior to the filing of a petition in bankruptcy or equivalent if Licensee intends to file a voluntary petition, or, if known by Licensee through statements or letters from a creditor or otherwise, if a third party intends to file an involuntary petition in bankruptcy against Licensee. Notice will be given at least 75 days before the planned filing or, if such notice is not feasible, as soon as Licensee is aware of the planned filing. Licensee's failure to perform this obligation is deemed to be a material pre-petition incurable breach under this Agreement not subject to the 60-day notice requirement of Section 9.2, and UM is deemed to have terminated this Agreement forty-five (45) days prior to the filing of the bankruptcy.

ARTICLE 5
REPRESENTATIONS

5.1 Representations of UM. UM represents to Licensee as follows:

(a) this Agreement, when executed and delivered by UM, will be the legal, valid and binding obligation of UM, enforceable against UM in accordance with its terms;

(b) UM subject to certain rights under 37 CFR 401.14 retained by the federal government in inventions resulting from federally supported work is the owner of all right, title and interest in and to the Licensed Technology, and has not granted rights in or to the Licensed Technology to any person other than Licensee;

(c) UM has not received any written notice that the Licensed Technology infringes the proprietary rights of any third party;

(d) the inventions claimed in the Patents to the knowledge of UM have not been publicly used, offered for sale, or disclosed in a printed publication by employees of UM more than one year prior to the filing of the U.S. application for the Patents.

5.2 Representations and Warranties of Licensee. Licensee represents and warrants to UM as follows:

(a) Licensee is a corporation duly organized, validly existing and in good standing under the laws of California and has all requisite corporate power and authority to execute, deliver and perform this Agreement;

(b) This Agreement, when executed and delivered by Licensee, will be the legal, valid and binding obligation of Licensee, enforceable against Licensee in accordance with its terms;

(c) the execution, delivery and performance of this Agreement by Licensee does not conflict with, or constitute a breach or default under,

(i) the charter documents of Licensee,

(ii) any law, order, judgment or governmental rule or regulation applicable to Licensee, or

(iii) any provision of any agreement, contract, commitment or instrument to which Licensee is a party; and the execution, delivery and performance of this Agreement by Licensee does not require the consent, approval or authorization of, or notice, declaration, filing or registration with, any governmental or regulatory authority.

ARTICLE 6
LIABILITY AND INDEMNIFICATION

6.1 No warranties; Limitation on Liability. EXCEPT AS EXPLICITLY SET FORTH IN THIS AGREEMENT, UM MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO: (I) COMMERCIAL UTILITY; OR (II) MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE; OR (III) THAT THE USE OF THE LICENSED TECHNOLOGY WILL NOT INFRINGE ANY PATENT, COPYRIGHT OR TRADEMARK OR OTHER PROPRIETARY OR PROPERTY RIGHTS OF OTHERS. UM SHALL NOT BE LIABLE TO LICENSEE, LICENSEE'S SUCCESSORS OR ASSIGNS OR ANY THIRD PARTY WITH RESPECT TO ANY CLAIM ON ACCOUNT OF, OR ARISING FROM, THE USE OF INFORMATION IN CONNECTION WITH THE LICENSED TECHNOLOGY SUPPLIED HEREUNDER OR THE MANUFACTURE, USE OR SALE OF PRODUCTS OR ANY OTHER MATERIAL OR ITEM DERIVED THEREFROM.

6.2 Liability. UM is an agency of the State of Mississippi under the management and control of the Board of Trustees of the State Institutions of Higher Learning (IHL). As authorized by law, IHL maintains a program of self-insurance for purposes of workers' compensation and general liability, pursuant to the Mississippi Tort Claims Act as set forth in Chapter 46, Title 11, Mississippi Code 1972, as amended. Accordingly, any liability of UM for any damages, losses, or costs arising out of or related to acts performed by UM or it employees under this Agreement is governed by the Tort Claims Act.

6.3 Licensee Indemnification. Licensee will indemnify, defend and hold harmless UM, its trustees, officers, agents and employees (collectively, the "Indemnified Parties"), from and against any and all liability, loss, damage, action, claim or expense suffered or incurred by the Indemnified Parties which results from or arises out of third party claims in connection with (individually, a "Liability" and collectively, the "Liabilities"):

(a) breach by Licensee of any duty, covenant or agreement contained in this Agreement or a lawsuit, action, or claim brought by any third party that includes any allegation which, if proven true, would constitute a breach by Licensee of any duty, covenant or agreement contained in this Agreement;

(b) the development, use, manufacture, promotion, sale, distribution or other disposition of any Products by Licensee, its Affiliates, assignees, vendors or other third parties, for personal injury, including death, or property damage arising from any of the foregoing. The indemnification obligation under Article 6.3 shall not apply to any contributory negligence or product liability of the Indemnified Party which may have occurred prior to the execution of this Agreement. Licensee will indemnify and hold harmless the Indemnified Parties from and against any Liabilities resulting from:

(i) any product liability or other claim of any kind related to the use by a third party of a Product that was manufactured, sold, distributed or otherwise disposed by Licensee, its Affiliates, assignees, vendors or other third parties;
(ii) clinical trials or studies conducted by or on behalf of Licensee relating to any Products, including, without limitation, any claim by or on behalf of a human subject of any such clinical trial or study, any claim arising from the procedures specified in any protocol used in any such clinical trial or study, any claim of deviation, authorized or unauthorized, from the protocols of any such clinical trial or study, any claim resulting from or arising out of the manufacture or quality control by a third party of any substance administered in any clinical trial or study;
(iii) Licensee's failure to comply with all prevailing laws, rules and regulations pertaining to the development, testing, manufacture, marketing and import or export of Products.

6.4 Procedures. The Indemnified Party shall promptly notify Licensee of any claim or action giving rise to a Liability subject to the provisions of Article 6.3. Licensee shall have the duty to defend any such claim or action, at its cost and expense. Indemnified Party must have the right, however, to approve counsel through the Mississippi Attorney General and through its governing board to represent it, and such approval will not be unreasonably withheld. In the event Licensee or any of its parents, affiliates or subsidiaries is also named in a particular claim, Licensee may choose the same attorneys who defend the Indemnified Parties to defend Licensee unless there arises a conflict of interest between the Licensee and one or more of the Indemnified Parties or among the Indemnified Parties. The indemnification rights of UM or other Indemnified Party contained herein are in addition to all other rights which such Indemnified Party may have at law or in equity or otherwise.

6.5 Product Liability Insurance. Beginning with the commencement of human clinical trials of any Product and continuing for a period of time after Licensee ceases manufacturing and marketing Products that is reasonable based upon industry standards, Licensee shall maintain general liability and product liability insurance that is reasonable based upon industry standards, but not less than $5 million per incident and $5 million in the aggregate. The insurance amounts specified herein shall not be deemed a limitation on Licensee's indemnification liability under this Agreement. Licensee shall provide UM with copies of such policies, upon request of UM. Licensee shall notify UM at least ten (10) days prior to cancellation of any such coverage.

ARTICLE 7
PATENTS AND INFRINGEMENT

7.1 Prosecution of Patents.

(a) Responsibilities for Patent Prosecution and Maintenance.

(i) UM using one of its approved outside patent attorneys is responsible for preparing, filing, and prosecuting any patent applications, maintaining any issued patents, and prosecuting and maintaining any and all continuations, continuations-in-part, divisional, substitutions, reissues, or re-examinations (or the foreign equivalent of these) related to the Patent rights in accordance with the process summarized in Appendix C. Licensee will reimburse UM for Patent Expenses subject to 3.1.c. hereof.

(ii) UM will prepare, file, and prosecute Patent(s), including Improvements in the United States. In the event of Improvements UM may also prepare, file, and prosecute international applications under the Patent Cooperation Treaty. Licensee will specify in writing to UM the foreign countries in which patent applications for Improvements are to be filed and prosecuted. UM will notify Licensee ninety (90) days in advance of a national stage filing deadline, and Licensee will specify such additional countries no later than thirty (30) days before the national stage filing deadline for the pertinent patent application.

(iii) UM is solely responsible for making decisions regarding content of U.S. and foreign applications to be filed and prosecution of the applications, continuations, continuations-in-part, divisional, substitutions, reissues, or re-examinations (or the foreign equivalent of these) related thereto.

(iv) Licensee will cooperate with UM in the filing, prosecution, and maintenance of any Patents. UM will advise Licensee promptly as to all material developments with respect to the applications. Copies of all papers received and filed in connection with prosecution of applications in all countries will be provided promptly after receipt or filing to Licensee to enable it to advise UM concerning the applications.

(v) No party shall be liable for any loss, as a whole or in part, of a patent term extension granted by the U.S. Patent and Trademark Office (or its foreign equivalents) on a Patent, even if such loss results from acts or omissions of the prosecuting party or its personnel.

(vi) Each party agrees to promptly forward all written communications from the other party regarding prosecution of Patents to its patent counsel as appropriate, with a written confirmation to the other party that the communications have been forwarded.

7.2 Infringement by Third Party.

(a) Each party will promptly notify the other party of any infringement or possible infringement of any of the Patents or other Licensed Technology. Licensee shall have the right, but not the obligation, to prosecute such infringement at its own expense. In such event, UM shall cooperate with Licensee, at UM's expense. Licensee shall not settle or compromise any such suit in a manner that imposes any obligations or restrictions on UM or grants any rights to the Licensed Technology which are inconsistent with the rights and obligations of Licensee or UM pursuant to this Agreement, without UM's written consent.

(b) If Licensee fails to prosecute or chooses not to prosecute such infringement within one hundred and twenty (120) days after receiving notice thereof, UM shall have the right, but not the obligation, to prosecute such infringement at its own expense. In such event, Licensee shall cooperate with UM, at UM's expense.

(b) Any recovery obtained by the prosecuting party as a result of such proceeding, by settlement or otherwise, shall be applied first to the prosecuting party, an amount equal to two times its costs and expenses of the litigation, with the remainder to be paid 80% to the prosecuting party and 20% to the other party.

ARTICLE 8
CONFIDENTIALITY AND PUBLICATIONS

8.1 Confidentiality. To the extent allowed by law, both parties shall maintain in confidence and shall not disclose to any third party the Confidential Information received pursuant to this Agreement, without the prior written consent of the disclosing party except that the Confidential Information may be disclosed by either party only to those third parties (x) who have a need to know the information in connection with the exercise by either party of its rights under this Agreement and who agreed in writing to keep the information confidential to the same extent as is required of the parties under this Article 8.1, or (y) to whom either party is legally obligated to disclose the information. The foregoing obligation shall not apply to information which:

(a) is, at the time of disclosure, publicly known or available to the public, provided that Information will not be deemed to be within the public domain merely because individual parts of such Information are found separately within the public domain, but only if all the material features comprising such Confidential Information are found in combination in the public domain;

(b) is known to recipient at the time of disclosure of such Confidential Information not under confidentiality provided that recipient promptly notifies disclosing party in writing of this prior knowledge within thirty (30) days of receipt;

(c) is hereafter furnished to recipient by a third party, as a matter of right and without restriction on disclosure, provided that recipient promptly notifies disclosing party in writing of this third party disclosure after receipt thereof;

(d) is made public by disclosing party;

(e) is disclosed with the written approval of either party;

(f) is the subject of a legally binding court order compelling disclosure, provided that recipient must give disclosing party notice of any request for disclosure pursuant to any legal proceeding, within two (2) days of receipt of such request by recipient, and recipient must cooperate with disclosing party in obtaining appropriate protective orders to preserve the confidentiality of the Confidential Information;

(g) must be disclosed to comply with applicable laws, rules, regulations or rules of a securities exchange, provided that the party subject thereto uses reasonable efforts to minimize the scope of disclosure and to seek confidential treatment thereof.

8.2 Publications. Should UM desire to disclose publicly, in writing or by oral presentation, Confidential Information related to the Licensed Technology, UM shall notify Licensee in writing of its intention at least ninety (90) days before such disclosure. UM shall include with such notice a description of the oral presentation or, in the case of a manuscript or other proposed written disclosure, a current draft of such written disclosure. Licensee may request UM, no later than ninety (90) days following the receipt of UM's notice, to file a patent application, copyright or other filing related to such Invention. All such filings shall be subject to the provisions of Article 8.1 of this Agreement. Upon receipt of such request, UM shall arrange for a delay in publication, to permit filing of a patent or other application. Should Licensee reasonably determine that more than ninety (90) days is required in order to file any such patent information (including additional time required to perform additional research required for adequate patent disclosure), or, if Licensee reasonably determines that such Confidential Information cannot be adequately protected through patenting and such Confidential Information has commercial value as a trade secret, then publication or disclosure shall be postponed until the parties can mutually agree upon a reasonable way to proceed.

8.3 Use of Name; Disclosure of Agreement. Neither Licensee nor UM shall directly or indirectly use the other party's name, seal, logo, trademark, or service mark, or any adaptation of them, or the name of any trustee, officer or employee thereof, without that party's prior written consent, or disclose the terms of this Agreement to third parties except that UM or Licensee may disclose this Agreement to any sublicenses or Affiliate and may disclose an accurate description of the terms of this Agreement to the extent required under federal or state securities, tax, grant administration, or other governmental disclosure laws, rules or regulations or rules of a securities exchange, provided that UM shall take steps to preserve the confidentiality of such information to the extent allowed by law. In addition, Licensee shall not directly or indirectly use the name, seal, logo, trademarks, or service marks, or any adaptation of them of the University of Texas, The Board of Regents of the University of Texas System, the university system it governs, or any member institution, or the name of any trustee, officer or employee without prior written consent.

ARTICLE 9
TERM AND TERMINATION

9.1 Term. This Agreement and the licenses granted herein shall commence on the Effective Date and shall continue, subject to earlier termination under Articles 9.2 or 9.3 hereof, until the later of the expiration of the last to expire of the patents or patent applications within the Licensed Technology, or expiration of Licensee's payment obligations under Article 3. Upon expiration of the term, Licensee shall have an irrevocable, perpetual, nonexclusive, royalty-free, worldwide license, with the right to grant sublicenses through multiple tiers, under the Licensed Technology, to develop, make, use, sell, offer for sale and import Product in the Field.

9.2 Termination by UM. Upon the occurrence of any of the events set forth below ("Events of Default"), UM shall have the right to terminate this Agreement by giving writtennotice of termination, such termination effective with the giving of such notice:

(a) nonpayment of any material amount payable to UM that is continuing sixty (60) calendar days after UM gives Licensee written notice of such nonpayment;

(b) any material breach by Licensee of any covenant (other than a payment breach referred to in clause (a) above or a Development Plan breach referred to in section 9.3 below) or any representation or warranty contained in this Agreement that is continuing sixty (60) calendar days after UM gives Licensee written notice of such breach;

(c) Licensee fails to comply in any material respect with the terms of the license granted under Article 2 hereof and such noncompliance is continuing sixty (60) calendar days after UM gives Licensee notice of such noncompliance;

(d) Licensee becomes subject to a Bankruptcy Event;

(e) the dissolution or cessation of operations by Licensee;

(f) If after the first commercial sale of a Product and during the term of this Agreement, Licensee materially fails to make reasonable efforts to commercialize at least one (1) Product or fails to keep at least one (1) Product on the market after the first commercial sale for a continuous period of one (1) year, other than for reasons outside of Licensee's control (e.g., action by regulatory authorities).

9.3 Development Plan. Licensee will provide UM with a Development Plan reasonably acceptable to UM within six (6) months of the Effective Date of this Agreement. Such Development Plan will be added to this Agreement as Appendix B. UM shall be entitled to terminate this Agreement if Licensee fails to meet the pre-established development milestones contained in the Development Plan. The milestones may be changed as agreed upon in advance in writing by both parties. UM shall give written notice of its decision to terminate this Agreement specifying a failure of the Development Plan milestones. Unless Licensee has remedied such failure or both parties have agreed, in writing, to a revised milestone schedule (which agreement will not be unreasonably withheld) within sixty (60) days after receipt of such notice, this Agreement will be deemed to terminate as of the expiration of such sixty (60) day period.

9.4 Termination by Licensee. Licensee shall have the right to terminate this Agreement, at any time with or without cause, upon sixty (60) days' written notice to the UM.

9.5 Rights and Duties Upon Termination. Within thirty (30) days after termination (but not expiration) of this Agreement, each party shall return to the other party any Confidential Information of the other party. If terminated by Licensee the Licensee also shall return all Licensed Technology which is embodied in physical form to the UM promptly upon the termination of this Agreement. In the event of an early termination of this Agreement , Licensee and its sub-licensees shall have the right to use or sell all the Product(s) on hand or in the process of manufacturing at the time of such early termination, provided that Licensee shall be obligated to pay to UM a royalty on such sales as set forth in this Agreement if, at that time there remains in existence any of UM's Patents covering the transfer of such Product(s) and a royalty or other payment is payable pursuant to the terms of this Agreement. Within thirty (30) days after termination of this Agreement by the UM under Article 9.2 or by Licensee without Cause under Article 9.4, Licensee agrees:

(a) to provide UM with copies of all results of research, development and marketing studies pertaining to the Products and Licensed Technology controlled by Licensee, its Affiliates or sublicencees;

(b) to provide UM an electronic and paper copy of any IND, NDA and any other documents and correspondence related to the Licensed Technology and Product(s) between Licensee and the Food and Drug Administration and other domestic and foreign government agencies controlled by Licensee, its Affiliates or sublicencees; and

(c) to provide UM with an electronic and paper copy of any and all patent and trademark documents and correspondence related to the Licensed Technology and Product(s) between Licensee and the U.S. Patent Office and foreign government equivalents to the extent owned by Licensee, its Affiliates, or sublicencees.

(d) that UM shall own all right, title and interest in said research, development and marketing results as well as regulatory and intellectual property related applications submitted to all government agencies that is owned by Licensee, its Affiliates, or sub-licensees. Licensee, its Affiliates or sub-licensees shall assign all such patents owned by Licensee, its Affiliates or sub-licensees in which UM is not an inventor to UM.

(e) to perform all acts deemed necessary or desirable by UM to permit and assist it, at UM's expense, in evidencing, perfecting, obtaining, maintaining, defending and enforcing UM's ownership rights and/or any assignment with respect to inventions and patents to be assigned to UM pursuant to this Section 9.5 in any and all countries. Such acts may include, but are not limited to, execution of documents and assistance or cooperation in legal proceedings. Upon termination, Licensee, its Affiliates and sub-licensees herby irrevocably designates and appoints UM and its duly authorized officers and agents, as its agents and attorneys-in-fact to act for and in its behalf and instead of Licensee, its Affiliates and sub-licensees, to execute and file any documents and to do all other lawfully permitted acts to further the foregoing purposes with the same legal force and effect as if executed by Licensee, its Affiliates and sub-licensees.

9.6 Provisions Surviving Termination. Licensee's obligation to pay any royalties accrued but unpaid prior to termination of this Agreement shall survive such termination. Licensee shall owe UM royalties on sales when Licensee has received payments from a sub-licensee or Affiliate. In addition, all provisions required to interpret the rights and obligations of the parties arising prior to the termination date shall survive expiration or termination of this Agreement.

ARTICLE 10
MISCELLANEOUS

10.1 Assignment. This Agreement and the rights and benefits conferred upon Licensee hereunder may not be transfered or assigned to any Person, directly or by merger, by sale or assignment of membership interests in Licensee, or by other operation of law, without the express written permission of UM, which permission will not be unreasonably withheld. Notwithstanding the requirement set forth in the preceding sentence, Licensee may assign or transfer its interests in this Agreement without written permission from UM in the following circumstances:

(a) an assignment in connection with the sale or transfer of all or substantially all of Licensee's assets which relate to the development or use of the Licensed Technology or a Product(s) provided that the buyer or transferee is at least as financially stable as Licensee and following the sale or transfer would be as capable of performing its obligations under this Agreement as Licensee would be; or
(b) an assignment by Licensee to an Affiliate of Licensee; or

(c) an assignment of a security interest in this Agreement as a part of a security interest in all or substantially all of the Licensee's assets which relate to the Licensed Technology. or a Product(s).

Any prohibited assignment of this Agreement or the rights hereunder shall be null and void. No assignment shall relieve Licensee of responsibility for the performance of any accrued obligations which it has prior to such assignment. This Agreement shall inure to the benefit of permitted assigns of Licensee.

10.2 No Waiver. A waiver by either party of a breach or violation of any provision of this Agreement will not constitute or be construed as a waiver of any subsequent breach or violation of that provision or as a waiver of any breach or violation of any other provision of this Agreement.

10.3 Independent Contractor. Nothing herein shall be deemed to establish a relationship of principal and agent between UM and Licensee, nor any of their agents or employees for any purpose whatsoever. This Agreement shall not be construed as constituting UM and Licensee as partners, or as creating any other form of legal association or arrangement which could impose liability upon one party for the act or failure to act of the other party. No employees or staff of UM shall be entitled to any benefits applicable to employees of Licensee. Neither party shall be bound by the acts or conduct of the other party.

10.4 Notices. Any notice under this Agreement shall be sufficiently given if sent in writing by prepaid, first class, certified or registered mail, return receipt requested, addressed as follows:

if to UM, to:

University of Mississippi
P.O. Box 1848
100 Barr Hall
University, MS 38677
Attention: Dr. Walter G. Chambliss
Director of Technology Management

if to Licensee, to:

Nemus
16133 Ventura Blvd.
7th Floor, Encino, CA 91436
Attention: Reg A. Lapham
President

or to such other addresses as may be designated from time to time by notice given in accordance with the terms of this Article.

10.5 Entire Agreement. This Agreement, together with the attachments hereto, embodies the entire understanding between the parties relating to the subject matter hereof and supersedes all prior understandings and agreements, whether written or oral. This Agreement may not be modified or varied except by a written document signed by duly authorized representatives of both parties.

10.6 Severability. In the event that any provision of this Agreement shall be held to be unenforceable, invalid or in contravention of applicable law, such provision shall be of no effect, the remaining portions of this Agreement shall continue in full force and effect, and the parties shall negotiate in good faith to replace such provision with a provision which effects to the extent possible the original intent of such provision.

10.7 Force Majeure. In the event that either party's performance of its obligations under this Agreement shall be prevented by any cause beyond its reasonable control, including without limitation acts of God, acts of government, shortage of material, accident, fire, delay or other disaster, provided that the effected party shall have used its reasonable best efforts to avoid or remove the cause of such nonperformance and to minimize the duration and negative affect of such nonperformance, then such effected party's performance shall be excused and the time for performance shall be extended for the period of delay or inability to perform due to such occurrence. The affected party shall continue performance under this Agreement using its best efforts as soon as such cause is removed.

10.8 Headings. Any headings and captions used in this Agreement are for convenience of reference only and shall not affect its construction or interpretation.

10.9 No Third Party Benefits. Nothing in this Agreement, express or implied, is intended to confer on any person other than the parties hereto or their permitted assigns, any benefits, rights or remedies.

10.10 Governing Law. This Agreement shall be construed in accordance with and governed by the internal laws of the State of Mississippi, excluding such state's rules relating to conflicts of laws, and its form, execution, validity, construction and effect shall be determined in accordance with such internal laws.

10.11 Counterparts. This Agreement shall become binding when any one or more counterparts hereof,individually or taken together, shall bear the signatures of each of the parties hereto. ThisAgreement may be executed in any number of counterparts, each of which shall be deemed an original as against the party whose signature appears thereon, but all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by e-mail shall be effective as delivery of a manually executed counterpart of this Agreement.

10.12 Resolution of Disputes. In the event of any dispute, controversy or claim arising out of or relating to this Agreement, or to any breach hereof, the parties shall attempt first to resolve the dispute by good faith negotiation. If the parties are unable to reach agreement by negotiating in good faith within sixty (60) days of written assertion of a claim, they agree to try to settle the dispute by nonbinding mediation in accordance with the mediation rules of the American Arbitration Association ("AAA"). Such nonbinding mediation shall be undertaken on a confidential basis and shall take place in Oxford, Mississippi, unless the parties agree to an alternative location.

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

UNIVERSITY OF MISSISSIPPI

/s/ WALTER G. CHAMBLISS	9/29/14
Walter G. Chambliss, Ph.D.	Date
Director of Technology Management, Office of Research & Sponsored Programs	

Acknowledged by:

/s/ MAHMOUD A. ELSOHLY	9/29/14
Mahmoud A. ElSohly, Ph.D.	Date
Research Professor, National Center for Natural Products Research	

/s/ DAVID D. ALLEN	9/29/14
David D. Allen, Ph.D.	Date
Dean, School of Pharmacy	

NEMUS

/s/ REG A. LAPHAM	9/29/14
Reg A. Lapham	Date
President	

APPENDIX A

PATENTS

1. **UM 5050** ***Compositions Containing Delta-9-THC Amino Acid Esters and Process of Preparation***

   Issued: US Patent # 8,809,261

   Pending: US CIP USSN 14/462,482

   JP 2011 534860

   JP DIV SN TBA

   EP 09 824 226.6

   AU 2009308665

   CA 2,741,862

   HK 11113006.2

2. ***UM 1520 Bioadhesive Hot-Melt Extruded Film for Topical and Mucosal Adhesion Application and Drug Delivery***

   Issued: US Patent # 6,375,963

   Pending: none, no international filings

APPENDIX B

DEVELOPMENT PLAN

APPENDIX C
UM RESPONSIBILITIES FOR KEEPING LICENSEE INFORMED

The Division of Technology Management ("DTM") at UM is responsible for managing the patent prosecution process for the Licensed Technology. The following procedure will be followed:

1. Outside Patent Counsel ("OPC") will notify DTM when an office action is received from the United States Patent and Trademark Office "USPTO") or foreign counterpart and send a copy to DTM. If the office action is straightforward (e.g. very similar to a previously submitted response in another country or minor claim changes to be consistent with patent law), DTM will ask patent counsel to draft a response/amendment for review by DTM and Licensee. DTM will send a copy of the office action to Licensee and to the Principal Investigator(s) at UM. If the office action requires a strategic discussion, DTM will schedule a conference call between Licensee (and Licensee's counsel if desired), DTM, the PI(s) and OPC. At any time, regardless of the complexity of the office action, Licensee may request a conference call to discuss the pending office action and DTM will set one up. The same procedures are used when dealing with prosecution timelines and deadlines (including but not limited to 30/31 national entries on PCT applications and claim amendments following Search Reports).
2. OPC will send a "final" draft version of the response/amendment to DTM for review/approval. DTM will forward it to Licensee and the PI(s) and ask for comments. This generally requires a quick turnaround time (e.g. 24 to 48 hours) depending on how many drafts have been exchanged.
3. OPC will file the response/amendment and send DTM a copy of the filed document. DTM will forward the document to Licensee and the PI(s).
4. Improvements to the patented pending technology will be documented in accordance with UM's Patent and Invention Policy by researchers using DTMs Research Disclosure Form. DTM will send a copy of the Research Disclosure Form to Licensee if Licensee has not already reviewed the disclosure. The disclosure will be sent to OPC for review and a conference call will be set up with DTM, Licensee (and Licensee's counsel if desired), the PI(s) (and other researchers as appropriate) and the OPC to discuss strategies of incorporating the Improvement.
5. When OPC receives a notice of allowance for the pending claims, OPC will send the notice to DTM. DTM will forward the notice to Licensee, and the PI(s). DTM will ask Licensee and the PI(s) if there are any Improvements that need to be considered for incorporation before the patent issues (typically 3 to 6 weeks). DTM will ask Licensee and the PI if the issue fee should be paid or if the claims should be further amended.
6. DTM will send Licensee a monthly IP report, usually the first week of every month, detailing all issued and pending patents. The report will include a status item for every docket as well as timeline for any pending deadlines with a countries patent office. Estimates for each action item will be included if they are available from OPC.

In all of the above, the final prosecution decisions rest with DTM, however the wishes of Licensee and the PI(s) are taken seriously. In addition Licensee is advised that on occasion the OPC (no matter which OPC DTM uses) will fail to provide DTM with timely notice of actions needed during prosecution negating some of the above steps. In such cases DTM will notify Licensee and the PIs of the situation and respond as needed to meet required deadlines.

APPENDIX D

Example Sales and Royalty Report

Licensee: _____ UM Agreement ID: _____

Period Covered: _____ through _____

Prepared by: _____ Date: _____
(Company Representative)

Approved by: _____ Date: _____
(Company Representative)

If license agreement covers several major product lines, please prepare a separate report for each line. Then combine all product lines into a summary report.

Report Type:
- ☐ Single Product or Process Line Report: _____ (product name)
- ☐ Multiproduct Summary Report, Page ____ of ____

Other Compensation:
- ☐ Annual Payments, milestones, or other fees & compensation

  Details: _____

  Amount Due: _____
- ☐ No Compensation of Royalty Due this Period

  Reason: _____

Country	Quantity Produced	Quantity Sold	Gross Sales ($)	*Net Sales ($)	Royalty Rate	Conversion Rate (if applicable)	Royalty Due this Period
USA							
Canada							
Japan							
Other:							
TOTAL:							

* To calculate net sales, use the following space to list separately the specific types of allowed deductions under the license agreement and the corresponding amounts: _____

Then calculate the final Net Sales amount by subtracting these amounts from Gross Sales, and note in the column above.

CONFIDENTIAL

LICENSE AGREEMENT

THIS LICENSE AGREEMENT ("Agreement") is made as of this September 29, 2014 ("Effective Date") by and between the UNIVERSITY OF MISSISSIPPI, SCHOOL OF PHARMACY, an educational institution with a principal address at University, Mississippi 38677 ("UM") and NEMUS, a corporation organized and existing under the laws of California with a principal address 16133 Ventura Blvd., 7th Floor, Encino, CA 91436 ("Licensee")

RECITALS

WHEREAS, UM is the owner of certain patent applications and other technology related to the rectal delivery of amino acid ester prodrugs of delta-9-tetrahydrocannabinol;

WHEREAS, Licensee wishes to acquire certain rights and licenses with respect to rectal delivery of amino acid ester prodrugs of delta-9-tetrahydrocannabinol in accordance with the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, and intending to be legally bound herby, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Unless otherwise provided in this Agreement, the following terms when used with initial capital letters shall have the meanings set forth below:

"Affiliate" means, when used with reference to Licensee, any person directly or indirectly controlling, controlled by or under common control with Licensee.

"Bankruptcy Event" means the person in question becomes insolvent, or voluntary or involuntary proceedings by or against such person are instituted in bankruptcy or under any insolvency law, or a receiver or custodian is appointed for such person, or proceedings are instituted by or against such person for corporate dissolution of such person, which proceedings, if involuntary, shall not have been dismissed within sixty (60) days after the date of filing, or such person makes an assignment for the benefit of creditors, or substantially all of the assets of such person are seized or attached in an insolvency-related proceeding and not released within sixty (60) days thereafter.

"Calendar Quarter" means each three-month period, or any portion thereof, beginning on January 1, April 1, July 1 and October 1.

"Calendar Year" means each twelve-month period commencing upon January 1.

"Confidential Information" means (i) the Technical Information, (ii) any other information or material in tangible form that is marked as confidential or proprietary by the furnishing party at the time it is delivered to the receiving party, and (iii) information that is furnished orally if the furnishing party identifies such information as confidential or proprietary when it is disclosed and promptly confirms such designation in writing after such disclosure.

"Effective Date" shall have the meaning set forth on page 1 of this Agreement.

*** Certain confidential information contained in this document, marked with three asterisks (***), has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

"Federal Government Interest" means the rights of the United States Government and agencies thereof under Public Laws 96_517, 97_256 and 98_620, codified at 35 U.S.C.§§ 200-212, and any regulations issued thereunder, as such statute or regulations may be amended from time to time hereafter.

"Field" means all indications for Products administered rectally.

"Improvements" means any improvement, modification or other refinement, regardless of the patentability thereof to (a) the subject matter of the Licensed Technology that is within the scope of the Patents, or (b) the development, manufacture, use or sale of which, except for the licenses granted herein, would infringe any of the Patents including for patent applications those claims therein treated as if they were issued).

"Licensed Technology" means and includes UM Know-How, the Patents and Improvements.

"Net Sales" means Licensee's invoice price or fee, less the following for all Products sold for commercial use or Commercially Used by Licensee or its Affiliates:

(a) any and all normal and customary trade, prompt payment, cash and quantity discounts, customary allowances actually granted to purchasers of a Product for returns and recalled Product (including in connection with Product withdrawals, expired Product and Product recalls), chargeback and reporting fees paid to wholesalers and other distributors, allowances to end users participating in incentive programs, rebates and other credit adjustments based upon shipping discrepancies and order errors;

(b) administrative fees to managed health care organizations;

(c) freight expenses for shipping Product in finished package form (including insurance) to such purchasers, including without limitation the costs of export licenses, shipping, postage and handling charges, if not paid by the purchaser;

(d) commissions or fees paid to independent sales representatives, brokers, dealers, or distributors;

(e) any taxes and tariffs or duties paid, absorbed or allowed that are paid on sales of Product in finished package form, (excluding income taxes);

(f) allocated costs for sales samples of Products, for all Products sold or Commercially Used by Licensee or its Affiliates; and

(g) Amounts invoiced for Products that are not paid within the required time.

Sales to a Third Party distributor of such Product in any given country shall be considered a sale to a Third Party purchaser for commercial use. Sale or transfer to an Affiliate or sublicensee for re-sale by such Affiliate or sublicensee shall not be considered a sale for the purpose of this provision, but the resale by such Affiliate or sublicensee to a Third Party for commercial use shall be a sale for such purposes.

Notwithstanding the foregoing, in the event a Product is sold in a country in the Territory as a Combination Product, Net Sales of the Combination Product will be calculated as follows:

(i) If the Product (without such Other Component) and the Other Component(s) contained in the Combination Product each are sold separately in such country, Net Sales will be calculated by multiplying the total Net Sales (as described above) of the Combination Product by the fraction A/(A+B), where A is the average gross selling price in such country of the Product (without such Other Component) sold separately in the same formulation and dosage, and B is the sum of the average gross selling prices in such country of such Other Component(s) sold separately in the same formulation and dosage, during the applicable Calendar Year.

(ii) If the Product (without such Other Component) is sold independently of the Other Component(s) contained in the Combination Product in such country, but the average gross selling price of such Other Component(s) in such country cannot be determined, Net Sales will be calculated by multiplying the total Net Sales (as described above) of the Combination Product by the fraction A/C where A is the average gross selling price in such country of such Product (without such Other Component) sold independently and C is the average gross selling price in such country of the entire Combination Product, during the applicable Calendar Year.

(iii) If the Other Component(s) contained in the Combination Product are sold independently of the Product (without such Other Component) in such country, but the average gross selling price of such Product (without such Other Component) in such country cannot be determined, Net Sales will be calculated by multiplying the total Net Sales (as described above) of the Combination Product by the fraction (1-(B/C)), where B is the average gross selling price in such country of such Other Component(s) and C is the average gross selling price in such country of the entire Combination Product, during the applicable Calendar Year.

(iv) If the Product (without such Other Component) contained in the Combination Product and Other Component(s) contained in the Combination Product are not sold separately in such country, or if they are sold separately but the average gross selling price of neither such Product (without such Other Component) nor such Other Component(s) can be determined in such country, Net Sales of the Combination Product in such country will be calculated by mutual agreement of the Parties.

"Other Component" means any therapeutically active pharmaceutical ingredient that is not covered or claimed by, or is not included in, the Licensed Technology, or any proprietary delivery device or other proprietary delivery means.

"Patent(s)" means any patents or patent applications which claim the invention(s) summarized in Appendix A, including without limitation any United States Letters Patent, and all continuations, continuations-in-part, additions, divisions, renewals, extensions, reexaminations and reissues of any of the foregoing, all foreign counterparts of any of the foregoing, and any other patent applications or patents which relate to the Licensed Technology owned or controlled by UM during the term of this Agreement.

"Patent Expenses" means (a) all reasonable fees, expenses, and charges of outside patent counsel related to Patent Rights listed in Exhibit A currently or added by amendment at a future date, incurred by UM in connection with the preparation, filing, prosecution, issuance, re-issuance, re-examination, interference, and/or maintenance of applications for patent rights, currently contained or that may be added to Exhibit A; and (b) an administrative fee in the amount of twenty percent (20%) of the amount of future Patent Expenses incurred in the course of activities conducted pursuant to (a), subject to Article 7.

"Person" means an individual, partnership, corporation, joint venture, unincorporated association, or other entity, or a government or department of agency thereof.

"Products" means any article or portion thereof which is made, produced, or used in whole or in material part, by or with the use of the Licensed Technology.

"Technical Information" means and includes all technical information, trade secrets, developments, discoveries, know-how, methods, techniques, formulae, processes and other information relating to the Licensed Technology that UM owns or controls on the date hereof or owns or controls in the future, and provides to Licensee pursuant to this Agreement, including by way of illustration and not limitation, designs, data, drawings, documents, models, and other similar information .

"UM Know-How" means all information, technical data and assistance, inventions and discoveries of UM disclosed or provided to Licensee by UM relating to the exploitation of any invention described in the Patents.

"Valid Claim" means a claim of an unexpired issued Patent that has not been withdrawn, canceled or disclaimed or held invalid by a court or governmental authority of competent jurisdiction in an unappealed or unappealable decision.

ARTICLE 2
GRANT OF LICENSE

2.1 Grant of License. Subject to the terms and conditions contained in this Agreement, UM hereby grants to Licensee an exclusive, perpetual, non-transferrable except otherwise allowed in this Agreement, worldwide, royalty-bearing right and license to use and practice the Licensed Technology to develop, make, have made, use, sell, offer for sale and import Products in the Field. Notwithstanding the foregoing, UM expressly reserves a non-transferable royalty-free right to use the Licensed Technology in the Field itself, including use by its faculty, staff and researchers, for educational and non-commercial research purposes only.

2.2 Right to Sub-license. Licensee shall have the right to sub-license to any third party, in whole or in part, its rights under this Agreement with written permission of UM, such permission not to be unreasonably withheld ; provided that no such written permission of UM shall be required for the grant of any sublicense to any biotechnology or pharmaceutical company that has, at the time of the grant of such sublicense, annual revenues that are within the highest thirty (30) greatest annual revenues among biotechnology or pharmaceutical companies worldwide. If Licensee requests permission to grant a sublicense pursuant to this Section 2.2, UM shall provide a response to such request within fifteen (15) days after its receipt of such request, and if UM fails to do so within such time period, such permission will be deemed to have been granted. As a condition of granting sub-licenses, Licensee will provide UM with full and complete copies of all contracts and agreements between it and any sublicensee within ten (10) business days after execution of same. UM will maintain such copies and their terms in confidence as required in Article 8. A grant of a sublicense will be invalid if any agreement between Licensee and such sublicensee prohibits, restricts or conditions Licensee's provision of such copies to UM as required in this article.

2.3 No Rights by Implication. No rights or licenses with respect to the Licensed Technology are granted or deemed granted hereunder or in connection herewith, other than those rights or licenses expressly granted in this Agreement.

ARTICLE 3
LICENSING FEES AND EQUITY

3.1 Upfront, Annual License Maintenance Fee and Milestone Payments. In consideration of the license granted hereunder, Licensee shall pay UM the following non-refundable payments:

(a). One-Time Upfront Payment - *** within fifteen (15) days of the Effective Date of this Agreement. Such payments will be paid in four equal installments (each equal to $***), each due on the first day of each of the first four (4) calendar months after the Effective Date.

(b) Annual License Maintenance Fee. *** due on the anniversary of the Effective Date. The Annual License Maintenance Fee will be credited against royalties in the current fiscal year.

(c) One-Time Milestone Payments.

i. *** paid in four equal installments (each equal to $***) on the first day of each of the first four (4) calendar months following the submission of the first Investigational New Drug Application ("IND") to the Food and Drug Administration ("FDA") or an equivalent application to a regulatory agency anywhere in the world, for a Product.

ii. ***, paid in four equal installments each equal to $***) on the first day of each of the first four (4) calendar months following the first submission of a New Drug Application ("NDA"), including but not limited to a 505b2 application, or an equivalent application to a regulatory agency anywhere in the world for a Product.

iii. *** paid in four equal installments (each equal to $***) on the first day of each calendar month following the first approval of a New Drug Application ("NDA"), the including but not limited to a 505b2 application to the FDA, or an equivalent application to a regulatory agency anywhere in the world, for a Product.

3.2 Royalties and Sublicense Licensing Fee Payments.

(a). In further consideration of the rights and licenses granted hereunder, Licensee shall pay UM a royalty of *** of Net Sales of all Products sold by Licensee or its Affiliate for commercial use.

(b). No royalty shall be due on Products used for clinical trial or other research or developmental uses. No additional royalty will be due for the use of an amino acid ester of THC in a Product containing an amino acid ester of THC that otherwise is generating royalties under this Agreement. For avoidance of doubt, Licensee's obligation to pay UM a royalty on sales will not be calculated twice - once for the use of an amino acid ester of THC in a formulation for rectal delivery and once for the sale of a Product containing THC for rectal delivery.

(c). In the event Licensed Technology is sub-licensed by Licensee to a third party, Licensee will be obligated to pay UM *** of any and all licensing fees received by Licensee, including but not limited to upfront fees (whether paid in cash, equity of the sub-licensee or other consideration), royalties, and milestone payments, received in consideration of the grant of sub-licenses of the Licensed Technology, however such sub-licenses may be characterized. The percentage payable with respect to sublicensing fees received by Licensee will decrease from *** to the amounts indicated below if Licensee sublicenses the Licensed Technology after completion of the following development milestones:

*** Certain confidential information contained in this document, marked with three asterisks (***), has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

(i). *** if such sub-license is granted after completion of Phase II clinical trials but prior to the commencement of Phase III clinical trials;

(ii) ***, if such sub-license is granted upon or after the commencement of Phase III clinical trials but prior to receipt of the first regulatory approval of Products;

(iii) *** if the sub-license is granted upon or after the first regulatory approval of Products based on a 505(b)2 New Drug Application ((not a 505(b)1 New Drug Application)) filed with the FDA or equivalent thereof; or

(iv) *** if the sub-license is granted upon or after the first regulatory approval of a Product based on a 505(b)1 New Drug Application ((not a 505(b)(2) application)) filed with the FDA, or equivalent thereof.

(d). Notwithstanding the foregoing, in the event the foregoing percentages of the amounts received by the Licensee from a sub-licensee in the form of a royalty on net sales of Products sold by or on behalf of the Sub-licensee does not equal a minimum of *** of Net Sales (calculated *mutatis mutandis* as if such Net Sales were made by Licensee), Licensee will be obligated to pay UM a royalty of *** of Net Sales by or on behalf of such Sub-licensee (calculated *mutatis mutandis* as if such Net Sales were made by Licensee), subject to reduction as set forth below.

(e). If, in connection with the manufacture, use, or commercialization of a Product, Licensee or its Affiliate is obligated to make royalty payments to any third parties, then Licensee may offset against the royalty owed to UM for that Product *** of the royalty payable to such third parties, provided that in no event would any such offsets result in reducing royalties due to UM by more than *** of those otherwise payable to UM.

(f). If no Valid Claim covers a Product in a country at the time such Product is sold in such country, then the royalties payable under this Section 3.2 on Net Sales of Products by Licensee or its Affiliates shall be reduced by ***. This reduction in royalties does not apply if a patent application that is part of the Patents licensed under this Agreement is pending in the country and the intention of UM is to obtain a Valid Claim that covers the Product in the country. In no event would the royalty due to UM with respect to Net Sales of Products sold in a given country be reduced by operation of the foregoing offsets and reductions to less than *** of Net Sales of Products in such country.

(g). Royalties and payments due with respect to shall be paid pursuant to this Section 3.2 until the later of, on a country by country and Product by Product basis, (i) the date upon which no Valid Claim of a Patent included in the Licensed Technology covers the Product in such country, or (ii) ten (10) years after first commercial sale of such Product in such country.

3.3 Payments. Royalties and other amounts payable under this Agreement shall be paid within forty five (45) days following the last day of the Calendar Quarter in which royalties and other amounts accrue. The last such payment shall be made within forty five (45) days after termination of this Agreement. Payments shall be deemed paid as of the day on which they are received by UM.

3.4 Reimbursement of Patent Expenses. UM's out-of-pocket Patent Expenses incurred before the Effective Date of this Agreement ("Sunk Patent Expenses") are to be paid by Licensee under the License Agreement executed by the parties for delivery of amino acid esters to the oral cavity ("Oral Cavity License Agreement"). Should the Oral Cavity License Agreement be terminated for any reason before payment of UM's Sunk Patent Expenses, Licensee shall reimburse UM's Sunk Patent Expenses under this Agreement by February 15, 2015. In addition, Licensee will reimburse UM's future Patent Expenses incurred after the Effective Date of this Agreement that have not been paid under the terms of the Oral Cavity License Agreement within forty-five (45) days of receipt of an invoice from UM detailing the Patent Expenses incurred by UM.

3.5 Reports. Licensee shall deliver to UM within forty five (45) days after the end of each Calendar Quarter following commercial sale of a Product a report setting forth in reasonable detail the calculation of the royalties and other amounts payable to UM for such Calendar Quarter pursuant to this Article 3, including, without limitation, the Products sold in each country during such Calendar Quarter, the Net Sales thereof, and, within sixty (60) days after the end of each Calendar Quarter, similar reports containing corresponding information relating to royalties payable due to sales by permitted sub-licensees pursuant to Article 3.2. An example of an acceptable royalty report is provided in Appendix D.

3.6 Currency, Place of Payment, Interest.

(a) All dollar amounts referred to in this Agreement are expressed in United States dollars. All payments to UM under this Agreement shall be made in United States dollars (or other legal currency of the United States), as directed by UM, by check payable to the University of Mississippi" or by wire transfer to an account as UM may designate from time to time.

(b) If Licensee receives revenues from sales of Products in a currency other than United States dollars, royalties shall be converted into United States dollars at the applicable conversion rate for the foreign currency as published in the "Exchange Rates" table in the eastern edition of *The Wall Street Journal* as of the last date of the Calendar Quarter.

(c) Amounts that are not paid when due shall accrue interest-from the due date until paid, at an annual rate equal to the "Prime Rate" plus 2% as published in the "Money Rates" table in the eastern edition of *The Wall Street Journal* as of the due date.

3.7 Records. Licensee will maintain complete and accurate books and records that enable the royalties payable hereunder to be verified. The records for each Calendar Quarter shall be maintained for two years after the submission of each report under Article 3.4 hereof. Upon reasonable prior notice to Licensee, UM and its accountants shall have access to the books and records of Licensee to conduct a review or audit thereof no more than one (1) time per years. Such access shall be available during normal business hours. In the event such audit reveals any error in the computation of amounts due pursuant to Section 3.2 exceeding 5% of the amount owed, the Licensee shall promptly reimburse UM for all reasonable expenses and costs incurred in the conduct of such review or audit.

ARTICLE 4
CERTAIN OBLIGATIONS OF LICENSEE

4.1 Licensee Efforts; Reporting.

(a) Licensee shall use its reasonable efforts to develop for commercial use and to market Products as soon as practicable, and to continue to market Products as long as commercially viable, all as is consistent with sound and reasonable business practice.

(b) Licensee shall provide UM once per Calendar Year on December 1 with written reports, setting forth in such detail as UM may reasonably request, the progress of the development, evaluation, testing and commercialization of Products. Licensee shall notify UM within thirty (30) days of the end of the first Calendar Quarter in which the first commercial sale of a Product occurs.

4.2 Compliance with Laws. Licensee shall use its best efforts to comply in all material respects with all prevailing laws, rules and regulations pertaining to the development, testing, manufacture, marketing and import or export of Products. Without limiting the foregoing, Licensee acknowledges that the transfer of certain commodities and technical data is subject to United States laws and regulations controlling the export of such commodities and technical data, including all Export Administration Regulations of the United States Department of Commerce. These laws and regulations, among other things, prohibit or require a license for the export of certain types of technical data to specified countries. Licensee will comply in all material respects with all United States laws and regulations controlling the export of commodities and technical data.

4.3 Government Approvals. Licensee will be responsible for obtaining, at its cost and expense, all governmental approvals required to commercially market Products.

4.4 Patent Notices. Licensee shall mark or cause to be marked all Products made or sold in the United States with all applicable patent numbers where necessary to preserve the ability to claim damages for infringement, upon advice of counsel. If it is not practical for a Product to be so marked, then Licensee shall mark or cause to be marked the package for each Product with all applicable patent numbers.

4.5 Bankruptcy or Equivalent. Licensee will provide written notice to UM prior to the filing of a petition in bankruptcy or equivalent if Licensee intends to file a voluntary petition, or, if known by Licensee through statements or letters from a creditor or otherwise, if a third party intends to file an involuntary petition in bankruptcy against Licensee. Notice will be given at least 75 days before the planned filing or, if such notice is not feasible, as soon as Licensee is aware of the planned filing. Licensee's failure to perform this obligation is deemed to be a material pre-petition incurable breach under this Agreement not subject to the 60-day notice requirement of Section 9.2, and UM is deemed to have terminated this Agreement forty-five (45) days prior to the filing of the bankruptcy.

ARTICLE 5
REPRESENTATIONS

5.1 Representations of UM. UM represents to Licensee as follows:

(a) this Agreement, when executed and delivered by UM, will be the legal, valid and binding obligation of UM, enforceable against UM in accordance with its terms;

(b) UM subject to certain rights under 37 CFR 401.14 retained by the federal government in inventions resulting from federally supported work is the owner of all right, title and interest in and to the Licensed Technology, and has not granted rights in or to the Licensed Technology to any person other than Licensee;

(c) UM has not received any written notice that the Licensed Technology infringes the proprietary rights of any third party;

(d) the inventions claimed in the Patents to the knowledge of UM have not been publicly used, offered for sale, or disclosed in a printed publication by employees of UM more than one year prior to the filing of the U.S. application for the Patents.

5.2 Representations and Warranties of Licensee. Licensee represents and warrants to UM as follows:

(a) Licensee is a corporation duly organized, validly existing and in good standing under the laws of California and has all requisite corporate power and authority to execute, deliver and perform this Agreement;

(b) This Agreement, when executed and delivered by Licensee, will be the legal, valid and binding obligation of Licensee, enforceable against Licensee in accordance with its terms;

(c) the execution, delivery and performance of this Agreement by Licensee does not conflict with, or constitute a breach or default under,

(i) the charter documents of Licensee,

(ii) any law, order, judgment or governmental rule or regulation applicable to Licensee, or

(iii) any provision of any agreement, contract, commitment or instrument to which Licensee is a party; and the execution, delivery and performance of this Agreement by Licensee does not require the consent, approval or authorization of, or notice, declaration, filing or registration with, any governmental or regulatory authority.

ARTICLE 6
LIABILITY AND INDEMNIFICATION

6.1 No warranties; Limitation on Liability. EXCEPT AS EXPLICITLY SET FORTH IN THIS AGREEMENT, UM MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO: (I) COMMERCIAL UTILITY; OR (II) MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE; OR (III) THAT THE USE OF THE LICENSED TECHNOLOGY WILL NOT INFRINGE ANY PATENT, COPYRIGHT OR TRADEMARK OR OTHER PROPRIETARY OR PROPERTY RIGHTS OF OTHERS. UM SHALL NOT BE LIABLE TO LICENSEE, LICENSEE'S SUCCESSORS OR ASSIGNS OR ANY THIRD PARTY WITH RESPECT TO ANY CLAIM ON ACCOUNT OF, OR ARISING FROM, THE USE OF INFORMATION IN CONNECTION WITH THE LICENSED TECHNOLOGY SUPPLIED HEREUNDER OR THE MANUFACTURE, USE OR SALE OF PRODUCTS OR ANY OTHER MATERIAL OR ITEM DERIVED THEREFROM.

6.2 Liability. UM is an agency of the State of Mississippi under the management and control of the Board of Trustees of the State Institutions of Higher Learning (IHL). As authorized by law, IHL maintains a program of self-insurance for purposes of workers' compensation and general liability, pursuant to the Mississippi Tort Claims Act as set forth in Chapter 46, Title 11, Mississippi Code 1972, as amended. Accordingly, any liability of UM for any damages, losses, or costs arising out of or related to acts performed by UM or it employees under this Agreement is governed by the Tort Claims Act.

6.3 Licensee Indemnification. Licensee will indemnify, defend and hold harmless UM, its trustees, officers, agents and employees (collectively, the "Indemnified Parties"), from and against any and all liability, loss, damage, action, claim or expense suffered or incurred by the Indemnified Parties which results from or arises out of third party claims in connection with (individually, a "Liability" and collectively, the "Liabilities"):

(a) breach by Licensee of any duty, covenant or agreement contained in this Agreement or a lawsuit, action, or claim brought by any third party that includes any allegation which, if proven true, would constitute a breach by Licensee of any duty, covenant or agreement contained in this Agreement;

(b) the development, use, manufacture, promotion, sale, distribution or other disposition of any Products by Licensee, its Affiliates, assignees, vendors or other third parties, for personal injury, including death, or property damage arising from any of the foregoing. The indemnification obligation under Article 6.3 shall not apply to any contributory negligence or product liability of the Indemnified Party which may have occurred prior to the execution of this Agreement. Licensee will indemnify and hold harmless the Indemnified Parties from and against any Liabilities resulting from:

(i) any product liability or other claim of any kind related to the use by a third party of a Product that was manufactured, sold, distributed or otherwise disposed by Licensee, its Affiliates, assignees, vendors or other third parties;
(ii) clinical trials or studies conducted by or on behalf of Licensee relating to any Products, including, without limitation, any claim by or on behalf of a human subject of any such clinical trial or study, any claim arising from the procedures specified in any protocol used in any such clinical trial or study, any claim of deviation, authorized or unauthorized, from the protocols of any such clinical trial or study, any claim resulting from or arising out of the manufacture or quality control by a third party of any substance administered in any clinical trial or study;
(iii) Licensee's failure to comply with all prevailing laws, rules and regulations pertaining to the development, testing, manufacture, marketing and import or export of Products.

6.4 Procedures. The Indemnified Party shall promptly notify Licensee of any claim or action giving rise to a Liability subject to the provisions of Article 6.3. Licensee shall have the duty to defend any such claim or action, at its cost and expense. Indemnified Party must have the right, however, to approve counsel through the Mississippi Attorney General and through its governing board to represent it, and such approval will not be unreasonably withheld. In the event Licensee or any of its parents, affiliates or subsidiaries is also named in a particular claim, Licensee may choose the same attorneys who defend the Indemnified Parties to defend Licensee unless there arises a conflict of interest between the Licensee and one or more of the Indemnified Parties or among the Indemnified Parties. The indemnification rights of UM or other Indemnified Party contained herein are in addition to all other rights which such Indemnified Party may have at law or in equity or otherwise.

6.5 Product Liability Insurance. Beginning with the commencement of human clinical trials of any Product and continuing for a period of time after Licensee ceases manufacturing and marketing Products that is reasonable based upon industry standards, Licensee shall maintain general liability and product liability insurance that is reasonable based upon industry standards, but not less than $5 million per incident and $5 million in the aggregate. The insurance amounts specified herein shall not be deemed a limitation on Licensee's indemnification liability under this Agreement. Licensee shall provide UM with copies of such policies, upon request of UM. Licensee shall notify UM at least ten (10) days prior to cancellation of any such coverage.

ARTICLE 7
PATENTS AND INFRINGEMENT

7.1 Prosecution of Patents.

(a) Responsibilities for Patent Prosecution and Maintenance.

(i) UM using one of its approved outside patent attorneys is responsible for preparing, filing, and prosecuting any patent applications, maintaining any issued patents, and prosecuting and maintaining any and all continuations, continuations-in-part, divisional, substitutions, reissues, or re-examinations (or the foreign equivalent of these) related to the Patent rights in accordance with the process summarized in Appendix C. Licensee will reimburse UM for Patent Expenses subject to 3.1.c. hereof.

(ii) UM will prepare, file, and prosecute Patent(s), including Improvements in the United States. In the event of Improvements UM may also prepare, file, and prosecute international applications under the Patent Cooperation Treaty. Licensee will specify in writing to UM the foreign countries in which patent applications for Improvements are to be filed and prosecuted. UM will notify Licensee ninety (90) days in advance of a national stage filing deadline, and Licensee will specify such additional countries no later than thirty (30) days before the national stage filing deadline for the pertinent patent application.

(iii) UM is solely responsible for making decisions regarding content of U.S. and foreign applications to be filed and prosecution of the applications, continuations, continuations-in-part, divisional, substitutions, reissues, or re-examinations (or the foreign equivalent of these) related thereto.

(iv)Licensee will cooperate with UM in the filing, prosecution, and maintenance of any Patents. UM will advise Licensee promptly as to all material developments with respect to the applications. Copies of all papers received and filed in connection with prosecution of applications in all countries will be provided promptly after receipt or filing to Licensee to enable it to advise UM concerning the applications.

(v) No party shall be liable for any loss, as a whole or in part, of a patent term extension granted by the U.S. Patent and Trademark Office (or its foreign equivalents) on a Patent, even if such loss results from acts or omissions of the prosecuting party or its personnel.

(vi) Each party agrees to promptly forward all written communications from the other party regarding prosecution of Patents to its patent counsel as appropriate, with a written confirmation to the other party that the communications have been forwarded.

7.2 Infringement by Third Party.

(a) Each party will promptly notify the other party of any infringement or possible infringement of any of the Patents or other Licensed Technology. Licensee shall have the right, but not the obligation, to prosecute such infringement at its own expense. In such event, UM shall cooperate with Licensee, at UM's expense. Licensee shall not settle or compromise any such suit in a manner that imposes any obligations or restrictions on UM or grants any rights to the Licensed Technology which are inconsistent with the rights and obligations of Licensee or UM pursuant to this Agreement, without UM's written consent.

(b) If Licensee fails to prosecute or chooses not to prosecute such infringement within one hundred and twenty (120) days after receiving notice thereof, UM shall have the right, but not the obligation, to prosecute such infringement at its own expense. In such event, Licensee shall cooperate with UM, at UM's expense.

(b) Any recovery obtained by the prosecuting party as a result of such proceeding, by settlement or otherwise, shall be applied first to the prosecuting party, an amount equal to two times its costs and expenses of the litigation, with the remainder to be paid 80% to the prosecuting party and 20% to the other party.

ARTICLE 8
CONFIDENTIALITY AND PUBLICATIONS

8.1 Confidentiality. To the extent allowed by law, both parties shall maintain in confidence and shall not disclose to any third party the Confidential Information received pursuant to this Agreement, without the prior written consent of the disclosing party except that the Confidential Information may be disclosed by either party only to those third parties (x) who have a need to know the information in connection with the exercise by either party of its rights under this Agreement and who agreed in writing to keep the information confidential to the same extent as is required of the parties under this Article 8.1, or (y) to whom either party is legally obligated to disclose the information. The foregoing obligation shall not apply to information which:

(a) is, at the time of disclosure, publicly known or available to the public, provided that Information will not be deemed to be within the public domain merely because individual parts of such Information are found separately within the public domain, but only if all the material features comprising such Confidential Information are found in combination in the public domain;

(b) is known to recipient at the time of disclosure of such Confidential Information not under confidentiality provided that recipient promptly notifies disclosing party in writing of this prior knowledge within thirty (30) days of receipt;

(c) is hereafter furnished to recipient by a third party, as a matter of right and without restriction on disclosure, provided that recipient promptly notifies disclosing party in writing of this third party disclosure after receipt thereof;

(d) is made public by disclosing party;

(e) is disclosed with the written approval of either party;

(f) is the subject of a legally binding court order compelling disclosure, provided that recipient must give disclosing party notice of any request for disclosure pursuant to any legal proceeding, within two (2) days of receipt of such request by recipient, and recipient must cooperate with disclosing party in obtaining appropriate protective orders to preserve the confidentiality of the Confidential Information;

(g) must be disclosed to comply with applicable laws, rules, regulations or rules of a securities exchange, provided that the party subject thereto uses reasonable efforts to minimize the scope of disclosure and to seek confidential treatment thereof.

8.2 Publications. Should UM desire to disclose publicly, in writing or by oral presentation, Confidential Information related to the Licensed Technology, UM shall notify Licensee in writing of its intention at least ninety (90) days before such disclosure. UM shall include with such notice a description of the oral presentation or, in the case of a manuscript or other proposed written disclosure, a current draft of such written disclosure. Licensee may request UM, no later than ninety (90) days following the receipt of UM's notice, to file a patent application, copyright or other filing related to such Invention. All such filings shall be subject to the provisions of Article 8.1 of this Agreement. Upon receipt of such request, UM shall arrange for a delay in publication, to permit filing of a patent or other application. Should Licensee reasonably determine that more than ninety (90) days is required in order to file any such patent information (including additional time required to perform additional research required for adequate patent disclosure), or, if Licensee reasonably determines that such Confidential Information cannot be adequately protected through patenting and such Confidential Information has commercial value as a trade secret, then publication or disclosure shall be postponed until the parties can mutually agree upon a reasonable way to proceed.

8.3 Use of Name; Disclosure of Agreement. Neither Licensee nor UM shall directly or indirectly use the other party's name, seal, logo, trademark, or service mark, or any adaptation of them, or the name of any trustee, officer or employee thereof, without that party's prior written consent, or disclose the terms of this Agreement to third parties except that UM or Licensee may disclose this Agreement to any sublicenses or Affiliate and may disclose an accurate description of the terms of this Agreement to the extent required under federal or state securities, tax, grant administration, or other governmental disclosure laws, rules or regulations or rules of a securities exchange, provided that UM shall take steps to preserve the confidentiality of such information to the extent allowed by law.

ARTICLE 9
TERM AND TERMINATION

9.1 Term. This Agreement and the licenses granted herein shall commence on the Effective Date and shall continue, subject to earlier termination under Articles 9.2 or 9.3 hereof, until the later of the expiration of the last to expire of the patents or patent applications within the Licensed Technology, or expiration of Licensee's payment obligations under Article 3. Upon expiration of the term, Licensee shall have an irrevocable, perpetual, nonexclusive, royalty-free, worldwide license, with the right to grant sublicenses through multiple tiers, under the Licensed Technology, to develop, make, use, sell, offer for sale and import Product in the Field.

9.2 Termination by UM. Upon the occurrence of any of the events set forth below ("Events of Default"), UM shall have the right to terminate this Agreement by giving writtennotice of termination, such termination effective with the giving of such notice:

(a) nonpayment of any material amount payable to UM that is continuing sixty (60) calendar days after UM gives Licensee written notice of such nonpayment;

(b) any material breach by Licensee of any covenant (other than a payment breach referred to in clause (a) above or a Development Plan breach referred to in section 9.3 below) or any representation or warranty contained in this Agreement that is continuing sixty (60) calendar days after UM gives Licensee written notice of such breach;

(c) Licensee fails to comply in any material respect with the terms of the license granted under Article 2 hereof and such noncompliance is continuing sixty (60) calendar days after UM gives Licensee notice of such noncompliance;

(d) Licensee becomes subject to a Bankruptcy Event;

(e) the dissolution or cessation of operations by Licensee;

(f) If after the first commercial sale of a Product and during the term of this Agreement, Licensee materially fails to make reasonable efforts to commercialize at least one (1) Product or fails to keep at least one (1) Product on the market after the first commercial sale for a continuous period of one (1) year, other than for reasons outside of Licensee's control (e.g., action by regulatory authorities).

9.3 Development Plan. Licensee will provide UM with a Development Plan reasonably acceptable to UM within six (6) months of the Effective Date of this Agreement. Such Development Plan will be added to this Agreement as Appendix B. UM shall be entitled to terminate this Agreement if Licensee fails to meet the pre-established development milestones contained in the Development Plan. The milestones may be changed as agreed upon in advance in writing by both parties. UM shall give written notice of its decision to terminate this Agreement specifying a failure of the Development Plan milestones. Unless Licensee has remedied such failure or both parties have agreed, in writing, to a revised milestone schedule (which agreement will not be unreasonably withheld) within sixty (60) days after receipt of such notice, this Agreement will be deemed to terminate as of the expiration of such sixty (60) day period.

9.4 Termination by Licensee. Licensee shall have the right to terminate this Agreement, at any time with or without cause, upon sixty (60) days' written notice to the UM.

9.5 Rights and Duties Upon Termination. Within thirty (30) days after termination (but not expiration) of this Agreement, each party shall return to the other party any Confidential Information of the other party. If terminated by Licensee the Licensee also shall return all Licensed Technology which is embodied in physical form to the UM promptly upon the termination of this Agreement. In the event of an early termination of this Agreement , Licensee and its sub-licensees shall have the right to use or sell all the Product(s) on hand or in the process of manufacturing at the time of such early termination, provided that Licensee shall be obligated to pay to UM a royalty on such sales as set forth in this Agreement if, at that time there remains in existence any of UM's Patents covering the transfer of such Product(s) and a royalty or other payment is payable pursuant to the terms of this Agreement. Within thirty (30) days after termination of this Agreement by the UM under Article 9.2 or by Licensee without Cause under Article 9.4, Licensee agrees:

(a) to provide UM with copies of all results of research, development and marketing studies pertaining to the Products and Licensed Technology controlled by Licensee, its Affiliates or sublicencees;

(b) to provide UM an electronic and paper copy of any IND, NDA and any other documents and correspondence related to the Licensed Technology and Product(s) between Licensee and the Food and Drug Administration and other domestic and foreign government agencies controlled by Licensee, its Affiliates or sublicencees; and

(c) to provide UM with an electronic and paper copy of any and all patent and trademark documents and correspondence related to the Licensed Technology and Product(s) between Licensee and the U.S. Patent Office and foreign government equivalents to the extent owned by Licensee, its Affiliates, or sublicencees.

(d) that UM shall own all right, title and interest in said research, development and marketing results as well as regulatory and intellectual property related applications submitted to all government agencies that is owned by Licensee, its Affiliates, or sub-licensees. Licensee, its Affiliates or sub-licensees shall assign all such patents owned by Licensee, its Affiliates or sub-licensees in which UM is not an inventor to UM.

(e) to perform all acts deemed necessary or desirable by UM to permit and assist it, at UM's expense, in evidencing, perfecting, obtaining, maintaining, defending and enforcing UM's ownership rights and/or any assignment with respect to inventions and patents to be assigned to UM pursuant to this Section 9.5 in any and all countries. Such acts may include, but are not limited to, execution of documents and assistance or cooperation in legal proceedings. Upon termination, Licensee, its Affiliates and sub-licensees herby irrevocably designates and appoints UM and its duly authorized officers and agents, as its agents and attorneys-in-fact to act for and in its behalf and instead of Licensee, its Affiliates and sub-licensees, to execute and file any documents and to do all other lawfully permitted acts to further the foregoing purposes with the same legal force and effect as if executed by Licensee, its Affiliates and sub-licensees.

9.6 Provisions Surviving Termination. Licensee's obligation to pay any royalties accrued but unpaid prior to termination of this Agreement shall survive such termination. Licensee shall owe UM royalties on sales when Licensee has received payments from a sub-licensee or Affiliate. In addition, all provisions required to interpret the rights and obligations of the parties arising prior to the termination date shall survive expiration or termination of this Agreement.

ARTICLE 10
MISCELLANEOUS

10.1 Assignment. This Agreement and the rights and benefits conferred upon Licensee hereunder may not be transfered or assigned to any Person, directly or by merger, by sale or assignment of membership interests in Licensee, or by other operation of law, without the express written permission of UM, which permission will not be unreasonably withheld. Notwithstanding the requirement set forth in the preceding sentence, Licensee may assign or transfer its interests in this Agreement without written permission from UM in the following circumstances:

(a) an assignment in connection with the sale or transfer of all or substantially all of Licensee's assets which relate to the development or use of the Licensed Technology or a Product(s) provided that the buyer or transferee is at least as financially stable as Licensee and following the sale or transfer would be as capable of performing its obligations under this Agreement as Licensee would be; or
(b) an assignment by Licensee to an Affiliate of Licensee; or

(c) an assignment of a security interest in this Agreement as a part of a security interest in all or substantially all of the Licensee's assets which relate to the Licensed Technology. or a Product(s).

Any prohibited assignment of this Agreement or the rights hereunder shall be null and void. No assignment shall relieve Licensee of responsibility for the performance of any accrued obligations which it has prior to such assignment. This Agreement shall inure to the benefit of permitted assigns of Licensee.

10.2 No Waiver. A waiver by either party of a breach or violation of any provision of this Agreement will not constitute or be construed as a waiver of any subsequent breach or violation of that provision or as a waiver of any breach or violation of any other provision of this Agreement.

10.3 Independent Contractor. Nothing herein shall be deemed to establish a relationship of principal and agent between UM and Licensee, nor any of their agents or employees for any purpose whatsoever. This Agreement shall not be construed as constituting UM and Licensee as partners, or as creating any other form of legal association or arrangement which could impose liability upon one party for the act or failure to act of the other party. No employees or staff of UM shall be entitled to any benefits applicable to employees of Licensee. Neither party shall be bound by the acts or conduct of the other party.

10.4 Notices. Any notice under this Agreement shall be sufficiently given if sent in writing by prepaid, first class, certified or registered mail, return receipt requested, addressed as follows:

if to UM, to:

University of Mississippi
P.O. Box 1848
100 Barr Hall
University, MS 38677
Attention: Dr. Walter G. Chambliss
Director of Technology Management

if to Licensee, to:

Nemus
16133 Ventura Blvd.
7th Floor, Encino, CA 91436
Attention: Reg A. Lapham
President

or to such other addresses as may be designated from time to time by notice given in accordance with the terms of this Article.

10.5 Entire Agreement. This Agreement, together with the attachments hereto, embodies the entire understanding between the parties relating to the subject matter hereof and supersedes all prior understandings and agreements, whether written or oral. This Agreement may not be modified or varied except by a written document signed by duly authorized representatives of both parties.

10.6 Severability. In the event that any provision of this Agreement shall be held to be unenforceable, invalid or in contravention of applicable law, such provision shall be of no effect, the remaining portions of this Agreement shall continue in full force and effect, and the parties shall negotiate in good faith to replace such provision with a provision which effects to the extent possible the original intent of such provision.

10.7 Force Majeure. In the event that either party's performance of its obligations under this Agreement shall be prevented by any cause beyond its reasonable control, including without limitation acts of God, acts of government, shortage of material, accident, fire, delay or other disaster, provided that the effected party shall have used its reasonable best efforts to avoid or remove the cause of such nonperformance and to minimize the duration and negative affect of such nonperformance, then such effected party's performance shall be excused and the time for performance shall be extended for the period of delay or inability to perform due to such occurrence. The affected party shall continue performance under this Agreement using its best efforts as soon as such cause is removed.

10.8 Headings. Any headings and captions used in this Agreement are for convenience of reference only and shall not affect its construction or interpretation.

10.9 No Third Party Benefits. Nothing in this Agreement, express or implied, is intended to confer on any person other than the parties hereto or their permitted assigns, any benefits, rights or remedies.

10.10 Governing Law. This Agreement shall be construed in accordance with and governed by the internal laws of the State of Mississippi, excluding such state's rules relating to conflicts of laws, and its form, execution, validity, construction and effect shall be determined in accordance with such internal laws.

10.11 Counterparts. This Agreement shall become binding when any one or more counterparts hereof,individually or taken together, shall bear the signatures of each of the parties hereto. ThisAgreement may be executed in any number of counterparts, each of which shall be deemed an original as against the party whose signature appears thereon, but all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by e-mail shall be effective as delivery of a manually executed counterpart of this Agreement.

10.12 Resolution of Disputes. In the event of any dispute, controversy or claim arising out of or relating to this Agreement, or to any breach hereof, the parties shall attempt first to resolve the dispute by good faith negotiation. If the parties are unable to reach agreement by negotiating in good faith within sixty (60) days of written assertion of a claim, they agree to try to settle the dispute by nonbinding mediation in accordance with the mediation rules of the American Arbitration Association ("AAA"). Such nonbinding mediation shall be undertaken on a confidential basis and shall take place in Oxford, Mississippi, unless the parties agree to an alternative location.

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

UNIVERSITY OF MISSISSIPPI

/s/ WALTER G. CHAMBLISS	9/29/14
Walter G. Chambliss, Ph.D.	Date

Director of Technology Management, Office of Research & Sponsored Programs

Acknowledged by:

/s/ MAHMOUD A. ELSOHLY	9/29/14
Mahmoud A. ElSohly, Ph.D.	Date

Research Professor, National Center for Natural Products Research

/s/ DAVID D. ALLEN	9/29/14
David D. Allen, Ph.D.	Date

Dean, School of Pharmacy

NEMUS

/s/ REG A. LAPHAM	9/29/14
Reg A. Lapham	Date

President

APPENDIX A

PATENTS

1. **UM 5050** ***Compositions Containing Delta-9-THC Amino Acid Esters and Process of Preparation***

   Issued: US Patent # 8,809,261

   Pending: US CIP USSN 14/462,482

   JP 2011 534860

   JP DIV SN TBA

   EP 09 824 226.6

   AU 2009308665

   CA 2,741,862

   HK 11113006.2

APPENDIX B

DEVELOPMENT PLAN

APPENDIX C
UM RESPONSIBILITIES FOR KEEPING LICENSEE INFORMED

The Division of Technology Management ("DTM") at UM is responsible for managing the patent prosecution process for the Licensed Technology. The following procedure will be followed:

1. Outside Patent Counsel ("OPC") will notify DTM when an office action is received from the United States Patent and Trademark Office "USPTO") or foreign counterpart and send a copy to DTM. If the office action is straightforward (e.g. very similar to a previously submitted response in another country or minor claim changes to be consistent with patent law), DTM will ask patent counsel to draft a response/amendment for review by DTM and Licensee. DTM will send a copy of the office action to Licensee and to the Principal Investigator(s) at UM. If the office action requires a strategic discussion, DTM will schedule a conference call between Licensee (and Licensee's counsel if desired), DTM, the PI(s) and OPC. At any time, regardless of the complexity of the office action, Licensee may request a conference call to discuss the pending office action and DTM will set one up. The same procedures are used when dealing with prosecution timelines and deadlines (including but not limited to 30/31 national entries on PCT applications and claim amendments following Search Reports).
2. OPC will send a "final" draft version of the response/amendment to DTM for review/approval. DTM will forward it to Licensee and the PI(s) and ask for comments. This generally requires a quick turnaround time (e.g. 24 to 48 hours) depending on how many drafts have been exchanged.
3. OPC will file the response/amendment and send DTM a copy of the filed document. DTM will forward the document to Licensee and the PI(s).
4. Improvements to the patented pending technology will be documented in accordance with UM's Patent and Invention Policy by researchers using DTMs Research Disclosure Form. DTM will send a copy of the Research Disclosure Form to Licensee if Licensee has not already reviewed the disclosure. The disclosure will be sent to OPC for review and a conference call will be set up with DTM, Licensee (and Licensee's counsel if desired), the PI(s) (and other researchers as appropriate) and the OPC to discuss strategies of incorporating the Improvement.
5. When OPC receives a notice of allowance for the pending claims, OPC will send the notice to DTM. DTM will forward the notice to Licensee, and the PI(s). DTM will ask Licensee and the PI(s) if there are any Improvements that need to be considered for incorporation before the patent issues (typically 3 to 6 weeks). DTM will ask Licensee and the PI if the issue fee should be paid or if the claims should be further amended.
6. DTM will send Licensee a monthly IP report, usually the first week of every month, detailing all issued and pending patents. The report will include a status item for every docket as well as timeline for any pending deadlines with a countries patent office. Estimates for each action item will be included if they are available from OPC.

In all of the above, the final prosecution decisions rest with DTM, however the wishes of Licensee and the PI(s) are taken seriously. In addition Licensee is advised that on occasion the OPC (no matter which OPC DTM uses) will fail to provide DTM with timely notice of actions needed during prosecution negating some of the above steps. In such cases DTM will notify Licensee and the PIs of the situation and respond as needed to meet required deadlines.

APPENDIX D

Example Sales and Royalty Report

Licensee: _____ UM Agreement ID: _____

Period Covered: _____ through _____

Prepared by: _____ Date: _____
(Company Representative)

Approved by: _____ Date: _____
(Company Representative)

If license agreement covers several major product lines, please prepare a separate report for each line. Then combine all product lines into a summary report.

Report Type:
- ☐ Single Product or Process Line Report: _____ (product name)
- ☐ Multiproduct Summary Report, Page ____ of ____

Other Compensation:
- ☐ Annual Payments, milestones, or other fees & compensation
  - Details: _____
  - Amount Due: _____
- ☐ No Compensation of Royalty Due this Period
  - Reason: _____

Country	Quantity Produced	Quantity Sold	Gross Sales ($)	*Net Sales ($)	Royalty Rate	Conversion Rate (if applicable)	Royalty Due this Period
USA							
Canada							
Japan							
Other:							
TOTAL:							

* To calculate net sales, use the following space to list separately the specific types of allowed deductions under the license agreement and the corresponding amounts:

Then calculate the final Net Sales amount by subtracting these amounts from Gross Sales, and note in the column above.

LEASE AGREEMENT

BY AND BETWEEN

THE UNIVERSITY OF MISSISSIPPI RESEARCH FOUNDATION, INC.,
A MISSISSIPPI NON-PROFIT CORPORATION,
AS LANDLORD

AND

NEMUS,

AS TENANT

Dated: September 1, 2014

BASIC LEASE PROVISIONS

The following is a summary of some of the Basic Provisions of the Lease. In the event of any conflict between the terms of these Basic Lease Provisions and the relevant Sections of the Lease, the Lease shall control.

1. Building: The Innovation Hub
   Insight Park
   850 Insight Park Avenue
   University, Mississippi 38677

2. Premises

   Suite: Scale-up Lab

   Floor: 2

   Rentable Square Feet: 3415

3. Term: 36 months

4. Base Rent

Lease Year	Rate Per Rentable Square Foot of Premises per Annum
1	$31.62
2	$32.55
3	$33.52
4	_____
5	_____

6. Security Deposit: $9,000

7. Tenant's Broker: N/A

LEASE AGREEMENT

THIS LEASE AGREEMENT (hereinafter called the "Lease") is made and entered into this 1st day of September, 2014, by and between UNIVERSITY OF MISSISSIPPI RESEARCH FOUNDATION, INC., a Mississippi non-profit corporation (hereinafter called "Landlord"); and Nemus (hereinafter called "Tenant").

RECITALS:

WHEREAS, The University of Mississippi, a body corporate under the laws of the State of Mississippi (the "Owner"), is the fee simple owner of certain real property located in Lafayette County, Mississippi as further described on Exhibit "A" attached hereto and made a part hereof (the "Property").

WHEREAS, pursuant to that certain Lease Agreement dated as of April 15, 2011 and such Memorandum of Lease recorded at Book 2011, Page 07001, in the office of the Chancery Clerk of Lafayette County Mississippi (the "Recorder's Office"), Owner has leased to Landlord a certain **[4.98]-**acre parcel of the Property as further described on Exhibit "B" attached hereto and made a part hereof (the "North Property") and the Landlord has constructed one or more buildings and an office park, together with any and all improvements now or hereafter located thereon and together with any additional land and/or buildings which Landlord hereinafter acquires and makes a part thereof to be known as "Insight Park" (the "Project"). The Project is subject to that certain Development Agreement by and between the Landlord and the Owner dated as of September 14, 2011 and that certain Declaration of Covenants, Conditions, Restrictions, Reservations, and Easements recorded at Book 2011, Page 07001, in the Recorder's Office (the "Declaration"), which Declaration provides the rules, regulations, covenants, conditions, restrictions, reservations and easements governing the operation of the Project, this Lease, Landlord's lease of the Property to Tenant and Tenant's lease of the Property from Landlord.

WHEREAS, the Landlord desires to lease to Tenant and Tenant desires to lease from Landlord certain space in the Project pursuant to the terms and conditions provided herein.

NOW THEREFORE, the parties hereby agree as follows:

1. **Definitions:**

As used in this Agreement, the following terms have the following meanings:

a. "Base Rent" shall mean as defined in Section 4.

b. "Building" shall mean as defined in Section 2.

c. "Bridge" means that certain proposed bridge for access between (a) the South Property and (b) the North Property and the main campus of the University and to be constructed over and across Mississippi Highway 6.

d. "City" means the City of Oxford, Mississippi.

e. "Commencement Date" shall mean as defined in Section 3.

f. "Common Area" "Common Area" shall include, but not be limited to, the following:

i. any portion of the Property (including, without limitation, the improvements thereon) from time to time leased by the Owner to the Landlord and designated as common area by the Landlord, for the common use and enjoyment of any lessees, and their respective sublessees, subtenants, successors, assigns, guests and invitees;

ii. any other portion of the Property not used or intended for the use as a site or area for improvements to accommodate research, commercial or other business enterprises, owned, created, established, acquired, reserved and/or otherwise designated for the common use and enjoyment of the lessees and their respective sublessees, subtenants, successors, assigns, guests and invitees of the Landlord, including, without limitation, areas to accommodate detention basins and piping, sanitary lift stations, buffer areas and buffer improvements, landscape entry features and other or similar areas and improvements located therein;

iii. all street lights, pedestrian lights and landscape lighting located along the primary access roads or elsewhere on the Property;

iv. all signage common to the development of the Property and associated landscaping, gateway architectural features and utilities;

v. all water irrigation systems installed to maintain any portion of the Common Area described in the preceding clauses of this subsection;

vi. all pathways, sidewalks, trails, bridges, and concourses connecting the parcels or Common Areas, including, but not limited to the Bridge;

vii. all drainage and detention facilities within the Property; and

viii. all telecommunications, power or other utility lines owned by the Owner or Landlord.

g. "Expiration Date" shall mean as defined in Section 3.

h. "Governmental Requirements" means all laws, ordinances, orders, rules or regulations of all Governmental Authorities, including, without limitation, laws, ordinances, orders, rules and regulations relating to public disclosures, zoning, certificates of need, licenses, permits, subdivision, building, safety, health, fire protection or environmental matters.

i. "Innovation Center" shall mean the incubator portion of the building which is dedicated to start-up companies requiring more administrative and training services than non-incubator tenants.

j. "Operating Expenses" shall mean as defined in Section 9.

k. "Person" means any individual, corporation, partnership, joint venture, association, trust, limited liability company, unincorporated organization or any other form of entity.

l. "Premises" shall mean as defined in Section 2.

m. "Project" shall have the definition as set forth in the recitals of this Agreement.

n. "Property" shall have the definition as set forth in the recitals of this Agreement.

o. "Rent Commencement Date" shall mean, for Premises that require Work pursuant to Section 9 herein, the earlier of (i) the date all of the Work is completed pursuant to Section 9 herein or (ii) the date the Tenant is open and operating in the Premises. For Premises that do not require Work, "Rent Commencement Date" shall mean the "Commencement Date."

p. "State" means the State of Mississippi.

q. "Term" shall mean as defined in Section 3.

2. **Premises:**

Landlord does hereby rent and lease to Tenant and Tenant does hereby rent and lease from Landlord the following described space (hereinafter called the "Premises"):

3415 rentable square feet of space located on the 2nd floor of a two-story building (the "Building") located on the North Property, said Premises to be located as shown by diagonal lines on the drawing attached hereto as Exhibit B-1 and made a part hereof by reference. The Premises shall be prepared for Tenant's occupancy in the manner and subject to the provisions of Exhibit C attached hereto and made a part of hereof. Useable Area shall be determined by application of the most recent version of American National Standard's Institute (ANSI) standard Z65.1. The factor used to increase Useable Square Feet to Rentable Square Feet represents the Common Area of the Building and the use of other Park assets exclusive of rentable assets such as conference rooms, audio-visual equipment, and display units. Because of these extra amenities, the factor used is not necessarily the same one that would be derived by use of ANSI standard Z65.1 and therefore Rentable Square Feet is not equal to the ANSI definition of Rentable Square Feet.

3. **Lease Term:**

Tenant shall have and hold the Premises for a term ("Term") commencing on the date (the "Commencement Date"), which is October 1, 2014, and shall terminate at midnight on the last day (the "Expiration Date") of the December 31, 2017. Promptly following the Rent Commencement Date, Landlord and Tenant shall enter into a letter agreement in the form attached hereto as Exhibit D, specifying the Commencement Date, the Rent Commencement Date, the Expiration Date, the exact number of rentable square feet contained within the Premises and the exact amount of Base Rent payable hereunder for the first Lease Year (as defined in Section 0 below).

4. **Base Rent:**

Tenant shall pay to Landlord, at Insight Park, $9,000/mo., University, MS 38677, Attention: Insight Park Director or IC Manager or Director, or at such other place as Landlord shall designate in writing to Tenant, annual base rent ("Base Rent") in the amounts set forth in the Basic Lease Provisions. The term "Lease Year," as used in the Basic Lease Provisions and throughout this Lease, shall mean each and every consecutive twelve (12) month period during the Term of this Lease, with the first such twelve (12) month period commencing on the Rent Commencement Date; provided, however, if the Rent Commencement Date occurs other than on the first day of a calendar month the first Lease Year shall be that partial month plus the first full twelve (12) months thereafter.

5. **Rent Payment:**

The Base Rent for each Lease Year shall be payable in equal monthly installments, due on the first day of each calendar month, in advance, in legal tender of the United States of America, without abatement, demand, deduction or offset whatsoever, except as may be expressly provided in this Lease. One full monthly installment of Base Rent shall be due and payable on the date of execution of this Lease by Tenant for the first month's Base Rent. If the Rent Commencement Date should be a date other than the first day of a calendar month, the monthly Base Rent installment paid on the date of execution of this Lease by Tenant shall be prorated to that partial calendar month and Tenant shall receive a credit against the following month's rent for such prorated amount due Tenant. A like monthly installment of Base Rent shall be due and payable on or before the first day of each calendar month following the Rent Commencement Date during the Term hereof. Tenant shall pay, as additional rent, all other sums due from Tenant under this Lease ("Additional Rent") (the term "Rent," as used herein, means all Base Rent, Additional Rent and all other amounts payable hereunder from Tenant to Landlord).

6. **Late Payment.**

Notwithstanding the other remedies provided herein for the late payment of rent, if any monthly installment of Rent is not received by Landlord on or before the date due, or if any payment due Landlord by Tenant which does not have a scheduled due date:

a. is not received by Landlord on or before the fifth (5th) business day following the date Tenant was invoiced, or if any checks for Rent are returned unpaid for any reason, a late charge of four percent (4%) percent of such past due amount shall be immediately due and payable as Additional Rent;

b. and is not received by Landlord on or before the fifteenth (15th) business day following the date Tenant was invoiced, or if any checks for Rent are returned unpaid for any reason, a late charge of ten percent (10%) percent of such past due amount shall be immediately due and payable as Additional Rent and interest shall accrue at the highest rate allowed by applicable law from the date past due until paid.

7. **Partial Payment.**

No payment by Tenant or acceptance by Landlord of an amount less than the Rent herein stipulated shall be deemed a waiver of any other Rent due. No partial payment or endorsement on any check or any letter accompanying such payment of Rent shall be deemed an accord and satisfaction, but Landlord may accept such payment without prejudice to Landlord's right to collect the balance of any Rent due under the terms of this Lease or any late charge assessed against Tenant hereunder.

8. **Security Deposit:**

Not later than two weeks prior to the Rent Commencement Date, Tenant shall pay Landlord the sum of Nine Thousand Dollars and No/100 Dollars ($9,000) (hereinafter referred to as "Security Deposit") as evidence of good faith on the part of Tenant in the fulfillment of the terms of this Lease, which shall be held by the Landlord during the Term of this Lease, or any renewal thereof. Under no circumstances will Tenant be entitled to any interest on the Security Deposit. The Security Deposit may be used by Landlord, at its discretion, to apply to any amount owing to Landlord hereunder, to pay the expenses of repairing any damage to the Premises or any other expense or liability caused by Tenant. Following any such application of the Security Deposit, Tenant shall pay to Landlord on demand, in immediately available funds, the amount so applied in order to restore the Security Deposit to its original amount. In addition to any other rights available to Landlord hereunder, the Security Deposit shall be forfeited in any event if Tenant fails to occupy the Premises as Tenant for the full original term of this Lease, or if this Lease should for any reason whatsoever be terminated prior to the normal Expiration Date of the original term, or of any renewal thereof. If there are no payments to be made from the Security Deposit as set out in this paragraph, or if there is any balance of the Security Deposit remaining after all payments have been made, the Security Deposit, or such balance thereof remaining, will be refunded to the Tenant within thirty (30) days after fulfillment by Tenant of all obligations hereunder. In no event shall Tenant be entitled to apply the Security Deposit to any Rent due hereunder. In the event of an act of bankruptcy by or insolvency of Tenant, or the appointment of a receiver for Tenant or a general assignment for the benefit of Tenant's creditors, then the Security Deposit shall be deemed immediately assigned to Landlord. The right to retain the Security Deposit shall be in addition and not alternative to Landlord's other remedies under this Lease or as may be provided by law and shall not be affected by summary proceedings or other proceedings to recover possession of the Premises. In the event Landlord should have good cause to doubt the full and faithful performance of every provision of this Lease by Tenant, Landlord shall have the right to demand that Tenant post an additional Security Deposit in the same amount as the original Security Deposit. Upon sale or conveyance of the Building, Landlord may transfer or assign the Security Deposit to any new owner of the Premises, and upon such transfer all liability of Landlord for the Security Deposit shall terminate. Landlord shall be entitled to commingle the Security Deposit with its other funds.

~~9.~~ **Operating Expenses~~.~~**

~~a. Tenant agrees to reimburse Landlord throughout the Term, as Additional Rent hereunder for Tenant's Share (as defined below) of the annual Operating Expenses (as defined below) in excess of the Operating Expenses for calendar year _____ (hereinafter called the "Base Year Amount"). The term "Tenant's Share" shall mean the percentage determined by dividing the rentable square footage of the Premises by the rentable square footage of the **[Building] or [Project]**. If Tenant does not lease the Premises during the entire full calendar year in which the Term of this Lease commences or ends, Tenant's Share of excess Operating Expenses for the applicable calendar year shall be appropriately prorated for the partial year, based on the number of days Tenant has leased the Premises during that year.~~

b. "Operating Expenses" shall be all those expenses of operating, servicing, managing, maintaining and repairing the Property, Building, Common Area, and all parking areas (as well as an allocation of certain Project expenses, as reasonably allocated by Landlord to the Building and the other buildings and improvements in the Project) in a manner deemed by Landlord reasonable and appropriate and in the best interest of the tenants of the Building and in a manner consistent with first-class office buildings in and around Oxford, Mississippi. Operating Expenses shall include, without limitation, the following:

i. All taxes and assessments, whether general or special, applicable to the Property and the Building, which shall include real and personal property ad valorem taxes, and any and all reasonable costs and expenses incurred by Landlord in seeking a reduction of any such taxes and assessments. However, Tenant shall not be obligated for taxes on the net income from the operation of the Building, unless there is imposed in the future a tax on rental income on the Building in lieu of the real Property ad valorem taxes, in which event such tax shall be deemed an Operating Expense of the Building.

ii. Insurance premiums and deductible amounts, including, without limitation, for commercial general liability, ISO Causes of Loss Special Form (or equivalent) property, rent loss and other coverages carried by Landlord on the Building and Property.

iii. All utilities, including, without limitation, water, power, heating, lighting, ventilation, sanitary sewer and air conditioning of the Building, but not including those utility charges actually paid by Tenant or other tenants of the Building. Tenant agrees that such services may be provided by and expenses paid to the Owner pursuant to Section 9.01 of the Declaration.

iv. Janitorial and maintenance expenses, including: (a) janitorial services and janitorial supplies and other materials used in the operation and maintenance of the Building and (ii) the cost of maintenance and service agreements on equipment, window cleaning, grounds maintenance, pest control, security, trash and snow removal, and other similar services or agreements;

v. Management fees (or a charge equal to fair market management fees if Landlord provides its own management services) and the market rental value of a management office;

vi. The costs, including interest, amortized over its useful life, of any capital improvement made to the Building by or on behalf of Landlord after the date of this Lease which is required under any governmental law or regulation (or any judicial interpretation thereof) that was not applicable to the Building as of the date of this Lease, and of the acquisition and installation of any device or equipment designed to improve the operating efficiency of any system within the Building or which is acquired to improve the safety of the Building or Project;

vii. All services, supplies, repairs, replacements or other expenses directly and reasonably associated with servicing, maintaining, managing and operating the Building, including, but not limited to the lobby, vehicular and pedestrian traffic areas and other common use areas;

viii. Wages and salaries of Landlord's employees (not above the level of Building manager) engaged in the maintenance, operation, repair and services of the Building, including taxes, insurance and customary fringe benefits;

ix. Legal and accounting costs;

x. Costs to maintain and repair the Building and Property;

xi. Landscaping and security costs unless Landlord hires a third party to provide such services pursuant to a service contract and the cost of that service contract is already included in Operating Expenses as described above;

xii. The Building's allocated share (as reasonably be determined by Landlord) of certain expenses which are incurred on a Project-wide basis including, without limitation, costs in connection with (i) landscaping, (ii) utility and road repairs, (iii) security, (iv) signage installation, replacement and repair and (v) taxes or assessments which are not assessed against a particular building or the parcel on which it is located. If the Property is covered by a declaration and/or an owners association and costs of the type described above are allocated to the Building by way of dues or costs charged or assessed under that declaration or by that association, those charges or dues shall be included in the Operating Expenses.

e. Landlord shall, on or before the Commencement Date and on or before December 20 of each calendar year, provide Tenant a statement of the estimated monthly installments of Tenant's Share of excess Operating Expenses increases which will be due for the remainder of the calendar year in which the Rent Commencement Date occurs or for the upcoming calendar year, as the case may be. In the event Landlord has not provided Tenant with such statement prior to January 1 of any calendar year, Tenant shall continue to pay Tenant's share of excess Operating Expenses in the same amount as the previous calendar year, unless and until Landlord provides a statement of estimated monthly installments for the current calendar year. As soon as practicable after December 31 of each calendar year during the Term of this Lease, Landlord shall furnish to Tenant an itemized statement of the Operating Expenses within the Building for the calendar year then ended. Upon reasonable prior written request given not later than thirty (30) days following the date Landlord's statement is delivered to Tenant, Landlord will provide Tenant detailed documentation to support the itemized statement. If Tenant does not notify Landlord of any objection to Landlord's itemized statement within thirty (30) days of Landlord's delivery thereof, Tenant shall be deemed to have accepted such statement as true and correct and shall be deemed to have waived any right to dispute the excess Operating Expenses due pursuant to that statement.

Tenant shall pay to Landlord, together with its monthly payment of Base Rent as provided in Section 0 and 5 hereinabove, as Additional Rent hereunder, the estimated monthly installment of Tenant's Share of the excess Operating Expenses for the calendar year in question. At the end of any calendar year if Tenant has paid to Landlord an amount in excess of Tenant's Share of excess Operating Expenses for such calendar year, Landlord shall reimburse to Tenant any such excess amount (or shall apply any such excess amount to any amount then owing to Landlord hereunder, and if none, to the next due installment or installments of Additional Rent due hereunder, at the option of Landlord). At the end of any calendar year if Tenant has paid to Landlord less than Tenant's Share of excess Operating Expenses for such calendar year, Tenant shall pay to Landlord any such deficiency within thirty (30) days after Tenant receives the annual statement.

For the calendar year in which this Lease terminates, and is not extended or renewed, the provisions of this Section shall apply, but Tenant's Share for such calendar year shall be subject to a pro rata adjustment based upon the number of days prior to the expiration of the Term of this Lease. Tenant shall make monthly estimated payments of the prorata portion of Tenant's Share for such calendar year (in the manner provided above) and when the actual prorated Tenant's Share for such calendar year is determined Landlord shall send a statement to Tenant and if such statement reveals that Tenant's estimated payments for the prorated Tenant's Share for such calendar year exceeded the actual prorated Tenant's Share for such calendar year, Landlord shall include a check for that amount along with the statement. If the statement reveals that Tenant's estimated payments for the prorated Tenant's Share for such calendar year were less than the actual prorated Tenant's Share for such calendar year, Tenant shall pay the shortfall to Landlord within thirty (30) days of the date Tenant receives Landlord's statement.

If the Building is less than one hundred percent (100%) occupied during any calendar year of the Term, then the actual Operating Expenses for the calendar year in question shall be increased to the amount of Operating Expenses which Landlord reasonably determines would have been incurred during that calendar year if the Building had been fully occupied throughout such calendar year. If the provisions of this subsection are applied in any calendar year the Base Year Amount shall likewise be adjusted for the calendar year on which it is based.

~~10.~~ ***[Building Allowance and Tenant Finishes~~s~~ (There is no TA since the space is complete)***

~~a. Landlord will provide to non-incubator tenants only in newly constructed and previously unoccupied spaces an allowance ("Allowance") of $_____ per rentable square foot contained within the Premises to be applied to the cost of the Work described in Exhibit C. Landlord shall perform such work within the Premises. Tenant and Landlord agree that all costs of the Work in excess of such Allowance shall be paid by Tenant in accordance with the Work Letter. Should Tenant fail to pay for such excess costs when due as herein provided, such amount due shall accrue interest at the rate of one and one-half (1.5%) percent per month or fraction thereof from the date such payment is due until paid (Annual Percentage Rate - 18%) and the failure to pay such amount when due shall be a default, subject to the provisions of Section 14.~~

~~b. The Work Letter attached hereto as Exhibit C is hereby made a part of this Lease, and its provisions shall control in the event of a conflict with the provisions contained in this Lease.]~~

11. **Use of Premises.**

Tenant shall use and occupy the Premises for general office purposes of a type customary for first-class office buildings or for laboratory purposes for designated wet or dry laboratories for laboratory purposes of a type customary for first-class scientific laboratory buildings and for no other purpose. The Premises shall not be used for any illegal purpose, nor in violation of any valid regulation of any governmental body, nor in any manner to create any nuisance or trespass, nor in any manner to vitiate the insurance or increase the rate of insurance on the Premises or the Building, nor in any manner inconsistent with the first-class nature of the Building. If, by reason of acts of Tenant, there is any increase in rate of such insurance on the Building or contents created by Tenant's acts or conduct of business, then Tenant hereby agrees to pay such increase.

12. **Rules and Regulations.**

The Building rules and regulations, annexed hereto, and all reasonable rules and regulations which Landlord may hereafter, from time to time, adopt and promulgate for the government and management of said Building, are hereby made a part of this Lease and shall, during the said term, be observed and performed by Tenant, his agents, employees and invitees.

13. **Default.**

If Tenant shall default in the payment of Rent herein reserved when due and fails to cure such default within five (5) business days after written notice of such default is given to Tenant by Landlord (such notice shall only be required twice per year); or if Tenant shall be in default in performing any of the terms or provisions of this Lease other than the provisions requiring the payment of Rent, and fails to cure such default within thirty (30) days after written notice of such default is given to Tenant by Landlord or, if such default cannot be cured within thirty (30) days, Tenant shall not be in default if Tenant promptly commences and diligently proceeds the cure to completion as soon as possible and in all events within ninety (90) days; or if Tenant is adjudicated a bankrupt; or if a permanent receiver is appointed for Tenant's Property and such receiver is not removed within sixty (60) days after written notice from Landlord to Tenant to obtain such removal; or if, whether voluntarily or involuntarily, Tenant takes advantage of any debtor relief proceedings under any present or future law, whereby the Rent or any part thereof, is, or is proposed to be, reduced or payment thereof deferred; or if Tenant's effects should be levied upon or attached and such levy or attachment is not satisfied or dissolved within thirty (30) days after written notice from Landlord to Tenant to obtain satisfaction thereof; or, if Tenant is an individual, in the event of the death of the individual and the failure of the executor, administrator or personal representative of the estate of the deceased individual to have assigned the Lease within three (3) months after the death to an assignee approved by Landlord; then, and in any of said events, Landlord, at its option, may exercise any or all of the remedies set forth in Section 14 below.

14. **Remedies.**

Upon the occurrence of any default set forth in Section13 above which is not cured by Tenant within the applicable cure period provided therein, if any, Landlord may exercise all or any of the following remedies:

a. terminate this Lease by giving Tenant written notice of termination, in which event this Lease shall terminate on the date specified in such notice and all rights of Tenant under this Lease shall expire and terminate as of such date, Tenant shall remain liable for all obligations under this Lease up to the date of such termination and Tenant shall surrender the Premises to Landlord on the date specified in such notice, and if Tenant fails to so surrender, Landlord shall have the right, without notice, to enter upon and take possession of the Premises and to expel and remove Tenant and its effects without being liable for prosecution or any claim of damages therefor;

b. terminate this Lease as provided in the immediately preceding subsection and recover from Tenant all damages Landlord may incur by reason of Tenant's default, including without limitation, the then present value of (i) the total Rent which would have been payable hereunder by Tenant for the period beginning with the day following the date of such termination and ending with the Expiration Date of the term as originally scheduled hereunder, minus (ii) the aggregate reasonable rental value of the Premises for the same period (as determined by a real estate broker licensed in Mississippi, who has at least ten (10) years experience, immediately prior to the date in question evaluating commercial office space, taking into account all relevant factors including, without limitation, the length of the remaining Term, the then current market conditions in the general area, the likelihood of reletting for a period equal to the remainder of the Term, net effective rates then being obtained by landlords for similar type space in similar buildings in the general area, vacancy levels in the general area, current levels of new construction in the general area and how that would affect vacancy and rental rates during the period equal to the remainder of the Term and inflation), plus (iii) the costs of recovering the Premises, and all other expenses incurred by Landlord due to Tenant's default, including, without limitation, reasonable attorneys' fees, plus (iv) the unpaid Rent earned as of the date of termination, plus interest, all of which sum shall be immediately due and payable by Tenant to Landlord;

c. without terminating this Lease, and without notice to Tenant, Landlord may in its own name, but as agent for Tenant enter into and take possession of the Premises and re-let the Premises, or a portion thereof, as agent of Tenant, upon any terms and conditions as Landlord may deem necessary or desirable (Landlord shall have no obligation to attempt to re-let the Premises or any part thereof. Upon any such re-letting, all rentals received by Landlord from such re-letting shall be applied first to the costs incurred by Landlord in accomplishing any such re-letting, and thereafter shall be applied to the Rent owed by Tenant to Landlord during the remainder of the term of this Lease and Tenant shall pay any deficiency between the remaining Rent due hereunder and the amount received by such re-letting as and when due hereunder;

d. allow the Premises to remain unoccupied and collect Rent from Tenant as it becomes due; or

e. pursue such other remedies as are available at law or in equity.

15. **Services.**

Building services will generally be available at all times, but Landlord shall provide maintenance of Building utilities and systems during the normal business hours except as noted:

a. Elevator service for passenger and delivery needs;

b. Air conditioning sufficient to cool the Premises and heat sufficient to warm the Premises to maintain, in Landlord's reasonable judgment, comfortable temperatures in the Premises, subject to governmental regulations and then existing Building capacities;

c. Hot and cold running water for all restrooms and lavatories;

d. Janitorial service at times established by the Landlord for the Building in keeping with the standards generally maintained in similar office buildings in the Oxford, Mississippi area; and to include soap, paper towels, and toilet tissue for public restrooms;

e. Electrical and mechanical maintenance services are provided Monday through Friday;

f. Electric power for lighting and outlets not in excess of a total of 3 watts per useable square foot of the Premises at 100% connected load, subject to governmental regulations and then existing Building capacities;

g. Replacement of Building standard lamps and ballasts as needed;

h. Repairs and maintenance as described in Section 1 of the Supplemental Conditions of this Lease; and;

i. General management, including supervision, inspections, recordkeeping, accounting, leasing and related management functions.

Tenant shall have no right to any services in excess of those provided herein. If Tenant uses services in an amount or for a period in excess of that provided for herein, then Landlord reserves the right to: (i) charge Tenant as Additional Rent hereunder a reasonable sum as reimbursement for the direct cost of such added services (plus a reasonable administrative charge with respect thereto); (ii) charge Tenant for the cost of any additional equipment or facilities or modifications thereto necessary to provide the additional services; and/or (iii) to discontinue providing such excess services to Tenant;

Landlord shall not be liable for any damages directly or indirectly resulting from the interruption in any of the services described above, nor shall any such interruption entitle Tenant to any abatement of Rent or any right to terminate this Lease. Landlord shall use all reasonable efforts to furnish uninterrupted services as required above;

16. **Parking.**

No rights to specific parking spaces are granted under this Lease. Landlord reserves the right to build improvements upon, reduce the size of, relocate, reconfigure, eliminate, and/or make alterations or additions to such parking facilities at any time. Landlord may designate visitor parking spaces. The parking lot and vehicle use are subject to the most recently issued University of Mississippi Parking and Traffic Rules and Regulations. All issues pertaining to vehicle registration and fees must be directed to the University Police and Campus Safety Department Parking Services Office ("Parking Services"). Parking Services may impose fines for Tenant or Tenant's employees parking in visitor parking spaces. Landlord can impose fines for parking fees not paid by Tenant to Parking Services. Tenant must obtain prior written approval from the Landlord and agree to pay any assigned and reasonable fees to consume electric power from the parking lot plug-in power poles.

17. **Entire Agreement; Special Stipulations and Supplemental Conditions.**

This Lease, including the recitals, the Special Stipulations and the Supplemental Conditions, attached hereto as Exhibit D and E respectively, which sections are hereby incorporated herein and made a part hereof by this reference, contains the entire agreement of the parties and no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. The Special Stipulations are modifications to the terms of this Lease and such Special Stipulations shall control in the event of any conflict with the other provisions of this Lease or any exhibits hereto.

18. **Notices.**

Any notice which is required or permitted to be given by either party under this Lease shall be in writing and must be given only by certified mail, return receipt requested, by hand delivery or by nationally recognized overnight courier service at the addresses set forth below. Any such notice shall be deemed given on the date sent or deposited for delivery in accordance with one of the permitted methods described above. The time period for responding to any such notice shall begin on the date the notice is actually received, but refusal to accept delivery or inability to accomplish delivery because the party can no longer be found at the then current notice address, shall be deemed receipt. Either party may change its notice address by notice to the other party in accordance with the terms of this Section. The following are the initial notice addresses for each party:

Landlord's Notice Address:

Insight Park
850 Insight Park Avenue
University, MS 38677
Attention: Director
Telephone Number: (662) 915-2526
Facsimile Number: (662) 915-2339

Tenant's Notice Address:

Nemus
16440 Bake Parkway
Suite 150
Irvine, CA 92618
Attention: Mr. Reg Lapham

19. **Use of Communications Resources**

Tenants who connect to Insight Park data or other telecommunications resources are responsible for the transmissions they generate on those networks. Insight Park may monitor transmissions on these networks and, at Insight Park's discretion, deny clients access to the networks if Tenants are found to be generating illegal, harmful or nuisance transmissions. If Insight Park denies a Tenant access to a network, it shall be the responsibility of the Tenant to locate the source of the offending transmission and demonstrate that reasonable steps have been undertaken to ensure cessation of the offending transmissions. After the source of the offending transmissions has been located and the transmissions cease, Insight Park may, at their discretion, grant Tenants access to the appropriate networks.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the parties herein have entered into this Lease the day and year first above written.

LANDLORD:

UNIVERSITY OF MISSISSIPPI RESEARCH FOUNDATION, INC., an Mississippi non-profit corporation

By:_____

Name:Insight Park

Its:Assistant Director

TENANT:

NEMUS

By:_____

Name:Nemus

Its: President_____

EXHIBIT A

Legal Description of Property

Legal Description of South Property

Description: A tract of land being a fraction of the South Half (S 1/2) of Section 30, the Southwest Quarter (SW 1/4) of Section 29, and the Northeast Quarter (NE 1/4) of Section 31, Township 8 South, Range 3 West, Lafayette County, Mississippi; and being described in more detail as follows:

Commencing from a 1" square iron tube found marking the Northeast Corner of the Southeast Quarter (SE 1/4) of Section 30, Township 8 South, Range 3 West, Lafayette County, Mississippi; run thence South 00°20'54" East along the east line of said section for a distance of 1,548.89 feet to a concrete monument found at a fence corner marking the Southeast Corner of Hathorn's University Hills Subdivision, said monument being the point of beginning of this description; run thence South 00°20'54" East continuing along said Section line and a wire fence for a distance of 39.49 feet to a concrete monument found; run thence South 51°38'58" East leaving said Section line and end of fence for a distance of 100.00 feet to a 1/2" rebar set at the beginning of a circular curve to the left; run thence along said curve having an arc length of 1,270.77, a chord bearing of South 34°15'34" West, a chord length of 1,269.69 feet, and a radius of 8,898.25 feet to a 1/ 2" rebar set; run thence Due West for a distance of 1,742.47 feet to a 1/2" rebar set; run thence Due North for a distance of 610.00 feet to a 1/2" rebar set; run thence North 46°35'59" West for a distance of 1,278.97 feet to a 1/2" rebar set; run thence Due North for a distance of 960.02 feet to a 1/2" rebar set on the South right-of-way line of Mississippi State Highway Number 6, said rebar being 125.00 feet right of and perpendicular to centerline median station number 166+08.41; run thence South 89°59'24" East along said South right-of-way line and partially near a wire fence for a distance of 1,800.00 feet to a concrete monument found at the Northwest corner of aforementioned Hathorn's University Hills Subdivision, said monument being 125.00 right of and perpendicular to centerline median station number 184+08.41, passing through a right-of-way marker found on line 1,408.41 back; said marker being 125.00 feet right of and perpendicular to centerline median station number 170+00.00; run thence South 00°27'38" East leaving said right-of way line and along the West line of said Subdivision, partially near a wire fence for a distance of 1,298.18 feet to a concrete monument found at a fence corner marking the Southwest Corner of said Subdivision; run thence North 89°58'38" East along the South line of said Subdivision and along and near said wire fence for a distance of 1,497.39 feet the point of beginning of the herein described tract of land. Said tract contains 111.68 acres, more or less.

Legal Description of North Property

Description: A tract of land being a fraction of the Northeast Quarter (NE 1/4) of Section 30, Township 8 South, Range 3 West, Lafayette County, Mississippi, and being described in more detail as follows:

Commencing from a 1" square iron tube found marking the Southeast Corner of the Northeast Quarter (NE 1/4) of Section 30, Township 8 South, Range 3 West, run thence South 89°54'37" West for a distance of 898.13 feet to a 1/2" rebar set on the North right of way line of Mississippi State Highway No. 6, said rebar being 125.00 feet left of and perpendicular to the centerline median plan station number 190+10.44, said rebar also being the Point of Beginning of this description; Run thence North 89°59'32" West along said North right of way line and near a fence line for a distance of 1,764.21 feet to a 1/2" rebar set, said rebar being 125.00 feet left of and perpendicular to centerline median plan station number 172+46.24; run thence North 00°23'38" East leaving said right of way line for a distance of 355.70 feet to a 1/2" rebar set, passing through a concrete monument found on line 355.03 feet back; run thence to and along a chain link fence line as follows: South 71°13'14" East for a distance of 253.12 feet to a 2 1/2" metal fence corner post found, passing through the beginning of said fence line 235.48 feet back; run thence North 77°25'06" East for a distance of 357.52 feet to a 3" angle iron fence corner post found; run thence North 00°33'34" East for a distance of 54.77 to a 1/2" rebar set; run thence North 28°08'45" East leaving said fence line for a distance of 45.67 feet to a 3" metal fence corner post found on another chain link fence line; run thence North 00°03'26" East along said fence line for a distance of 103.05 feet to a 1/2" rebar set; run thence South 82°48'18" East leaving said fence line for a distance of 457.38 to a 1/2" rebar set; run thence Due East for a distance of 179.22 feet to a 1/2" rebar set; run thence North 61°01'12" East for a distance of 199.57 feet to a 1/2" rebar set; run thence North 02°35'34" East for a distance of 249.82 feet to a 1/2" rebar set; run thence South 83°23'23" East for a distance of 92.02 feet to a 1/2" rebar set on the west side of Hathorn Road; run thence along the westerly and southerly side of Hathorn Road as follows: South 25°13'49" East for a distance of 79.55 feet to a 1/2" rebar set, said rebar being at the beginning of a circular curve to the left; run thence along said circular curve having a radius of 313.00 feet, an arc length of 281.15 feet, a chord bearing of South 48°07'39" East, and a Chord Length of 271.79 feet to a 1/2" rebar set; run thence South 75°22'51" East for a distance of 74.80 feet to a 1/2" rebar set; run thence South 12°56'24" West for a distance of 303.34 feet to a 1/2" rebar set; run thence South 00°00'28" West for a distance of 260.89 feet to the point of beginning of this description. Said tract contains 19.92 acres, more or less.

Less and Except

Tract 1 Description: A tract of land being a fraction of the Northeast Quarter (NE 1/4) of Section 30, Township 8 South, Range 3 West, Lafayette County, Mississippi, and being described in more detail as follows:

Commencing from a 1" square iron tube found marking the Southeast Corner of the Northeast Quarter (NE 1/4) of Section 30, Township 8 South, Range 3 West, run thence North 84°37'49" West for a distance of 1,868.15 feet to a 1/2" rebar set; said rebar being the point of beginning of this description; run thence North 02°09'29" West for a distance of 145.83 feet to a 1/2" rebar set; run thence North 87°50'31" East for a distance of 116.67 feet to a 1/2" rebar found; run thence South 02°09'29" East for a distance of 145.83 feet to a 1/2" rebar set; run thence South 87°50'31" West for a distance of 116.67 feet to the point of beginning of this Description. Said tract contains 0.39 acre, more or less.

also Less and Except

Tract 2 Description: A tract of land being a fraction of the Northeast Quarter (NE 1/4) of Section 30, Township 8 South, Range 3 West, Lafayette County, Mississippi, and being described in more detail as follows:

Commencing from a 1" square iron tube found marking the Southeast Corner of the Northeast Quarter (NE 1/4) of Section 30, Township 8 South, Range 3 West, run thence North 84°37'49" West for a distance of 1,868.15 feet to a 1/2" rebar set; said rebar being the point of beginning of this description; run thence South 87°50'31" West for a distance of 113.33 feet to a 1/2" rebar found; run thence North 02°09'29" West for a distance of 150.00 feet to a 1/2" rebar set; run thence North 87°50'31" East for a distance of 230.00 feet to a PK nail set in a paved road; run thence South 02°09'29" East for a distance of 4.17 feet to a 1/2" rebar found; run thence South 87°50'31" West for a distance of 116.67 feet to a 1/2" rebar set; run thence South 02°09'29" East for a distance of 145.83 feet to the point of beginning of this Description. Said tract contains 0.40 acre, more or less.

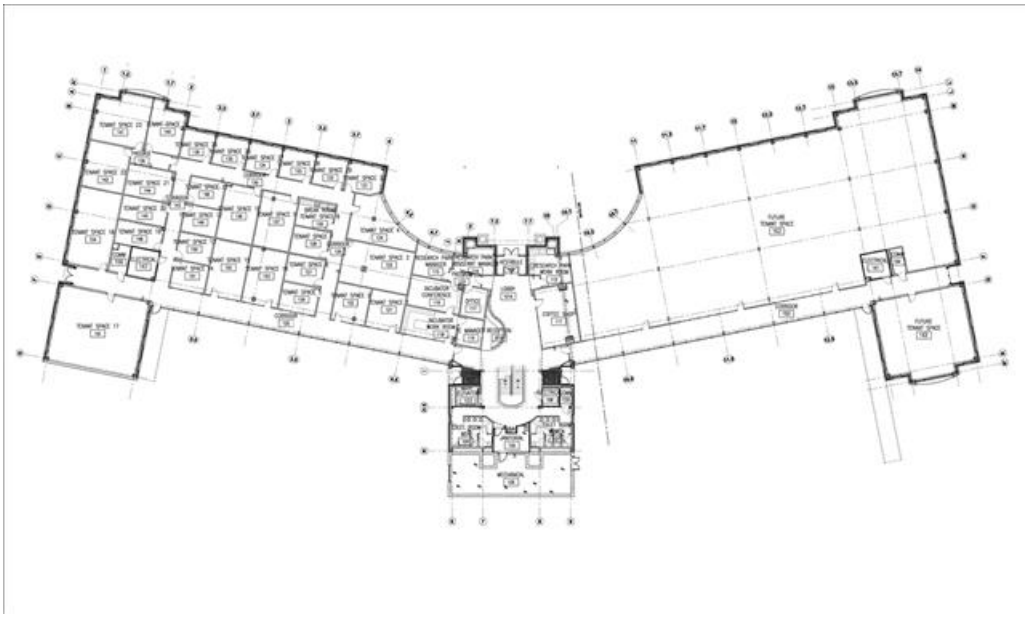
EXHIBIT B

Legal Description of Parcel 1 on the North Property

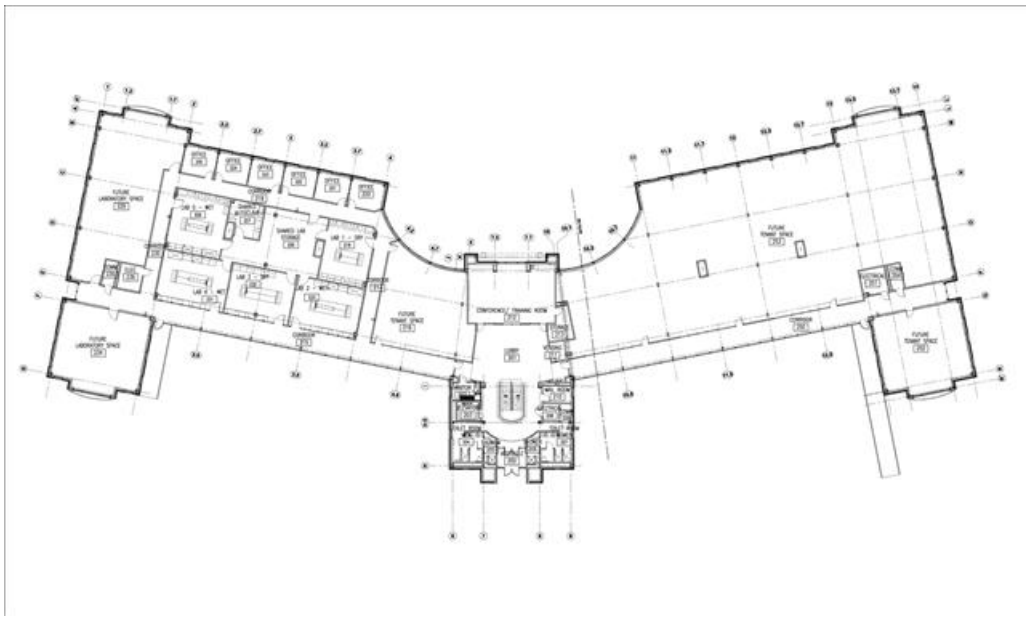
EXHIBIT B-1

PREMISES

[ATTACH FLOOR PLAN SHOWING PREMISES BY DIAGONAL LINES]



First Floor Plan



Second Floor Plan

EXHIBIT C

(WORK LETTER)

[CONFIRM ANY CONSTRUCTION MANAGEMENT FEE TO BE PAID FROM ALLOWANCE, IF APPLICABLE]

EXHIBIT D

ACKNOWLEDGMENT, ACCEPTANCE AND AMENDMENT

Insight Park, The Innovation Hub

NEMUS

Tenant hereby acknowledges that the Premises demised pursuant to the Lease to which this Exhibit is attached (the "Lease"), and all tenant finish items to be completed by the Landlord, or Landlord's contractors, have been satisfactorily completed in every respect, except for the punch list items set forth below, and Tenant hereby accepts said Premises as substantially complete and ready for the uses intended as set forth in the Lease. Landlord shall complete the punch list items, if any, as soon as is reasonably possible. Possession of the Premises is hereby delivered to Tenant, and any damages to walls, ceilings, floors or existing work, except for any damages caused by Landlord or Landlord's contractors in completing any punch list items, shall be the sole responsibility of Tenant.

If any improvements or tenant finishes are to be constructed or installed by Tenant or Tenant's contractors, as previously approved by Landlord, Tenant hereby agrees to indemnify and hold harmless Landlord from and against any claims, demands, loss or damage Landlord may suffer or sustain as a result of such work by Tenant or Tenant's contractors, including, without limitation, any claim of lien which may be filed against the Premises or Landlord's Property as a result of such work by Tenant's contractors or representatives. In the event any such claim of lien is filed against Landlord's Property by any contractor, laborer or materialman performing work on the Premises at Tenant's direction, Tenant agrees to cause such lien to be discharged, by payment of the claim or bond, within ten (10) days of receipt of demand by Landlord.

Tenant and Landlord hereby further acknowledge and agree as follows:

1. The Lease Commencement Date (as defined in the Lease) is September 1, 2014, Rent Commencement Date (as defined in the Lease) is October 1, 2014, and the Lease Expiration Date (as defined in the Lease) is December 31, 2017

2. The exact rentable square feet contained within the Premises is 3415 square feet.

3. Tenant's Share is 3415.

   a. The initial Base Rent payable under the Lease is $9,000/mo. and will commence on October 1, 2014.

4. Tenant intends to occupy the Premises on October 1, 2014.

5. Keycards and/or keys to the Premises will be arranged for Tenant.

   a. The following punch list items are all that remain to be completed by Landlord or Landlord's contractor. We agree to pay 50% of the cost associated with the modifications to the suite.

      Security cameras installed

      Alarm system installed

      Deadbolt locks installed and new locks with unique master key

[unless something is inserted above, the parties agree that no punch list items remain to be completed]

6. This Acknowledgment, Acceptance and Amendment, when executed by Landlord and Tenant, shall be attached to and shall become a part of the Lease. If any provision contained herein conflicts with any provision of the Lease, the provisions hereof shall supersede and control, and the Lease shall be deemed modified and amended to conform with the provisions hereof.

7. Other agreements or modifications:

Tenant to procure and handle installation of freezer and the required safe for lockup.

[unless something is inserted above, the parties agree that there are no other agreements or modifications]

IN WITNESS WHEREOF, Landlord and Tenant have hereunto set their hands and seals, this 1st day of September, 2014.

TENANT:

NEMUS

By: _____

Name: Nemus

Its: President

LANDLORD:

UNIVERSITY OF MISSISSIPPI RESEARCH FOUNDATION, INC., a Mississippi non-profit corporation

By: _____

Name: Insight Park

Its: Assistant Director

EXHIBIT E

SPECIAL STIPULATIONS

Insight Park, Building ___

EXHIBIT F

SUPPLEMENTAL LEASE CONDITIONS

1. **Repairs By Landlord.** Tenant, by taking possession of the Premises, shall accept and shall be held to have accepted the Premises as suitable for the use intended by this Lease. Landlord shall not be required, after possession of the Premises has been delivered to Tenant, to make any repairs or improvements to the Premises, except as set forth in this Lease. Except for damage caused by casualty and condemnation (which shall be governed by Sections 12 and 16 of these Supplemental Conditions), and subject to normal wear and tear, Landlord shall maintain in good repair the exterior walls, roof, common areas, foundation, structural portions and the Building's mechanical, electrical, plumbing and HVAC systems (but not any special or supplemental systems installed by or on behalf of Tenant), provided such repairs are not occasioned by Tenant, Tenant's invitees or anyone in the employ or control of Tenant.

2. **Repairs By Tenant.** Except as described in Section 1 above, Tenant shall, at its own cost and expense, maintain the Premises in good repair and in a neat and clean, first-class condition, including making all necessary repairs and replacements. Tenant shall further, at its own cost and expense, repair or restore any damage or injury to all or any part of the Building caused by Tenant or Tenant's agents, employees, invitees, licensees, visitors or contractors, including but not limited to any repairs or replacements necessitated by (i) the construction or installation of improvements to the Premises by or on behalf of Tenant, or (ii) the moving of any Property into or out of the Premises. If Tenant fails to make such repairs or replacements promptly, Landlord may, at its option, make the repairs and replacements and the costs of such repair or replacements shall be charged to Tenant as Additional Rent and shall become due and payable by Tenant with the monthly installment of Base Rent next due hereunder. Further, Tenant agrees:

a. that it will not commit or allow any waste or damage to be committed on any portion of the Premises, and shall, at the termination of this Lease by lapse of time or otherwise, return the Premises to Landlord in as good condition as such Premises were in on the Rent Commencement Date, ordinary wear and tear excepted, and upon termination of this Lease, Landlord shall have the right to re-enter and resume possession of the Premises;

b. that any special wiring installed for or by Tenant, including, but not limited to, cable and conduits, shall be removed at Tenant's expense within seven (7) days of the expiration of this Lease, but only if such removal is requested by Landlord;

c. that any improvements, including, but not limited to wall coverings, floor coverings or carpet, paneling, doors and hardware or cabinetry are made to the Premises at Tenant's expense or under any agreement with Tenant whereby Tenant is given an allowance or rent reduction in exchange for Landlord's agreement to install or allow to be installed lease improvements shall become the property of Landlord. Landlord shall determine whether any or all improvements shall be removed at the expense of the Tenant and part or all of the space is restored to its original pre-improvement condition;

d. that Tenant shall not lay linoleum, tile, carpet or any other floor covering without Landlord's prior written approval. The expense of repairing any damage resulting from a violation of this rule or the removal of any floor covering shall be borne by Tenant;

e. that all wallpaper or vinyl fabric materials which Tenant may install on painted walls shall be applied with a strippable adhesive. The use of non-strippable adhesives will cause damage to the walls when materials are removed, and repairs made necessary thereby shall be made by Landlord at Tenant's expense;

f. that if Tenant requires telegraphic, telephonic, burglar alarm or similar services, it shall first obtain, and comply with, Landlord's instruction with respect to their installation; and

g. that Tenant will be responsible for any damage to the Premises, including carpeting and flooring, as a result of: rust or corrosion of file cabinets, roller chairs, metal objects, or spills of any type of liquid.

3. **Alterations and Improvements.** Except for minor, decorative alterations which do not affect the Building structure or systems, are not visible from outside the Premises and do not cost in excess of $10,000.00 in the aggregate, Tenant shall not make or allow to be made any alterations, physical additions or improvements in or to the Premises without first obtaining in writing Landlord's written consent for such alterations or additions, which consent may be granted or withheld in the sole, unfettered discretion of Landlord (if the alterations will affect the Building structure or systems or will be visible from outside the Premises), but which consent shall not be unreasonably withheld (if the alterations will not affect the Building structure or systems and will not be visible from outside the Premises). Upon Landlord's request, Tenant will furnish Landlord plans and specifications for any proposed alterations, additions or improvements and shall reimburse Landlord for its reasonable cost to review such plans. Any alterations, physical additions or improvements shall at once become the property of Landlord; provided, however, Landlord, at its option, may require Tenant to remove any alterations, additions or improvements (and/or any cabling installed by or on behalf of Tenant) in order to restore the Premises to the condition existing on the Commencement Date. All costs of any such alterations, additions or improvements shall be borne by Tenant. All alterations, additions or improvements must be made in a good, first-class, workmanlike manner and in a manner that does not disturb other tenants (i.e., any loud work must be performed during non-business hours) and Tenant must maintain appropriate liability and builder's risk insurance throughout the construction. Tenant does hereby indemnify and hold Landlord harmless from and against all claims for damages or death of persons or damage or destruction of property arising out of the performance of any such alterations, additions or improvements made by or on behalf of Tenant. Under no circumstances shall Landlord be required to pay, during the Term of this Lease and any extensions or renewals thereof, any ad valorem or Property tax on such alterations, additions or improvements, Tenant hereby covenanting to pay all such taxes when they become due. In the event any alterations, additions, improvements or repairs are to be performed by contractors or workmen other than Landlord's contractors or workmen, any such contractors or workmen must first be approved, in writing, by Landlord. Landlord agrees to assign to Tenant any rights it may have against the contractor of the Premises with respect to any work performed by said contractor in connection with improvements made by Landlord at the request of Tenant.

4. **Landlord's Failure to Give Possession.** Landlord shall not be liable for damages to Tenant for failure to deliver possession of the Premises to Tenant if such failure is due to no fault of Landlord, to the failure of any construction or remodeling of the Premises by Tenant to be completed or to the failure of any previous tenant to vacate the Premises. Landlord will use commercially reasonable efforts to give possession to Tenant by the scheduled Commencement Date of the Term. If Landlord's failure to do so is caused by the act of any previous tenant holding over, Landlord agrees to transfer to Tenant the right to prosecute in its own name any cause of action which Landlord may have against such tenant holding over, Tenant to hold for itself any recovery in such action, except for any amounts due Landlord as Rent hereunder.

5. **Acceptance and Waiver.** Landlord shall not be liable to Tenant, its agents, employees, guests or invitees (and, if Tenant is an entity, its officers, members, partners, managers, agents, employees, guests or invitees) for any damage caused to any of them due to the Building or any part or appurtenances thereof being improperly constructed or being or becoming out of repair, or arising from the leaking of gas, water, sewer or steam pipes, or from electricity, but Tenant, by moving into the Premises and taking possession thereof, shall accept, and shall be held to have accepted the Premises as suitable for the purposes for which the same are leased, and shall accept and shall be held to have accepted the Building and every appurtenances thereof, and Tenant by said act waives any and all defects therein; provided, however, that this Section shall not apply to any damages or injury directly caused by or resulting from the gross negligence or willful misconduct of Landlord.

6. **Signs.** A Building standard suite entry shall be installed on the door to the Premises or adjacent to the entry to the Premises as part of the Work and the cost thereof shall be paid out of the Allowance. Otherwise, Tenant shall not paint or place signs, placards, or other advertisement of any character upon the windows or inside walls of the Premises except with the consent of Landlord which consent may be withheld by Landlord in its absolute discretion, and Tenant shall place no signs upon the outside walls, common areas or the roof of the Building. Landlord shall have the right to remove any such sign, placard, picture, name, advertisement, or notice without notice to and at the expense of Tenant. If Landlord shall have given such consent to Tenant at any time, whether before or after the execution of this Lease, such consent shall in no way operate as a waiver or release of any of the provisions hereof or of this Lease, and shall be deemed to relate only to the particular sign, placard, picture, name, advertisement or notice so consented to by Landlord and shall not be construed as dispensing with the necessity of obtaining the specific written consent of Landlord with respect to any other sign, placard, picture, name, advertisement or notice. All approved signs shall be printed, painted, affixed and inscribed at the expense of Tenant by a person approved by Landlord. All approved signs must be removed by Tenant upon vacating the Premises.

7. **Advertising.** Landlord may advertise the Premises as being "For Rent" at any time following a default by Tenant which remains uncured and at any time within one hundred eighty (180) days prior to the expiration, cancellation or termination of this Lease for any reason and during any such periods may exhibit the Premises to prospective tenants.

8. **Address.** Tenant shall use the address stated in this Lease only during its tenancy. At such time that this Lease expires or is terminated, Tenant agrees to discontinue usage of the address on any printed materials.

9. **Removal of Fixtures.** If Tenant is not in default hereunder, Tenant may, prior to the expiration of the Term of this Lease, or any extension thereof, remove any trade fixtures and equipment which it has placed in the Premises which can be removed without significant damage to the Premises, provided Tenant repairs all damages to the Premises caused by such removal.

10. **Entering Premises.** Landlord may enter the Premises at reasonable hours provided that Landlord's entry shall not unreasonably interrupt Tenant's business operations and that prior oral or written notice is given when reasonably possible (and, if in the opinion of Landlord any emergency exists, at any time and without notice): (a) to make repairs, perform maintenance and provide other services described herein (no prior notice is required to provide routine services) which Landlord is obligated to make to the Premises or the Building pursuant to the terms of this Lease or to the other premises within the Building pursuant to the leases of other tenants; (b) to inspect the Premises to see that Tenant is complying with all of the terms and conditions of this Lease and with the rules and regulations hereof; (c) to remove from the Premises any articles or signs kept or exhibited therein in violation of the terms hereof; (d) to run pipes, conduits, ducts, wiring, cabling or any other mechanical, electrical, plumbing or HVAC equipment through the areas behind the walls, below the floors or above the drop ceilings; (e) to show the space to prospective tenants, and (f) to exercise any other right or perform any other obligation that Landlord has under this Lease. Landlord shall be allowed to take all material into and upon the Premises that may be required to make any repairs, improvements and additions, or any alterations, without in any way being deemed or held guilty of trespass and without constituting a constructive eviction of Tenant. The Rent reserved herein shall not abate while said repairs, alterations or additions are being made and Tenant shall not be entitled to maintain a set-off or counterclaim for damages against Landlord by reason of loss from interruption to the business of Tenant because of the prosecution of any such work. All such repairs, decorations, additions and improvements shall be done during ordinary business hours, or, if any such work is at the request of Tenant to be done during any other hours, the Tenant shall pay all overtime and other extra costs.

11. **Indemnities.** Tenant does hereby indemnify and save harmless Landlord against all claims for damages to persons or property which are caused anywhere in the Building or on the Property by the negligence or willful misconduct of Tenant, its agents or employees or which occur in the Premises (or arise out of actions taking place in the Premises) unless such damage is caused by the negligence or willful misconduct of Landlord, its agents, or employees. The indemnities contained herein do not override the waivers contained in Section 12 below.

12. **Tenant's Insurance; Waivers.**

a. Tenant further covenants and agrees that from and after the date of delivery of the Premises from Landlord to Tenant, Tenant will carry and maintain, at its sole cost and expense, the following types of insurance, in the amounts specified and in the form hereinafter provided for:

i. Liability Insurance in the Commercial General Liability form (or reasonable equivalent thereto) covering the Premises and Tenant's use thereof against claims for personal injury or death, property damage and product liability occurring upon, in or about the Premises, such insurance to be written on an occurrence basis (not a claims made basis), to be in combined single limits amounts not less than $2,000,000 and to have general aggregate limits of not less than $4,000,000 for each policy year. The insurance coverage required under this Section 12 (a)(i) shall, in addition, extend to any liability of Tenant arising out of the indemnities provided for in Section 11 of these Supplemental Conditions and, if necessary, the policy shall contain a contractual endorsement to that effect. The general aggregate limits under the Commercial General Liability insurance policy or policies must apply separately to the Premises and to Tenant's use thereof (and not to any other location or use of Tenant) and, if necessary, such policy shall contain an endorsement to that effect. Commercial General Liability insurance shall be written on ISO occurrence form CG00010196 (or a substitute form providing equal or better coverage). The certificate of insurance evidencing the Commercial General Liability form of policy shall specify all endorsements required herein and shall specify on the face thereof that the limits of such policy apply separately to the Premises.

ii. Boiler and machinery insurance in adequate amounts on all fired objects and other fired pressure vessels and systems serving the Premises (if any); and if the said objects and the damage that may be caused by them or result from them are not covered by Tenant's extended coverage insurance, then such insurance shall be in an amount not less than $250,000 and be issued on a replacement cost basis.

iii. Commercial property insurance covering all of the items included in Tenant's leasehold improvements, heating, ventilating and air conditioning equipment maintained by Tenant, trade fixtures, merchandise and personal property from time to time in, on or upon the Premises, and alterations, additions or changes made by Tenant pursuant to Section 10 of the Lease, in an amount not less than one hundred percent (100%) of their full replacement value from time to time during the Term, providing protection against perils included within the ISO Special Causes of Loss Form insurance policy (or substitute form providing equal or better coverage), together with insurance against sprinkler damage, vandalism and malicious mischief. Any policy proceeds from such insurance shall be held in trust by Tenant's insurance company for the repair, construction and restoration or replacement of the property damaged or destroyed unless this Lease shall cease and terminate under Section 22 of these Supplemental Conditions.

iv. Workers' Compensation and Employer's Liability insurance affording statutory coverage and containing statutory limits with the Employer's Liability portion thereof to have minimum limits of $500,000.00.

v. Business Interruption Insurance equal to not less than fifty percent (50%) of the estimated annual gross earnings (as defined in the standard form of business interruption insurance policy) of Tenant generated from or through the Premises for its most recent fiscal year which insurance shall be issued on an "all risks" basis (or its equivalent).

~~vi. Pollution liability coverage, if requested in writing by Landlord, with a limit of not less than $1,000,000 depending on Tenant's Permitted Use.~~

b. All policies of the insurance provided for in this Section 12 shall be issued in form acceptable to Landlord by insurance companies with a rating and financial size of not less than A-X in the most current available "Best's Insurance Reports," and licensed to do business in Mississippi. Each and every such policy:

i. shall name Landlord as an additional insured (as well as any mortgagee of Landlord and any other party reasonably designated by Landlord) and the coverage in (ii) shall also name Landlord as loss payee with respect to all leasehold improvements and fixtures (other than Tenant's trade fixtures);

ii. shall (and a certificate thereof shall be delivered to Landlord at or prior to the execution of the Lease) be delivered to each of Landlord and any such other parties in interest within thirty (30) days after delivery of possession of the Premises to Tenant and thereafter within thirty (30) days prior to the expiration of each such policy, and, as often as any such policy shall expire or terminate. Renewal or additional policies shall be procured and maintained by Tenant in like manner and to like extent;

iii. shall contain a provision that the insurer will give to Landlord and such other parties in interest at least thirty (30) days notice in writing in advance of any material change, cancellation, termination or lapse, or the effective date of any reduction in the amounts of insurance; and;

iv. shall be written as a primary policy which does not contribute to and is not in excess of coverage which Landlord may carry.

c. the insurance provided for in this Section may be maintained by means of a policy or policies of blanket insurance, covering additional items or locations or insureds, provided, however, that:

i. Landlord and any other parties in interest from time to time designated by Landlord to Tenant shall be named as an additional insured thereunder as its interest may appear;

ii. the coverage afforded Landlord and any such other parties in interest will not be reduced or diminished by reason of the use of such blanket policy of insurance;

iii. any such policy or policies (except any covering the risks referred to in Section 12 (a)) shall specify therein (or Tenant shall furnish Landlord with a written statement from the insurers under such policy specifying) the amount of the total insurance allocated to the Tenant's improvements and property more specifically detailed in Section 12 (a)(iii); and;

iv. the requirements set forth in Section 12 (b) are otherwise satisfied.

d. Notwithstanding anything to the contrary set forth hereinabove, Landlord and Tenant do hereby waive any and all claims against one another for damage to or destruction of real or personal property to the extent such damage or destruction can be covered by ISO Causes of Loss - Special Form property insurance of the type described herein. Each party shall also be responsible for the payment of any deductible amounts required to be paid under the applicable ISO Causes of Loss - Special Form fire and casualty insurance carried by the party whose property is damaged. These waivers shall apply if the damage would have been covered by a customary ISO Causes of Loss - Special Form insurance policy, even if the party fails to obtain such coverage. The intent of this provision is that each party shall look solely to its insurance with respect to property damage or destruction which can be covered by ISO Causes of Loss - Special Form insurance of the type described in Section 12 (a)(iii). To further effectuate the provisions of this Section 12, Landlord and Tenant both agree to provide copies of this Lease (and in particular, these waivers) to their respective insurance carriers and to require such insurance carriers to waive all rights of subrogation against the other party with respect to property damage covered by the applicable ISO Causes of Loss - Special Form fire and casualty insurance policy.

13. **Governmental Requirements.** Tenant shall, at its own expense, promptly comply with all requirements of any legally constituted governmental or public authority made necessary by reason of Tenant's occupancy of the Premises, including, without limitation, the Americans with Disabilities Act.

14. **Abandonment of Premises.** Tenant agrees not to abandon or vacate the Premises during the Term of this Lease. If Tenant does abandon or vacate the Premises for more than sixty (60) days, Landlord may terminate this Lease, by written notice to Tenant at any time prior to Tenant reoccupying the Premises, but such termination shall not entitle Landlord to pursue any other remedies unless an uncured Event of Default then exists, in which case Landlord may pursue any and all remedies provided by this Lease, at law or in equity.

15. **Assignment and Subletting.** Tenant may not, without the prior written consent of Landlord, which consent may be withheld by Landlord in its sole, unfettered discretion, assign this Lease or any interest hereunder, or sublet the Premises or any part thereof, or permit the use of the Premises by any party other than Tenant. In the event that Tenant is a corporation or entity other than an individual, any transfer of a majority or controlling interest in Tenant (whether by stock transfer, merger, operation of law or otherwise) shall be considered an assignment for purposes of this paragraph and shall require Landlord's prior written consent. Consent to one assignment or sublease shall not destroy or waive this provision, and all later assignments and subleases shall likewise be made only upon the prior written consent of Landlord. Tenant shall reimburse Landlord for its legal and administrative costs in reviewing any such proposed assignment or sublease. Subtenants or assignees shall become liable to Landlord for all obligations of Tenant hereunder, without relieving Tenant's liability hereunder and, in the event of any default by Tenant under this Lease, Landlord may, at its option, but without any obligation to do so, elect to treat such sublease or assignment as a direct Lease with Landlord and collect rent directly from the subtenant. In addition, upon any request by Tenant for Landlord's consent to an assignment or sublease, Landlord may elect to terminate this Lease and recapture all of the Premises (in the event of an assignment request) or the applicable portion of the Premises (in the event of a subleasing request); provided, however, if Landlord notifies Tenant that Landlord elects to exercise this recapture right, Tenant may, within five (5) business days of its receipt of Landlord's notice, notify Landlord that Tenant withdraws its request to sublease or assign, in which case Tenant shall continue to lease all of the Premises, subject to the terms of this Lease and Landlord's recapture notice shall be null and void. If Tenant desires to assign or sublease, Tenant must provide written notice to Landlord describing the proposed transaction in detail and providing all documentation (including detailed financial information for the proposed assignee or subtenant) reasonably necessary to let Landlord evaluate the proposed transaction. Landlord shall notify Tenant within twenty (20) days of its receipt of such notice whether Landlord elects to exercise its recapture right and, if not, whether Landlord consents to the requested assignment or sublease. If Landlord fails to respond within such twenty (20) day period, Landlord will be deemed not to have elected to recapture and not to have consented to the assignment or sublease. If Landlord does consent to any assignment or sublease request and the assignee or subtenant pays to Tenant an amount in excess of the Rent due under this Lease (after deducting Tenant's reasonable, actual expenses in obtaining such assignment or sublease, amortized in equal monthly installments over the then remainder of the Term), Tenant shall pay 75% of such excess to Landlord as and when the monthly payments are received by Tenant.

16. **Destruction or Damage.**

a. If the Building or the Premises are totally destroyed by storm, fire, earthquake, or other casualty, or damaged to the extent that, in Landlord's reasonable opinion the damage cannot be restored within one hundred eighty (180) days of the date Landlord provides Tenant written notice of Landlord's reasonable estimate of the time necessary to restore the damage, or if the damage is not covered by standard ISO Causes of Loss - Special Form property insurance, or if the Landlord's lender requires that the insurance proceeds be applied to its loan, Landlord shall have the right to terminate this Lease effective as of the date of such destruction or damage by written notice to Tenant on or before thirty (30) days following Landlord's notice described in the next sentence and Rent shall be accounted for as between Landlord and Tenant as of that date. Landlord shall provide Tenant with notice within sixty (60) days following the date of the damage of the estimated time needed to restore, whether the loss is covered by Landlord's insurance coverage and whether or not Landlord's lender requires the insurance proceeds be applied to its loan.

b. If the Premises are damaged by any such casualty or casualties but Landlord is not entitled to or does not terminate this Lease as provided in subparagraph (a) above, this Lease shall remain in full force and effect, Landlord shall notify Tenant in writing within sixty (60) days of the date of the damage that the damage will be restored (and will include Landlord's good faith estimate of the date the restoration will be complete), in which case Rent shall abate as to any portion of the Premises which is not usable, and Landlord shall restore the Premises to substantially the same condition as before the damage occurred as soon as practicable, whereupon full Rent shall recommence.

c. Notwithstanding anything to the contrary contained herein, Landlord shall have no obligation to restore any item that is Tenant's responsibility to insure under Section 12 of this Supplement (other than any leasehold improvements, which Landlord will restore in accordance with the foregoing, to the extent Landlord actually receives insurance proceeds from Tenant or Tenant's insurer to pay for such restoration), regardless of whether Tenant insures same, undertakes self insurance with respect to same or fails to maintain insurance with respect to same; Tenant shall bear the responsibility for prompt restoration of all such items.

17. **Storage.** If Landlord makes available to Tenant any storage space outside the Premises, anything stored therein shall be wholly at the risk of Tenant, and Landlord shall have no responsibility or liability for the items stored therein.

18. **Waste Disposal.** All normal trash and waste (i.e., waste that does not require special handling) shall be disposed of through the janitorial service.

19. **Surrender of Premises.** Whenever under the terms hereof Landlord is entitled to possession of the Premises, Tenant at once shall surrender the Premises and the keys or electronic card keys thereto to Landlord in the same condition as on the Rent Commencement Date hereof, natural wear and tear only excepted, and Tenant shall remove all of its personalty therefrom and shall, if directed to do so by Landlord, remove all improvements (and/or any cabling installed by or on behalf of Tenant) and restore the Premises to its original condition prior to the construction of any improvements which have been made therein by or on behalf of Tenant, including any improvements made prior to the Rent Commencement Date. Landlord may forthwith re-enter the Premises and repossess itself thereof and remove all persons and effects therefrom, using such force as may be necessary without being guilty of forcible entry, detainer, trespass or other tort. Tenant's obligation to observe or perform these covenants shall survive the expiration or other termination of the Term of this Lease. If the last day of the Term of this Lease or any renewal falls on Saturday, Sunday or a legal holiday, this Lease shall expire on the business day immediately preceding.

20. **Environmental Provisions.**

a. The University of Mississippi has established policies, regulations and procedures for the purchase, receiving, use, storage, handling, shipping and disposal of hazardous materials. All activities that occur on the campus of the University of Mississippi using or involving biological, chemical, radiological materials or ionizing radiation producing devices, must adhere to all current and future university regulations, policies and procedures.

b. Hazardous materials include any and all chemicals for which the manufacturer is required to produce and provide a material safety data sheet, any compound, product or mixture regulated by local, state, or federal laws or regulations, any and all materials that have the potential to cause harm to human health or to the environment, including novel compounds, any and all radioactive materials, isotopes, radiation generating devices, biological agent, infectious microorganism, animals, vertebrate or invertebrate, live or preserved, and any other, potentially hazardous agent or nonindigenous species of plant or animal that may or may not be currently regulated.

c. The provisions set forth in this Article shall survive the termination of this Lease. If Tenant's transportation, storage, use or disposal of Hazardous or Toxic Materials on the Premises or the Property results in (i) contamination of the soil or surface or ground water; or (ii) loss, damage or inconvenience to person(s) and/or property, then Tenant agrees to (i) notify Landlord and the University of Mississippi Health and Safety Officer immediately of any contamination, claim of contamination, loss or damage or inconvenience; (ii) after consultation and approval by Landlord and the University of Mississippi Health and Safety Officer, to clean up the contamination in full compliance with all applicable statutes, regulations and standards; and (iii) to indemnify, defend and hold harmless Landlord from and against any Claim arising from or connected with any such contamination, claim of contamination, loss, damage. Further, upon written notice from Landlord, Tenant shall immediately cease any activity that may cause any inconvenience to either Landlord or other tenants, or their agents, employees or invitees. In the event of a conflict of the provisions of this Section 20 with any other provision in this Lease, the provision in this Section 20 shall prevail.

21. **Cleaning Premises.** Upon vacating the Premises, Tenant agrees to return the Premises to Landlord broom clean and in the same condition when Tenant's possession commenced, natural wear and tear excepted, regardless of whether any Security Deposit (as defined in Section 8 of the Lease) has been forfeited.

22. **No Estate In Land.** This contract shall create the relationship of landlord and tenant between Landlord and Tenant; no estate shall pass out of Landlord; Tenant has only a usufruct, not subject to levy or sale, and not assignable by Tenant except with Landlord's consent.

23. **Cumulative Rights.** All rights, powers and privileges conferred hereunder upon the parties hereto shall be cumulative but not restrictive to those given by law.

24. **Damage or Theft of Personal Property.** All personal property brought into the Premises shall be at the risk of the Tenant only and Landlord shall not be liable for theft thereof or any damage thereto occasioned by any acts of co-tenants, or other occupants of the Building, or any other person, except, with respect to damage to the Premises, as may be occasioned by the negligent or willful act of the Landlord, its employees and agents.

25. **Holding Over.** In the event Tenant remains in possession of the Premises after the expiration of the Term hereof, or of any renewal term, with Landlord's written consent, Tenant shall be a tenant at will and such tenancy shall be subject to all the provisions hereof, except that the monthly rental shall be at the higher of double the monthly Base Rent payable hereunder upon such expiration of the Term hereof, or of any renewal term, or up to double the then current fair market rental value of the Premises. In the event Tenant remains in possession of the Premises after the expiration of the Term hereof, or any renewal term, without Landlord's written consent, Tenant shall be a tenant at sufferance and may be evicted by Landlord without any notice, but Tenant shall be obligated to pay rent for such period that Tenant holds over without written consent at the same rate provided in the previous sentence and shall also be liable for any and all other damages Landlord suffers as a result of such holdover including, without limitation, the loss of a prospective tenant for such space. There shall be no renewal of this Lease by operation of law or otherwise. Nothing in this Section shall be construed as a consent by Landlord for any holding over by Tenant after the expiration of the Term hereof, or any renewal term.

26. **Quiet Enjoyment.** Tenant, upon payment in full of the required Rent and full performance of the terms, conditions, covenants and agreements contained in this Lease, shall peaceably and quietly have, hold and enjoy the Premises during the term hereof. Landlord shall not be responsible for the acts or omissions of any other tenant, Tenant or third party that may interfere with Tenant's use and enjoyment of the Premises.

27. **Limitation of Liability.** Landlord's obligations and liability with respect to this Lease shall be limited solely to Landlord's interest in the Building, as such interest is constituted from time to time, and neither Landlord nor any partner of Landlord, or any officer, director, shareholder, or partner of any partner of Landlord, shall have any personal liability whatsoever with respect to this Lease. No owner of the Property, whether or not named herein, shall have liability hereunder after it ceases to hold title to the Property.

28. **Submission of Agreement.** Submission of this Lease to Tenant for signature does not constitute a reservation of space or an option to acquire a right of entry. This Lease is not binding or effective until execution by and delivery to both Landlord and Tenant.

29. **Authority.** If Tenant executes this Lease as a corporation, limited partnership, limited liability company or any other type of entity, each of the persons executing this Lease on behalf of Tenant does hereby personally represent and warrant that Tenant is a duly organized and validly existing corporation, limited partnership, limited liability company or other type of entity, that Tenant is qualified to do business in the State of Mississippi, that Tenant has full right, power and authority to enter into this Lease, and that each person signing on behalf of Tenant is authorized to do so. In the event any such representation and warranty is false, all persons who execute this Lease shall be individually, jointly and severally, liable as Tenant. Upon Landlord's request, Tenant shall provide Landlord with evidence reasonably satisfactory to Landlord confirming the foregoing representations and warranties.

30. **Relocation.** At any time or from time to time during the Term or any renewal thereof, Landlord shall have the unrestricted right to relocate Tenant from the Premises to any other office space in the Project. Landlord shall provide Tenant at least ninety (90) days prior written notice of any such relocation and Landlord shall reimburse Tenant for all reasonable expenses incurred by Tenant in connection with such relocation including moving expenses, telecommunications and data cabling and hookup and the cost of a reasonable supply of replacement stationery. Landlord shall, at its sole expense, renovate or construct improvements in the relocation space that are substantially similar to those in the Premises. Following any such relocation, Landlord and Tenant shall enter into an amendment to this Lease to reflect that the Premises consists of the relocation space. All other terms and conditions of the Lease shall remain unchanged following such relocation.

31. **Broker Disclosure (if applicable).** _____, a real estate broker licensed in the State of Mississippi, has acted as agent for Tenant in this transaction and is to be paid a commission by _____ pursuant to a separate agreement. Landlord represents that it has dealt with no other broker other than the broker(s) identified herein. Landlord agrees that, if any other broker makes a claim for a commission based upon the actions of Landlord, Landlord shall indemnify, defend and hold Tenant harmless from any such claim. Tenant represents that it has dealt with no broker other than the broker(s) identified herein. Tenant agrees that, if any other broker makes a claim for a commission based upon the actions of Tenant, Tenant shall indemnify, defend and hold Landlord and Landlord's broker harmless from any such claim. Tenant will cause its broker to execute a customary lien waiver, adequate under Mississippi law, to extinguish any lien claims such broker may have in connection with this Lease.

32. **Mortgagee's Rights.**

a. Tenant agrees that this Lease shall be subject and subordinate (i) to any mortgage, deed to secure debt or other security interest now encumbering the Property and to all advances which may be hereafter made, to the full extent of all debts and charges secured thereby and to all renewals or extensions of any part thereof, and to any mortgage, deed to secure debt or other security interest which any owner of the Property may hereafter, at any time, elect to place on the Property; (ii) to any assignment of Landlord's interest in the leases and rents from the Building or Property which includes the Lease which now exists or which any owner of the Property may hereafter, at any time, elect to place on the Property; and (iii) to any Uniform Commercial Code Financing Statement covering the personal property rights of Landlord or any owner of the Property which now exists or any owner of the Property may hereafter, at any time, elect to place on the foregoing personal property (all of the foregoing instruments set forth in (i), (ii) and (iii) above being hereafter collectively referred to as "Security Documents"). Tenant agrees upon request of the holder of any Security Documents ("Holder") to hereafter execute any documents which the counsel for Landlord or Holder may deem necessary to evidence the subordination of the Lease to the Security Documents. If Tenant fails to execute any such requested documents, Landlord or Holder is hereby empowered to execute such documents in the name of Tenant evidencing such subordination, as the act and deed of Tenant, and this authority is hereby declared to be coupled with an interest and not revocable.

b. In the event of a foreclosure pursuant to any Security Documents, Tenant shall at the election of the Holder, thereafter remain bound pursuant to the terms of this Lease as if a new and identical Lease between the purchaser at such foreclosure ("Purchaser"), as landlord, and Tenant, as tenant, had been entered into for the remainder of the Term hereof and Tenant shall attorn to the Purchaser upon such foreclosure sale and shall recognize such Purchaser as the Landlord under the Lease. Such attornment shall be effective and self-operative without the execution of any further instrument on the part of any of the parties hereto. Tenant agrees, however, to execute and deliver at any time and from time to time, upon the request of Landlord or of Holder, any instrument or certificate that may be necessary or appropriate in any such foreclosure proceeding or otherwise to evidence such attornment.

c. If the Holder of any Security Document or the Purchaser upon the foreclosure of any of the Security Documents shall succeed to the interest of Landlord under the Lease, such Holder or Purchaser shall have the same remedies, by entry, action or otherwise for the non-performance of any agreement contained in the Lease, for the recovery of Rent or for any other default or event of default hereunder that Landlord had or would have had if any such Holder or Purchaser had not succeeded to the interest of Landlord. Any such Holder or Purchaser which succeeds to the interest of Landlord hereunder, shall not be (a) liable for any act or omission of any prior Landlord (including Landlord); or (b) subject to any offsets or defenses which Tenant might have against any prior Landlord (including Landlord); or (c) bound by any Rent which Tenant might have paid for more than the current month to any prior Landlord (including Landlord); or (d) bound by any amendment or modification of the Lease made without its consent.

d. Tenant hereby acknowledges that if the interest of Landlord hereunder is covered by an assignment of Landlord's interest in Lease, Tenant shall pay all Rent due and payable under the Lease directly to the Holder of the assignment of Landlord's interest in Lease upon notification of the exercise of the rights thereunder by the Holder thereof.

e. Notwithstanding anything to the contrary set forth in this Section32, the Holder of any Security Documents shall have the right, at any time, to elect to make this Lease superior and prior to its Security Document. No documentation, other than written notice to Tenant, shall be required to evidence that the Lease has been made superior and prior to such Security Documents, but Tenant hereby agrees to execute any documents reasonably requested by Landlord or Holder to acknowledge that the Lease has been made superior and prior to the Security Documents.

33. **Tenant's Estoppel.** Tenant shall, from time to time, upon not less than ten (10) days prior written request by Landlord, execute, acknowledge and deliver to Landlord a written statement certifying that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the same is in full force and effect as modified and stating the modifications), the dates to which the Rent has been paid, that Tenant is not in default hereunder and has no offsets or defenses against Landlord under this Lease, whether or not to the best of Tenant's knowledge Landlord is in default hereunder (and if so, specifying the nature of the default), and other factual matters reasonably requested by Landlord, it being intended that any such statement delivered pursuant to this paragraph may be relied upon by a prospective purchaser of Landlord's interest or by a mortgagee of Landlord's interest or assignee of any security deed upon Landlord's interest in the Premises.

34. **Employees**. Tenant agrees not to discriminate against any applicant or trainee or employee on the grounds of race, creed, color, political affiliation or belief, sex, national origin, sexual orientation, age or handicap (except where any of these is a bona fide occupational qualification), as required by Title VI and VII of eh Federal Civil Rights Act of 1964 Section 504 of the Rehabilitation Act of 1964.

35. **Attorney's Fees.** If Tenant fails to pay any Rent or other sum due and owing under this Lease, and such sum is thereafter collected by or through an attorney at law, then, in addition to such sums, Tenant shall also pay Landlord's reasonable attorneys' fees incurred in such collection. Further, if Landlord exercises any of the remedies provided to Landlord under this Lease as a result of Tenant's failure to comply with its obligations, or if Landlord brings any action to enforce its rights under this Lease, Tenant shall be obligated to reimburse Landlord, on demand, for all costs and expenses, including reasonable attorneys' fees and court costs, incurred in connection therewith; provided, however that a recovery of attorneys' fees by Landlord against Tenant under this sentence shall include, but shall not duplicate, the recovery by Landlord against Tenant of its reasonable attorneys' fees and other reasonable costs of collection permitted under the first sentence of this Section.

36. **Force Majeure.** In the event of a strike, lockout, labor trouble, civil commotion, an act of God, or any other event beyond Landlord's control (a "force majeure event") which results in the Landlord being unable to timely perform its obligations hereunder to repair the Premises, provide services, or complete Work, if any (as may be provided in Exhibit C), so long as Landlord diligently proceeds to perform such obligations after the end of the force majeure event, Landlord shall not be in breach hereunder, this Lease shall not terminate, and Tenant's obligation to pay any Base Rent, additional rent, or any other charges and sums due and payable shall not be excused.

37. **Paragraph Titles; Severability.** The paragraph titles used herein are not to be considered a substantive part of this Lease, but merely descriptive aids to identify the paragraph to which they refer. Use of the masculine gender includes the feminine and neuter, and vice versa, where necessary to impart contextual continuity. If any paragraph or provision herein is held invalid by a court of competent jurisdiction, all other paragraphs or severable provisions of this Lease shall not be affected thereby, but shall remain in full force and effect.

38. **Negotiation.** This Lease has been negotiated "at arm's length" by Landlord and Tenant, each having the opportunity to be represented by legal counsel. Therefore, this Lease shall not be more strictly construed against either party by reason of the fact that one party may have drafted this Lease.

39. **Construction of Agreement.** No failure of Landlord to exercise any power given Landlord hereunder, or to insist upon strict compliance by Tenant of his obligations hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Landlord's right to demand exact compliance with the terms hereof. Time is of the essence of this Lease.

40. **Anti-Terrorism Representation.** Tenant is not, and shall not during the Term of the Lease become, a person or entity with whom Landlord is restricted from doing business with under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, H. r. 3162, Public Law 107-56 (commonly known as the "USA Patriot Act") and Executive Order Number 13224 on Terrorism Financing, effective September 24, 2001 and regulations promulgated pursuant thereto (collectively, "Anti-Terrorism Laws"), including without limitation persons and entities named on the Office of Foreign Asset Control Specially Designated Nationals and Blocked Persons List (collectively, "Prohibited Persons").

To the best of its knowledge, Tenant is not currently engaged in any transactions or dealings, or otherwise associated with, any Prohibited Persons in connection with the use or occupancy of the Premises, the Building or the Property. Tenant will not in the future during the Term of this Lease engage in any transactions or dealings, or be otherwise associated with, any Prohibited Persons in connection with the use or occupancy of the Premises, the Building or the Property.

Tenant's breach of any representation or covenant set forth in this Section 40 shall constitute a breach of this Lease on behalf of Tenant, entitling Landlord to any and all remedies hereunder, or at law or in equity.

CENTER TOWER

LEASE

Between

CENTER TOWER ASSOCIATES, LLC,

A limited liability company

And

NEMUS,

A California corporation

LEASE

THIS LEASE (the "Lease") is made this 13th day of October, 2014, between CENTER TOWER ASSOCIATES, LLC, a California limited liability company, (hereinafter called "Landlord"), and NEMUS, a California corporation (hereinafter called "Tenant").

LEASE OF PREMISES

Landlord hereby leases to Tenant and Tenant hereby hires from Landlord, subject to all of the terms and conditions hereinafter set forth, those certain premises (hereinafter called the "Premises") shown in the floor plan(s) attached hereto as Exhibit "A-1" and located or to be located on the floor(s) and in the suite(s) of that certain office structure to be known as "Center Tower," as constructed or to be constructed on certain land situated in the City of Costa Mesa, County of Orange, State of California, and as more particularly identified in Item 1 of the Basic Lease Provisions. Such land is or will be improved with the Center Tower and certain "common facilities" described in Paragraph 32. The Center Tower space and common facilities are referred to collectively herein as "the Building" and are depicted on Exhibit "A-2." The following Basic Lease provisions are an integral part of this Lease. In the event of any conflict between any Basic Lease Provision and any provision of this Lease, the Lease provision shall control.

BASIC LEASE PROVISIONS

1.	Building Name: Address:	Center Tower 650 Town Center Drive Costa Mesa, CA 92626	Floor: 6th Suite: 620
2.	Rentable Area:	3,684 square feet (See Exhibit "A-3")	
3.	Expense Percentage	0.8390 %	
4.	Initial Basic Annual Rent:	$64,470.00	
5.	Initial Monthly Basic Rent Installments:	$5,372.50	
6.	Basic Annual Rent Increases:	None.	
7.	Term:	Two (2) years.	
8.	Commencement Date:	November 1, 2014	
9.	Security Deposit:	$9,593.75.	
10.	Broker(s):	Cushman & Wakefield of California, Inc., for both Landlord and Tenant.	
11.	Permitted Use:	General office, sales, training and administrative uses consistent with the operation of a first class office building together with such other legally permitted uses as may be approved by Landlord in its sole and absolute discretion. Sales, as described above, shall not include on-site retail activities.	
12.	Space Plan Approval Date:	Not Applicable.	
13.	Addresses for Notices:		

If to Landlord:

CENTER TOWER ASSOCIATES, LLC
3315 Fairview Road
Costa Mesa, California 92626
Attn: Center Tower Controller

And

CENTER TOWER ASSOCIATES, LLC
Suite 930
650 Town Center Drive
Costa Mesa, California 92626
Attn: Property Manager

If to Tenant:
Nemus Bioscience, Inc.
650 Town Center Drive
Suite 620
Costa Mesa, CA. 92626

14. All payments payable under this Lease shall be sent to Landlord via first class mail File #57270, Los Angeles, CA 90074-7270 or via overnight delivery to Lockbox 57270, 1000 West Temple Street, Los Angeles, CA 90012 or such other address as Landlord may designate.

IN WITNESS WHEREOF, the parties hereto have executed this Lease, consisting of the foregoing provisions and Paragraphs 1 through 48 which follow, together with Exhibits"A-1" through "A-3" and "B" through "E" incorporated herein by this reference, as of the date first above written.

LANDLORD:

CENTER TOWER ASSOCIATES, LLC, a California limited liability company

By: Henry Segerstrom Management LLC, a California limited liability company, Manager

By _____
Manager

OR

By: _____
Alternate Manager

AND

By: */s/ Chase J. McLaughlin*
Chase J. McLaughlin, Manager

TENANT:

NEMUS,
a California corporation

By: _____

Its: CFO

By: _____

Its: CEO

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Exhibit "A 1"	Floor Plan(s) of Premises
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Exhibit "E"	Janitorial Specifications

1. TERM

(a) The term of this Lease shall be as shown in Item 7 of the Basic Lease Provisions and shall commence on the date shown in Item 8 of the Basic Lease Provisions (the "Commencement Date"). Notwithstanding the Commencement Date, Tenant shall have access to the Premises seven (7) days prior to the Commencement Date. Early access shall be for the purpose of installing Tenant's equipment, wiring, furniture and related items and, if completed, Tenant's actual use of the Premises for its normal business activities. All provisions of this Lease shall be applicable immediately upon such mutual execution and delivery by the parties other than Tenant's obligation for the payment of rent which shall not commence until the Commencement Date. Within thirty (30) days following the date of commencement of the term of this Lease, Landlord and Tenant shall execute a supplemental agreement, in letter form, setting forth the Commencement Date and the Rentable Area of the Premises. Notwithstanding the foregoing, failure of Tenant to execute such supplemental agreement shall not affect Landlord's determination of the Commencement Date and Rentable Area of the Premises in accordance with the provisions of this Lease. From and after the Commencement Date, Tenant shall observe all obligations of the tenant pursuant to this Lease, including those requiring the payment of Basic Annual Rent and Additional Rent.

(b) The Commencement Date shown in Item 8 of the Basic Lease Provisions is an estimated date by which Landlord will deliver the Premises to Tenant. If Landlord is unable to tender possession of the Premises on that date, this Lease shall not be void or voidable, nor shall Landlord be liable for any loss or damage resulting therefrom, except to the extent caused by Landlord's gross negligence or willful misconduct.

2. BASIC ANNUAL RENT

Tenant shall pay as Basic Annual Rent for the Premises the initial sum shown in Item 4 of the Basic Lease Provisions, subject to adjustment as set forth in Item 6 of the Basic Lease Provisions. Basic Annual Rent shall be payable in advance in equal monthly installments as shown in Item 5 of the Basic Lease Provisions without deduction or offset, commencing on the Commencement Date and continuing on the first day of each calendar month thereafter. In the event the term of this Lease commences or ends on a day other than the first or last day of a calendar month, then the Basic Annual Rent for such partial month shall be prorated in the proportion that the number of days this Lease is in effect during such partial month bears to the number of days in that calendar month, and such Basic Annual Rent shall be paid at the commencement of such partial month. The first monthly installment of Basic Annual Rent and Additional Rent payable by Tenant pursuant to this Lease shall be paid to Landlord concurrently with Tenant's execution and delivery of this Lease to Landlord.

3. ADDITIONAL RENT

(a) Tenant agrees to pay as Additional Rent for the Premises Tenant's proportionate share of all "Operating Expenses" (as hereinafter defined) incurred by Landlord in the operation of the Building. Tenant's proportionate share thereof (hereinafter "Expense Percentage") shall be the percentage obtained by dividing the average Rentable Area of the Premises for such year or portion thereof by ninety-five percent (95%) of the total Rentable Area of the Building, for the same period, and, subject to Exhibit "A-3," shall initially be as set forth in Item 3.A. of the Basic Lease Provisions.

(b) Prior to commencement of the Lease term and of each calendar year thereafter, Landlord shall give Tenant a written estimate of Operating Expenses and Tenant's proportionate share thereof for the ensuing year or portion thereof. Tenant shall pay such estimated amount to Landlord in equal monthly installments, in advance. Within ninety (90) days after the end of each calendar year, Landlord shall furnish to Tenant a statement showing in reasonable detail the actual Operating Expenses for such period in accordance with subparagraph (d) below, and the parties shall make any payment or allowance necessary to adjust Tenant's estimated payment to Tenant's proportionate share as shown by such annual statement. Any amount due from Tenant shall be paid within ten (10) days after receipt of such statement. Any amount due to Tenant shall be credited against installments of Additional Rent next coming due under this Paragraph 3.

(c) If at any time during any calendar year of the Lease term the amount(s) and/or the rates for any item(s) of Operating Expenses are increased to a rate(s) or amount(s) in excess of the rate(s) or amount(s) used in calculating the estimated Operating Expenses for such calendar year, Tenant's estimated share of such Operating Expenses shall be increased for the month in which such increase becomes effective and for succeeding months by Tenant's Expense Percentage of such increase, as applicable. In the event of such an increase in rate or amount, Landlord shall give Tenant written notice (the "Adjustment Notice") of the amount or estimated amount of increase, the month in which effective, and Tenant's monthly share thereof. Commencing with the first monthly payment of estimated Operating Expenses required to be made by Tenant after receipt of the Adjustment Notice (the "First Adjustment Payment"), Tenant shall pay such increase to Landlord as part of Tenant's monthly payments of estimated Operating Expenses as provided in subparagraph (b) above. If the effective date of the increase is prior in time to the date of the Adjustment Notice, the First Adjustment Payment shall be increased to include the amount of the monthly payments, if any, which would have been made had the Adjustment Notice been received prior to the effective date of the increase.

(d) The term "Operating Expenses" as used herein shall include all costs of operation and maintenance of the Building, as determined by generally accepted accounting practices consistently applied and determined as if the Building were ninety-five percent occupied for an entire calendar year, and shall include the following costs by way of illustration but not limitation: real and personal property taxes and vehicle taxes and fees; general and special assessments; costs and expenses incurred in contesting the amount of validity of any property tax by appropriate proceedings; water and sewer charges; insurance premiums, including the cost of rental insurance; the amount of any deductible payable by Landlord with respect to damage or destruction to all or any portion of the Building; license, permit and inspection fees; heat; light; power; intrabuilding network cable including, without limitation, service contract fees; janitorial and courtesy officer services (if any); fire protection; labor; salaries; air conditioning; gardening and landscaping; maintenance and repair (including repairs pursuant to Paragraph 5); painting; trash removal; depreciation of operational equipment for the Building; supplies; materials; equipment; tools; property management costs and fees; all fees, assessments and other amounts paid by Landlord of the type described in Paragraph 41; the cost of any capital improvements made to the Building by Landlord which are reasonably calculated to reduce Operating Expenses and/or are required under any governmental law or regulation not applicable to the Building or not in effect at the time it was constructed, such cost to be amortized over such reasonable period as Landlord shall determine and to include a return on capital at the rate of ten percent (10%) per annum on the unamortized balance or at such higher rate as may have been paid by Landlord on funds borrowed for the purpose of constructing such capital improvements; the cost of providing a management office at the Building; the cost of providing a manager and support staff to operate such office and the Building; and an amount equal to fifteen percent of all such costs and expenses to cover Landlord's indirect administrative and overhead expense. The term "property taxes" as used herein shall include (i) all real estate taxes and personal property taxes and other taxes, charges and assessments, unforeseen as well as foreseen, which are levied with respect to the Building, and any improvements, fixtures and equipment and other property of Landlord, real or personal, located in the Building and used in connection with the operation of the Building and the land upon which situated, (ii) any tax, surcharge or assessment which shall be levied in addition to or in lieu of real estate or personal property taxes, other than taxes covered by Paragraph 12, and (iii) any service or other fees collected by governmental agencies in addition to or in lieu of property taxes for services provided by such agencies. The term "property taxes" as used herein shall also include any rental, excise, sales, transaction privilege, or other tax or levy, however denominated, imposed upon or measured by the rental reserved hereunder or on Landlord's business of leasing the Premises, excepting only net income taxes.

(e) Notwithstanding anything to the contrary contained in subparagraph (d) immediately above, as to each specific category of expense which one or more tenants of the Building either pays directly to third parties or actually reimburses to Landlord (for example, separately metered utilities, property taxes directly reimbursed to Landlord, etc.) then each such expense which is actually paid or reimbursed shall not be included in "Operating Expenses" for purposes of this Paragraph 3. Tenant's Operating Expense Percentages, as appropriate, for each such category of expense shall be adjusted by excluding from the denominator thereof the Rentable Area of all such tenants paying such category of expense directly to third parties or actually reimbursing same directly to Landlord. Moreover, if Tenant directly pays a third party or actually reimburses Landlord for any such category of expense, each such category of expenses which is paid or actually reimbursed by Tenant shall be excluded from the determination of "Operating Expenses" for Tenant to the extent such expense (after deduction of that portion paid or directly reimbursed by Tenant) was incurred with respect to space in the Building actually leased to other tenants.

(f) The annual determination of Operating Expenses shall be made by Landlord and the fact that such Operating Expenses have in fact been incurred by Landlord shall be certified by a nationally recognized firm of certified public accountants designated by Landlord. A copy of Landlord's determination and such certification shall be made available to Tenant upon request. Landlord's determination and such certification shall be final and binding upon Landlord and Tenant.

(g) The Basic Annual Rent, as adjusted pursuant to Paragraph 2, the Additional Rent and all other amounts required to be paid by Tenant hereunder, are sometimes herein collectively referred to as, and shall constitute, "rent" within the meaning of California Civil Code Section 1951(a).

4. SECURITY DEPOSIT

Tenant has paid or will pay Landlord such sum(s) at such time(s) as are set forth in Item 9 of the Basic Lease Provisions as security for the full and faithful performance of the terms hereof by Tenant. Landlord shall not be required to keep this security deposit separate from its general funds and Tenant shall not be entitled to interest thereon. If Tenant defaults with respect to any provision of this Lease, including but not limited to the provisions relating to the payment of rent, Landlord may, but shall not be required to, use, apply or retain all or any part of this security deposit for the payment of any rent of any other sum in default, or for the payment of any other amount which Landlord may spend or become obligated to spend by reason of Tenant's default or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default, including without limitation, costs and attorneys' fees incurred by Landlord to recover possession of the Premises upon a default by Tenant hereunder. If any portion of said deposit is so used or applied, Tenant shall, within five (5) days after receipt of written demand therefor, 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 constitute a default hereunder by Tenant. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the security deposit shall be applied against any amounts owed by Tenant to Landlord at the expiration or termination of this Lease and any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) within the time specified in Civil Code Section 1950.7.

5. REPAIRS

(a) Subject to Paragraph 5(b), Landlord shall make all necessary repairs to the exterior walls, exterior doors, windows, corridors and other common areas of the Building and Landlord shall keep the Building in a safe, clean and neat condition, and use reasonable efforts to keep all equipment used in common with other tenants, such as elevators, plumbing, heating, air conditioning, intrabuilding network cabling and similar equipment, in good condition and repair. Except as provided in Paragraphs 14 and 15 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with or interruption of Tenant's business arising from the failure of any such equipment or the making of any repairs, alterations or improvements in or to any portion of the Building or in or to fixtures, appurtenances and equipment therein. Tenant waives the right to make repairs at Landlord's expense under Section 1942 of the California Civil Code, or under any law, statute or ordinance now or hereafter in effect. Landlord shall have no obligation to repair until a reasonable time after receipt of notice or knowledge of the need for repair. The cost of all such work by Landlord shall be included in Operating Expenses pursuant to Paragraph 3.

(b) Tenant agrees that it will make all repairs to the Premises and fixtures therein not required above to be made by Landlord and shall do all decorating, remodeling, alteration and painting required by Tenant during the term of this Lease. Tenant will pay for any repairs to the Premises or the Building made necessary by any negligence or carelessness of Tenant or its assignees, subtenants, employees of their respective agents or other persons permitted in the Building by Tenant, or any of them, and will maintain the Premises, and will leave the Premises upon termination of this Lease in a safe, clean, neat and sanitary condition.

6. IMPROVEMENTS AND ALTERATIONS

(a) Landlord shall have no construction obligation under this Lease and Tenant shall and does hereby accept the Premises in its current "AS-IS" condition without any improvements or modifications.

(b) Landlord shall have the right, at any time, and without any liability to Tenant, to change the arrangement and/or location of entrances or passageways, doors and doorways, and corridors, elevators, stairs, toilets, and other public parts of the Building and upon giving Tenant reasonable notice thereof, to change the name, number or designation by which the Building is commonly known.

(c) Tenant shall not make any alterations, additions or improvements without the prior written consent of Landlord. Subject to Landlord approval of specific plans and specifications, Landlord acknowledges Tenant's intent to install, at Tenant's sole cost, a dedicated server room of approximately 100 square feet in size with dedicated twenty-four (24) hour HVAC in a mutually agreed location within the Premises. All such alterations, additions and improvements shall be made in conformity with plans therefor approved by Landlord in writing prior to the commencement of such work and shall be performed by a tenant improvements contractor designated by Landlord. All such alterations, additions and improvements (except movable furniture, furnishings and trade fixtures) shall become the property of Landlord and shall be surrendered with the Premises, as a part thereof, at the expiration or earlier termination of the term hereof. All such alterations, additions or improvements shall, however, be made by Tenant at Tenant's sole expense. Upon termination of the Lease, or, at Landlord's option, within thirty (30) days prior to the expiration of the Lease term, Tenant shall, upon demand by Landlord, at Tenant's sole cost and expense, forthwith remove any alterations, additions or improvements (except those made initially at the commencement of Tenant's possession of the Premises) made by Tenant and designated by Landlord to be removed, and repair and restore the Premises to their original condition, reasonable wear and tear excepted. Notwithstanding the foregoing, Tenant shall not be required to restore the dedicated server room. Any personal property left on or in the Premises at the expiration or earlier termination of this Lease shall be disposed of by Landlord in the manner provided by law, including, without limitation, California Civil Code Section 1980 et seq. Tenant releases Landlord of and from any and all claims and liability for damage to or destruction or loss of property left by Tenant upon the Premises at the expiration or other termination of this Lease and Tenant hereby indemnifies Landlord against any and all claims and liability with respect thereto. Tenant further waives all claims to all property (and the proceeds thereof) abandoned by Tenant and retained or disposed of by Landlord.

(d) Tenant shall not commence work on any alteration, addition or improvement until and unless Landlord has received at least ten (10) days notice that such work is to commence. Tenant shall immediately reimburse Landlord for any expense incurred by Landlord in reviewing and approving the plans and specifications for such work or by reason of any faulty work done by Tenant or Tenant's contractors, or by reason of delays caused by such work, or by reason of inadequate cleanup, or which is otherwise incurred by Landlord to review the plans and specifications, and monitor and inspect the progress of such work. Tenant or its contractors will in no event be allowed to make any improvements to the Premises which could possibly affect any of the Building systems or to make any structural modification to the Building without first obtaining Landlord's consent, which Landlord can withhold in its sole and absolute discretion. All work by Tenant shall be scheduled through Landlord and shall be diligently and continuously pursued from the date of its commencement through its completion. In addition to the foregoing, and at Landlord's option, Tenant shall obtain a completion and/or performance bond in a form and by a surety acceptable to Landlord and in an amount not less than one and one-half (1½) times the estimated cost of such alterations, additions or improvements.

(e) All alterations, additions and improvements to the Premises made by Tenant shall comply with both ADA as defined in Paragraph 8 of this Lease and the plans therefor approved in advance by Landlord; provided, however, Landlord's approval or consent to any such work shall not impose any liability upon Landlord nor shall such approval infer that Landlord has expressed any opinion or made any warranty regarding the adequacy, sufficiency or legality of any such improvements. Such plans and any specifications associated therewith shall be prepared by an architect or interior designer approved in advance by Landlord. No such work shall proceed without Landlord's prior approval of (i) Tenant's contractor(s); (ii) certificates of insurance from a company or companies approved by Landlord, furnished to Landlord by Tenant's contractor, for combined single limit bodily injury and property damage insurance covering comprehensive general liability and automobile liability, in an amount not less than One Million Dollars ($1,000,000) per occurrence and endorsed to show Landlord as an additional named insured, and for workers' compensation as required by law (provided, however, nothing in this subparagraph shall release Tenant of its other insurance obligations hereunder); and (iii) detailed plans and specifications for such work. All such work by Tenant shall be done in a first-class workmanlike manner and in conformity with all applicable governmental requirements, with valid building permit(s) and/or all other permits or licenses when and where required, copies of which shall be furnished to Landlord before the work is commenced, and any work not acceptable to any governmental authority or agency having or exercising jurisdiction over such work, or not reasonably satisfactory to Landlord, shall be promptly replaced and corrected at Tenant's expense. All such work shall comply with all rules and regulations established by Landlord to ensure the safety, cleanliness and good order of the Building and its occupants, including but not limited to those relating to usage of elevators and loading docks, establishment of off-Premises staging areas, disposal of refuse and the hours of performing operations which result in the creation of noise, dust and odors. No such alterations, additions or improvements by Tenant shall incorporate therein any hazardous materials, as defined in Paragraph 9.

(f) No antenna, satellite dish, microwave receiver or other receiving or transmission equipment shall be installed by Tenant in or on the roof of or about the Building or elsewhere in the common areas except with the prior written consent of Landlord. Any such installation by Tenant shall be only the particular equipment specifically approved by Landlord and any such installation shall be limited to the manner and location approved by Landlord. Any such installation shall be subject to such terms and conditions as are provided by Landlord to Tenant at the time Landlord approves such installation.

7. LIENS

Tenant shall keep the Premises and the Building free from any liens arising out of any work performed, materials furnished, or obligations incurred by or for Tenant. In the event that Tenant shall not, within ten (10) days following the imposition of any such lien, cause the same to be released of record by payment or posting of a proper lien release bond, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including payment of or defense against the claim giving rise to such lien. All sums paid by Landlord and all expenses incurred by it in connection therewith shall create automatically an obligation of Tenant to pay an equivalent amount as additional rent, which additional rent shall be payable by Tenant within five (5) days after Tenant's receipt of Landlord's demand therefor with interest at the rate per annum determined pursuant to Paragraph 37 from date of payment by Landlord until paid by Tenant. Tenant agrees to indemnify and hold Landlord harmless from and against any and all claims for mechanics', materialmen's or other liens in connection with any alterations, repairs or any work performed, materials furnished or obligations incurred by or for Tenant. Nothing herein shall imply any consent by Landlord to subject Landlord's estate to liability under any mechanics' or other lien law. Tenant shall give Landlord adequate opportunity and Landlord shall have the right to post in or on the Premises such notices of nonresponsibility as are provided for in the mechanics lien laws of the state of California.

8. USE OF PREMISES

Tenant and any of its permitted assignees, sublessees or other occupants (collectively "Tenant Parties") shall use the Premises only for the purpose(s) set forth in Item 11 of the Basic Lease Provisions and shall not use or permit the Premises to be used for any other purpose without the prior written consent of Landlord. Without limiting the foregoing, Tenant and the Tenant Parties shall not use the Premises, nor permit the Premises to be used, for retail purposes nor shall Tenant or the Tenant Parties permit the Premises to be used by a governmental or quasi-governmental entity or agency (it being understood, however, that Landlord may lease to such an entity or agency if Landlord recaptures all or any portion of the Premises pursuant to Paragraph 16 below). Tenant shall not use or occupy the Premises in violation of law or of the certificate of occupancy issued for the Building, and shall, upon five (5) days written notice from Landlord, discontinue any use of the Premises which is declared by any governmental authority having jurisdiction to be a violation of law or of such certificate of occupancy. Tenant shall comply promptly with any direction of any governmental authority having jurisdiction which shall, by reason of the nature of Tenant's use or occupancy of the Premises, impose any duty upon Tenant or Landlord with respect to the Premises or with respect to the use or occupancy thereof. Tenant shall not do or permit to be done anything which will invalidate or increase the cost of any fire, extended coverage or any other insurance policy covering the Building and/or property located therein and shall comply with all rules, orders, regulations and requirements of the Pacific Fire Rating Bureau or any other organization performing a similar function. Notwithstanding Paragraph 3, Tenant shall promptly upon demand reimburse Landlord, as additional rent, for the full amount of any additional premium charged for such policy by reason of Tenant's failure to comply with the provisions of this Paragraph, together with interest thereon from date of payment by Landlord to date of reimbursement by Tenant at the rate per annum determined pursuant to Paragraph 37. Such demand for reimbursement shall not be Landlord's exclusive remedy. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building, or injure or annoy them, or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises. Landlord shall not be liable to Tenant for any other occupant's or tenant's failure to conduct itself in accordance with the provisions of this Paragraph 8, and Tenant shall not be released or excused from the performance of any of its obligations under the Lease in the event of any such failure.

Without limiting any of its other obligations pursuant to this Paragraph 8 or Paragraph 9, Tenant covenants and agrees to comply with all laws, rules, regulations and guidelines now or hereafter applicable to the Premises ("Applicable Laws"), including by way of example and not limitation Applicable Laws concerning physical disabilities, with respect to: (a) the disposal of water, trash, garbage and other matter (liquid or solid) generated by Tenant, the disposal of which is not otherwise the express obligation of Landlord under this Lease, including, but not limited to, laws, rules, regulations and guidelines with respect to recycling and other forms of reclamation (all of which are herein collectively referred to as "Waste Management Requirements") and (b) on and after the date that Tenant takes possession of the Premises, Tenant will comply and cause the Premises to comply (other than for Landlord's initial construction obligation under the Exhibit "B" Work Letter) with the provisions, regulations and amendments under the Americans with Disabilities Act of 1990, 42 U.S.C. Sec. 12101-12213 (hereinafter referred to as "ADA") including but not limited to all employer-employee obligations. Tenant shall comply with all rules and regulations established by Landlord from time to time to comply with Waste Management Requirements applicable to Landlord (i) as owner of the Premises and (ii) in performing Landlord's obligations under this Lease, if any. Tenant's obligations under this Paragraph 8 shall survive the expiration or termination of this Lease.

Tenant shall indemnify, defend, protect and hold Landlord harmless from and against all liability (including costs, expenses and attorneys' fees) that Landlord may sustain by reason of Tenant's breach of its obligations under this Paragraph 8.

9. HAZARDOUS MATERIALS

(a) As used in this Lease, the following words or phrases shall have the following meanings:

(i) "Agents" means Tenant's partners, officers, directors, shareholders, employees, agents, contractors and any other third parties entering the Building at the request or invitation of Tenant.

(ii) "Building" for purposes of this Paragraph 9 only, shall mean the Building, the air about the Building and the soil, surface water and ground water under the surface of the Building.

(iii) "Claims" means claims, liabilities, losses, actions, environmental suits, causes of action, legal or administrative proceedings, damages, fines, penalties, loss of rents, liens, judgments, costs and expenses (including, without limitation, attorneys' fees and costs of defense, and consultants', engineers' and other professionals' fees and costs).

(iv) "Hazardous" means: (A) hazardous; (B) toxic; (C) reactive; (D) corrosive; (E) ignitible; (F) carcinogenic; (G) reproductive toxic; (H) any other attribute of a Substance now or in the future referred to in, or regulated by, any Hazardous Materials Laws; and (I) potentially injurious to health, safety or welfare, the environment, the Premises or the Building.

(v) "Hazardous Materials" means any: (A) Substance which is Hazardous, regardless of whether that Substance is Hazardous by itself or in combination with any other Substance; (B) Substance which is regulated by any Hazardous Materials Laws; (C) asbestos and asbestos-containing materials; (D) urea formaldehyde; (E) radioactive substance; (F) flammable explosives; (G) petroleum, including crude oil or any fraction thereof; (H) polychlorinated biphenyls; and (I) "hazardous substances," "hazardous materials" or "hazardous wastes" under any Hazardous Materials Laws.

(vi) "Hazardous Materials Laws" means: (A) any existing or future federal, state or local law, ordinance, regulation or code which protects health, safety or welfare, or the environment; (B) any existing or future administrative or legal decision interpreting any such law, ordinance, regulation or code; and (C) any common law theory which may result in Claims against Landlord, the Premises or the Building.

(vii) "Permits" means any permit, authorization, license or approval required by any applicable governmental agency.

(viii) "Substance" means any substance, material, product, chemical, waste, contaminant or pollutant.

(ix) "Use" means use, generate, manufacture, produce, store, release and discharge.

(b)

(i) Without limiting the generality of Paragraph 8 of this Lease, and except as provided in Paragraphs 9(b)(ii) and 9(b)(iii), Tenant covenants and agrees that Tenant and its Agents shall not bring into, maintain upon, engage in any activity involving the Use of, or Use in or about the Building, or transport to or from the Building, any Hazardous Materials. Notwithstanding the provisions of Paragraphs 9(b)(ii) or 9(b)(iii), in no event shall Tenant or its Agents release or dispose of any Hazardous Materials in, on, under or about the Building.

(ii) Notwithstanding the provisions of Paragraph 9(b)(i), if Tenant or its Agents proposes to Use any Hazardous Materials, or to install or operate any equipment which will or may Use Hazardous Materials ("Equipment"), then Tenant shall first obtain Landlord's prior written consent, which consent may be given or withheld by Landlord in its subjective, good faith judgment, within thirty (30) days of Landlord's receipt of the last of documents or information requested by Landlord as set forth in this Paragraph. Tenant's failure to receive Landlord's consent within such thirty (30) day period shall be conclusively deemed Landlord's withholding of consent. Tenant's request for Landlord's consent shall include the following documents or information: (A) a Hazardous Materials list pursuant to Paragraph 9(c) regarding the Hazardous Materials Tenant proposes to Use and/or Equipment Tenant proposes to install and operate; (B) reasonably satisfactory evidence that Tenant has obtained all necessary Permits to Use those Hazardous Materials and/or to install and operate the proposed Equipment; (C) reasonably satisfactory evidence that Tenant's Use of the Hazardous Materials and/or installation and operation of the Equipment shall comply with all applicable Hazardous Materials Laws, Tenant's permitted use under this Lease and all restrictive covenants encumbering the Building; (D) reasonably satisfactory evidence of Tenant's financial capability and responsibility for potential Claims associated with the Use of the Hazardous Materials and/or installation and operation of the Equipment; and (E) such other documents or information as Landlord may reasonably request. Landlord may, at its option, condition its consent upon any terms that Landlord, in its subjective, good faith judgment, deems necessary to protect itself, the public and the Building against potential problems, Claims arising out of Tenant's Use of Hazardous Materials and/or installation and operation of Equipment including, without limitation, (i) changes in the insurance provisions of the Lease, (ii) installation of equipment, fixtures and/or personal property and/or alteration of the Premises (all at Tenant's sole cost) to minimize the likelihood of a violation of Hazardous Materials Laws as a result of Tenant's Use of the Hazardous Materials and/or installation and operation of Equipment, and/or (iii) increasing the amount of the security deposit. Neither Landlord's consent nor Tenant's obtaining any Permits shall relieve Tenant of any of its obligations pursuant to this Paragraph 9. Landlord's granting of consent to one request to Use Hazardous Materials and/or install and operate Equipment shall not be deemed Landlord's consent to any other such request. If Landlord grants its consent to Tenant's request, no subtenant, assignee or successor of Tenant shall have the right to Use those Hazardous Materials or install or operate that Equipment without again complying with the provisions of this Paragraph 9(b)(ii).

(iii) Notwithstanding the provisions of Paragraphs 9(b)(i) and 9(b)(ii), Tenant may Use any Substance typically found or used in applications of the type permitted by this Lease so long as: (A) any such Substance is typically found only in such quantity as is reasonably necessary for Tenant's permitted use under Paragraph 8 of this Lease; (B) any such Substance and all equipment necessary in connection with the Substance are Used strictly in accordance with the manufacturers' instructions therefor; (C) no such Substance is released or disposed of in or about the Building; (D) any such Substance and all equipment necessary in connection with the Substance are removed from the Building and transported for Use or disposal by Tenant in compliance with any applicable Hazardous Materials Laws upon the expiration or earlier termination of this Lease; and (E) Tenant and its Agents comply with all applicable Hazardous Materials Laws.

(iv) Tenant shall not use or install in or about the Premises any asbestos or asbestos-containing materials.

(c) Tenant shall deliver to Landlord, within thirty (30) days after Tenant's receipt of Landlord's written request, a written list identifying any Hazardous Materials that Tenant or its Agents then Uses or has Used within the last twelve (12) month period in the Building. Each such list shall state: (i) the use or purpose of each such Hazardous Material; (ii) the approximate quantity of each such Hazardous Material Used by Tenant; (iii) such other information as Landlord may reasonably require; and (iv) Tenant's written certification that neither Tenant nor its Agents have released, discharged or disposed of any Hazardous Materials in or about the Building, or transported any Hazardous Materials to or from the Building, in violation of any applicable Hazardous Materials Laws. Landlord shall not request Tenant to deliver a Hazardous Materials list more often than once during each twelve (12) month period, unless Landlord reasonably believes that Tenant or its Agents have violated the provisions of this Paragraph 9 (in which case (A) Landlord may request such lists as often as Landlord determines is necessary until such violation is cured, and (B) Tenant shall provide such lists within ten (10) days of each of Landlord's requests, or if an emergency exists, such lists shall be immediately provided).

(d) Tenant shall furnish to Landlord copies of all notices, claims, reports, complaints, warnings, asserted violations, documents or other communications received or delivered by Tenant, as soon as possible and in any event within five (5) days of such receipt or delivery, with respect to any actual or alleged Use, disposal or transportation of Hazardous Materials in or about the Premises or the Building. Whether or not Tenant receives any such notice, claim, report, complaint, warning, asserted violation, document or communication, Tenant shall immediately notify Landlord, orally and in writing, if Tenant or any of its Agents knows or has reasonable cause to believe that any Hazardous Materials, or a condition involving or resulting from the same, is present, in Use, has been disposed of, or transported to or from the Premises or the Building other than as previously consented to by Landlord in strict accordance with Paragraph 9(b).

(e) Tenant acknowledges that it, and not Landlord, is in possession and control of the Premises for purposes of all reporting requirements under any Hazardous Materials Laws. If Tenant or its Agents violate any provision of this Paragraph 9, then Tenant shall immediately notify Landlord in writing and shall be obligated, at Tenant's sole cost, to abate, remediate, clean-up and/or remove from the Building, and dispose of, all in compliance with all applicable Hazardous Materials Laws, all Hazardous Materials Used by Tenant or its Agents. Such work shall include, but not be limited to, all testing and investigation required by Landlord, Landlord's lender and/or ground lessor, if any, and any governmental authorities having jurisdiction, and preparation and implementation of any remedial action plan required by any governmental authorities having jurisdiction. All such work shall, in each instance, be conducted to the satisfaction of Landlord and all governmental authorities having jurisdiction. If at any time Landlord determines that Tenant is not complying with the provisions of this Paragraph 9(e), then Landlord may, without prejudicing, limiting, releasing or waiving Landlord's rights under this Paragraph 9, separately undertake such work, and Tenant shall reimburse all costs incurred by Landlord upon demand.

(f) Landlord's right of entry pursuant to Paragraph 17 shall include the right to enter and inspect the Premises, and the right to inspect Tenant's books and records, to verify Tenant's compliance with, or violations of, the provisions of this Paragraph 9. Furthermore, Landlord may conduct such investigations and tests as Landlord or Landlord's lender or ground lessor may require. If Landlord determines that Tenant has violated the provisions of this Paragraph 9, or if any applicable governmental agency requires any such inspection, investigation or testing, then Tenant, in addition to its other obligations set forth in this Paragraph 9, shall immediately reimburse Landlord for all costs incurred therewith.

(g)

(i) Tenant shall indemnify, protect, defend (with legal counsel acceptable to Landlord in its subjective, good faith judgment) and hold harmless Landlord, its partners and its and their respective successors, assigns, partners, directors, officers, shareholders, employees, agents, lenders, ground lessors and attorneys, and the Building, from and against any and all Claims incurred by such indemnified persons, or any of them, in connection with, or as the result of: (A) the presence, Use or disposal of any Hazardous Materials into or about the Building, or the transportation of any Hazardous Materials to or from the Building, by Tenant or its Agents; (B) any injury to or death of persons or damage to or destruction of property resulting from the presence, Use or disposal of any Hazardous Materials into or about the Building, or the transportation of any Hazardous Materials to or from the Building, by Tenant or its Agents; (C) any violation of any Hazardous Materials Laws; and (D) any failure of Tenant or its Agents to observe the provisions of this Paragraph 9. Payment shall not be a condition precedent to enforcement of the foregoing indemnification provision. Tenant's obligations hereunder shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary testing, investigation, studies, reports, repair, clean-up, detoxification or decontamination of the Building, and the preparation and implementation of any closure, removal, remedial action or other required plans in connection therewith, and shall survive the expiration or earlier termination of the term of this Lease. For purposes of these indemnity provisions, any acts or omissions of Tenant, its assignees, sublessees, Agents or others acting for or on behalf of Tenant (regardless of whether they are negligent, intentional, willful, or unlawful) shall be strictly attributable to Tenant.

(ii) If at any time after the initiation of any suit, action, investigation or other proceeding which could create a right of indemnification under Paragraph 9(g)(i) Landlord determines that Tenant is not complying with the provisions of Paragraph 9(g)(i), then Landlord may, without prejudicing, limiting, releasing or waiving the right of indemnification provided herein, separately defend or retain separate counsel to represent and control the defense as to Landlord's interest in such suit, action, investigation or other proceeding. Tenant shall pay all costs of Landlord's separate defense or counsel upon demand.

(iii) Tenant waives, releases and discharges Landlord, its partners and its and their respective officers, directors, shareholders, partners, employees, agents, representatives, attorneys, lenders, ground lessors, attorneys, successors and assigns from any and all Claims of whatever kind, known or unknown, including any action under the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et seq.), as amended ("CERCLA") and the provisions of California Health & Safety Code Section 25100 et seq., as amended, which Tenant has or may have, based upon the Use, migration, disposal of or transportation to or from the Premises or the Building of any Hazardous Materials (unless caused by Landlord's gross negligence or willful misconduct) or the environmental condition of the Premises or the Building (including without limitation all facilities, improvements, structures and equipment thereon and soil and groundwater thereunder). Tenant agrees, represents and warrants that the matters released herein are not limited to matters which are known, disclosed or foreseeable, and Tenant waives any and all rights and benefits which it now has, or may have, conferred upon Tenant by virtue of the provisions of Section 1542 of the California Civil Code, which provides:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

Tenant agrees, represents and warrants that it is familiar with, has read, understands, and has consulted legal counsel of its choosing with respect to California Civil Code Section 1542 and Tenant realizes and acknowledges that factual matters now unknown to it may have given, or may hereinafter give, rise to Claims which are presently unknown, unanticipated and unsuspected.

(h) Upon any violation of the provisions of this Paragraph 9, Landlord shall be entitled to exercise any or all remedies available to a landlord against a defaulting tenant including, but not limited to, those set forth in Paragraph 26.

(i) By its signature to this Lease, Tenant confirms that: (i) Landlord has not made any representation or warranty regarding the environmental condition of the Premises or the Building; and (ii) Tenant has conducted its own examination of the Premises and the Building with respect to Hazardous Materials and accepts the same "AS IS" and with no Hazardous Materials present thereon.

(j) No termination, cancellation or release agreement entered into by Landlord and Tenant shall release Tenant from its obligations under this Paragraph 9 unless specifically agreed to by Landlord in writing at the time of such agreement.

(k) Tenant's covenants and obligations under this Paragraph 9 shall also apply to any assignee or sublessee of Tenant, and to any such assignee's or sublessee's partners, officers, directors, shareholders, employees, agents, contractors and any other third parties entering upon the Building at the request or invitation of such assignee or sublessee.

10. UTILITIES AND SERVICES

(a) Provided that Tenant is not in default hereunder, Landlord agrees to furnish or cause to be furnished to the Premises, the utilities and services described, subject to the conditions and in accordance with the standards set forth below:

(i) Landlord shall provide automatic elevator facilities Monday through Friday, excepting therefrom all holidays recognized by Landlord, hereinafter collectively referred to as "generally accepted business days," from 8:00 a.m. to 6:00 p.m., and on Saturdays from 8:00 a.m. to 12:00 noon, and have at least one elevator available for use at all other times.

(ii) On generally accepted business days from 8:00 a.m. to 6:00 p.m. and on Saturdays from 8:00 a.m. to 12:00 noon (and at other times for a reasonable additional charge to be fixed by Landlord), Landlord shall ventilate the Premises and furnish air conditioning when in the judgment of Landlord it is required for the comfortable occupancy of the Premises during such days and hours, subject to any requirements or standards relating to, among other things, energy conservation, imposed or established by governmental agencies or cooperative organizations. Landlord shall make available at Tenant's expense after-hours power, including light, and air conditioning to each floor of the Building which shall be controlled by a key and metering system, digital control system or other central control system selected by Landlord. Minimum use of after-hours power, heat and air conditioning, the costs thereof and the prior notice required for such services shall be determined from time to time by Landlord and confirmed in writing to Tenant, as the same may change from time to time.

(iii) Landlord shall furnish to the Premises at all times, subject to interruptions beyond Landlord's control, electric current as required by the building standard office lighting (approximately two (2) watts per square foot) and receptacles (approximately one (1) watt per square foot). At all times Tenant's use of electric current shall never exceed the capacity of the feeders to the Building or the risers or wiring installation. Tenant shall not install or use or permit the installation or use of any computer or electronic data processing equipment in the Premises without the prior written consent of Landlord.

(iv) Landlord shall furnish water for drinking, cleaning and lavatory purposes only.

(v) Landlord shall provide janitorial services to the Premises, each evening, five (5) days per week (except for the Building holidays), in accordance with the specifications attached hereto as Exhibit "E", provided the Premises are used exclusively as offices and customary ancillary uses and are kept reasonably in order by Tenant. Landlord shall not be responsible or liable for any act or omission or commission on the part of the persons employed to perform said janitorial services, which shall be performed at Landlord's direction without interference by Tenant or Tenant's employees, agents, contractors, licensees, directors, officers, partners, trustees, visitors or invitees (collectively, "Tenant Parties"). If the Premises are not used exclusively as offices, Tenant or persons approved by Landlord shall keep the Premises clean and in order to the satisfaction of Landlord, but at Tenant's sole expense. No persons other than Tenant and those persons approved by Landlord shall be permitted to enter the Building for the purpose of keeping the Premises clean and in order. Tenant shall pay to Landlord the cost of removal of any of Tenant's refuse and rubbish, to the extent that the same exceeds the refuse and rubbish usually attendant upon the use of the Premises as offices.

(vi) Landlord shall replace, as necessary, the fluorescent tubes in the Building standard lighting fixtures installed by Landlord. Tenant shall replace, as necessary, all bulbs and fluorescent tubes in non-building standard lighting fixtures, if any, installed in the Premises. If Tenant shall fail to make any such replacement within five (5) days after written notice from Landlord, Landlord may make such replacement and charge the cost of labor and materials involved therein to Tenant, as additional rent.

(vii) Landlord shall provide at all times, subject to interruptions due to equipment failure, maintenance and/or repairs, intrabuilding network cabling to permit connection of telephone service from the Minimum Point of Entry as designated by Pacific Bell or other provider to the telephone closet located on the floor of the Building on which the Premises is located.

(b) Landlord may impose a reasonable charge for any utilities and services, including without limitation, air conditioning, electric current and water, required to be provided by Landlord by reason of any use of the Premises at any time other than the hours from 8:00 a.m. to 6:00 p.m. on generally accepted business days or the hours from 8:00 a.m. to 12:00 noon on Saturdays or any use beyond what Landlord agrees to furnish as described above, or special electrical, cooling and ventilating needs created in certain areas by hybrid telephone equipment, computers and other similar equipment or uses. At Landlord's option, separate meters for such utilities and services may be installed for the Premises and Tenant, upon demand therefor, shall immediately pay Landlord for the installation, maintenance and repair of such meters.

(c) Tenant agrees to cooperate fully at all times with Landlord and to abide by all regulations and requirements which Landlord may prescribe for the use of the above utilities and services. Any failure to pay any excess costs as described above shall constitute a breach of the obligation to pay rent under this Lease and shall entitle Landlord to the rights herein granted for such breach.

(d) Landlord reserves the right in its sole and absolute discretion to reduce, interrupt or cease service of the heating, air conditioning, ventilation, elevator, plumbing, electrical systems, telephone systems and/or utilities services of the Premises or the Building, for (i) the making of any repairs, additions, alterations or improvements to the Premises or Building until said repairs, additions, alterations or improvements shall have been completed or (ii) any accident, breakage, strikes, lockouts or other labor disturbance or labor dispute of any character, governmental regulation, moratorium or other governmental action, inability by exercise of reasonable diligence to obtain electricity, water or fuel, or by any other cause beyond Landlord's reasonable control. In such event, Landlord shall not be liable for, and Tenant shall not be entitled to, any abatement or reduction of rent by reason of Landlord's failure to furnish any of the foregoing. Landlord shall not be in breach of this Lease and shall not be liable in damages (including but not limited to any damages, compensation or claims arising from any interruption or cessation of Tenant's business) or otherwise for failure, stoppage or interruption of any such service, nor shall the same be construed either as an eviction of Tenant, or work an abatement of rent, or relieve Tenant from the operation of any covenant or agreement. In the event of any failure, stoppage or interruption thereof, however, Landlord shall use reasonable diligence to resume service promptly where it is within Landlord's reasonable control to do so.

(e) Landlord, in its sole and absolute discretion, may elect to contract for the services of individuals that will monitor the systems and operations of the Building. In this connection, Landlord may also elect to station some of these individuals in the lobby of the Building. Such individuals are not security personnel and will not provide protective services to any of the tenants of the Building, including Tenant.

(f) Notwithstanding anything hereinabove to the contrary, Landlord reserves the right from time to time to make reasonable and nondiscriminatory modifications to the above standards for utilities and services.

(g) Tenant shall pay for all telephone service to the Premises and shall contract directly with the providing company for such service, and Landlord shall have no responsibilities thereto.

11. RULES AND REGULATIONS

Tenant agrees to abide by all rules and regulations of the Building imposed by Landlord as set forth in Exhibit "C" attached hereto, as the same may be changed from time to time upon reasonable notice to Tenant. Any such change shall be effective upon delivery of a copy thereof to Tenant. These rules and regulations are imposed for the cleanliness, good appearance, proper maintenance, good order and reasonable use of the Premises and the Building, and as may be necessary for the enjoyment of the Building by all tenants and their clients, customers and employees. A breach of the rules and regulations shall not be grounds for termination of this Lease unless Tenant continues to breach the same after ten (10) days written notice by Landlord; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under Paragraph 26, below, or Section 1161, et seq., of the California Code of Civil Procedure, as amended. Landlord shall not be liable to Tenant for the failure of any other tenant, its agents or employees, to conform to the rules and regulations.

12. TAXES ON TENANT'S PROPERTY

(a) Tenant shall be liable for and pay ten (10) days before delinquency, all taxes, levies and assessments levied against any personal property or trade fixtures placed by Tenant in or about the Premises, and, when possible, Tenant shall cause such personal property and trade fixtures to be assessed and billed separately from the Building and the Premises. If any such taxes, levies and assessments on Tenant's personal property or trade fixtures are levied against Landlord or Landlord's property or if the assessed value of the Building is increased by the inclusion therein of a value placed upon such personal property or trade fixtures of Tenant and if Landlord pays the taxes, levies and assessments based upon such increased assessment, which Landlord shall have the right to do regardless of the validity thereof, but only under proper protest if requested by Tenant, Tenant shall upon demand repay to Landlord, as additional rent, the taxes, levies and assessments so levied against Landlord, or the proportion of such taxes, levies and assessments resulting from such increase in the assessment, together with interest thereon from the date of payment by Landlord to the date of reimbursement by Tenant at the rate determined pursuant to Paragraph 37. It is provided, however, that in any such event Tenant shall have the right, in the name of Landlord and with Landlord's full cooperation but without any cost to Landlord, to bring suit in any court of competent jurisdiction to recover the amount of any such taxes, levies and assessments so paid under protest, any amount so recovered to belong to Tenant.

(b) If the tenant improvements in the Premises, whether installed and/or paid for by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, are assessed for real property tax purposes at a valuation higher than the valuation at which tenant improvements conforming to Landlord's "building standard" in other space in the Building are assessed, then the real property taxes and assessments levied against Landlord or the Building by reason of such excess assessed valuation shall be deemed to be taxes levied against personal property of Tenant and shall be governed by the provisions of subparagraph (a) above. If the records of the County Assessor are available and sufficiently detailed to serve as a basis for determining whether said tenant improvements are assessed at a higher valuation than Landlord's "building standard," such records shall be binding on both Landlord and Tenant; otherwise the actual cost of construction shall be the basis for such determination.

13. BUILDING SPACE MANAGEMENT

Landlord reserves the right without Tenant's consent, on thirty (30) days written notice to Tenant, to substitute other premises anywhere within the Building for the Premises, at the same rental rate, provided that the substituted premises: (a) contain at least ninety-five percent (95%) of the same Rentable Area as the Premises, and (b) contain a comparable number of offices and staff support areas. Subject to the limitation specified below, Landlord shall pay all reasonable moving expenses of Tenant incidental to such substitution of premises, but only limited to (i) physical movement of Tenant's furniture, furnishings, equipment, books and files from the Premises to the substituted premises, (ii) installation and hook-up charges for Tenant's telephone and PBX equipment, (iii) relocation and installation of photocopy and word processing equipment located in the Premises and (iv) a reasonable supply of new stationery and business cards then held in stock by Tenant, not in excess of a 60 day supply, if Tenant's stationery and business cards in use at the date of Landlord's notice identify Tenant's suite number(s). Tenant shall provide a detailed estimate of its costs to Landlord within twenty (20) days of Tenant's receipt of Landlord's notice. Landlord may elect to use its own contractors in connection with Tenant's relocation. In no event shall Landlord be obligated to incur or fund moving expenses, exclusive to Tenant improvement costs, in an amount in excess of two (2) months of Basic Annual Rent at the rate then payable hereunder. In the event there is a substitution of premises, the parties shall immediately execute an amendment to this Lease describing the location of new premises and setting forth all adjustments to the Basic Annual Rent and/or the Additional Rent, if any. In the event that Tenant shall fail to execute and deliver such amendment to Landlord within ten (10) days of its receipt of same, for any reason (including without limitation, the inability of the parties to reach an agreement on the proposed relocation), or if Tenant shall thereafter fail to comply with the terms thereof, then Landlord may, at its option, elect to terminate this Lease upon not less than sixty (60) days prior written notice to Tenant. In the event of such termination, and provided Tenant timely vacates the Premises in the condition required by this Lease, Tenant shall be entitled to a refund of the Basic Annual Rent paid by Tenant for the final one (1) month of the Term. Upon the effective date of such termination of this Lease, Tenant shall vacate the Premises in accordance with the terms of this Lease and the provisions of Paragraph 27 hereof as well as all other default and remedy provisions of this Lease shall be applicable in the event of Tenant's failure to so vacate the Premises.

14. FIRE OR CASUALTY

(a) In the event the Premises, or access to them, are wholly or partially destroyed by fire or other casualty covered by the form of fire and extended coverage insurance maintained by Landlord, Landlord shall rebuild, repair or restore the Premises and access thereto to substantially the same condition as when the same were furnished to Tenant, excluding any improvements installed by Tenant and any of Tenant's personal property, and this Lease shall continue in full force and effect. In the event, however, that the Building is so damaged or destroyed to the extent of more than one-third (1/3) of its replacement cost, or to any substantial extent by a casualty not so covered, Landlord may elect by written notice to Tenant given within twenty (20) days after the occurrence of the casualty to terminate this Lease in lieu of so restoring the Premises, in which event this Lease shall terminate as of the date of the occurrence of the casualty. Landlord shall in no event be obligated to make any repairs or replacement of any items other than those items installed by or at the expense of Landlord. If the Premises are rendered totally or partially untenantable, rent shall abate during the period of reconstruction in the same proportion to the total rent as the portion of the Premises rendered untenantable bears to the entire Premises. Any such rental abatement shall not defeat or diminish Landlord's rights to recover upon any rental interruption insurance maintained by Landlord pursuant to Paragraph 20. In no event shall Tenant be entitled to any compensation or damages for loss of use of the whole or any part of the Premises or for any inconvenience occasioned by any such destruction, rebuilding or restoration of the Premises, the Building or access thereto. Tenant waives the provisions of California Civil Code Sections 1932(2) and 1933(4) and any present and future laws and case decisions to the same effect.

(b) Notwithstanding anything to the contrary contained in Paragraph 14(a) above, if the Premises or the Building is wholly or partially damaged or destroyed within the final twelve (12) months of the Term of this Lease, Landlord may, at its option, by giving Tenant notice within sixty (60) days after notice to Landlord of the occurrence of such damage or destruction, elect to terminate the Lease. Furthermore, upon termination of this Lease pursuant to this Paragraph 14(b), Tenant and Landlord hereby agree (except as expressly provided for otherwise in this Lease) to release each other from any and all obligations and liabilities with respect to the Lease except such obligations and liabilities which arise or accrue prior to such termination.

15. EMINENT DOMAIN

(a) In case the whole of the Premises, or such part thereof as shall substantially interfere with Tenant's use and occupancy thereof, shall be taken by any lawful power or authority by exercise of the right of eminent domain, or sold to prevent such taking or threat of such taking, either Tenant or Landlord may terminate this Lease effective as of the date possession is required to be surrendered to said authority. Except as provided herein, Tenant shall not because of such taking assert any claim against Landlord or the taking authority for any compensation because of such taking, and Landlord shall be entitled to receive the entire amount of any award without deduction for any estate or interest of Tenant. In the event the amount of property or the type of estate taken shall not substantially interfere with Tenant's use of the Premises, Landlord shall be entitled to the entire amount of the award without deduction for any estate or interest of Tenant. In such event, Landlord shall promptly proceed to restore the Premises to substantially their condition prior to such partial taking, and a proportionate allowance shall be made to Tenant for the rent corresponding to the time during which, and to the part of the Premises of which, Tenant shall be so deprived on account of such taking and restoration. Any such rental abatement shall not defeat or diminish Landlord's rights to recover upon any rental interruption insurance maintained by Landlord pursuant to Paragraph 20. Nothing contained in this Paragraph 15(a) shall be deemed to give Landlord any interest in, or prevent Tenant from seeking any award against the taking authority for, the taking of personal property and fixtures belonging to Tenant or for relocation or business interruption expenses recoverable from the taking authority. Landlord may, without any obligation to Tenant, agree to sell and/or convey to any taking authority the Premises, the Building or any portion thereof sought by such taking authority, free from this Lease and the rights of Tenant hereunder, without first requiring that any action or proceeding be instituted or pursued to judgment.

(b) In the event of a temporary taking of the Premises or any part of the Premises and/or of Tenant's rights to the Premises or under this Lease, this Lease shall not terminate, nor shall Tenant have the right to any abatement of rent or of any other payments owed to Landlord pursuant to this Lease. Any award made to Tenant by reason of such temporary taking shall belong entirely to Tenant.

(c) This Paragraph 15 shall be Tenant's sole and exclusive remedy in the event of a taking or condemnation. Tenant hereby waives the benefit of California Code of Civil Procedure Section 1265.130. Upon termination of the Lease pursuant to this Paragraph 15, Tenant and Landlord hereby agree (except as expressly provided for otherwise in this Lease) to release each other from any and all obligations and liabilities with respect to the Lease except such obligations and liabilities which arise or accrue prior to such termination.

16. ASSIGNMENT AND SUBLETTING

(a) Except as provided below, Tenant shall not, either voluntarily or involuntarily or by operation of law, assign, sublet, mortgage or otherwise encumber all or any portion of its interest in this Lease or in the Premises or permit the Premises to be occupied by anyone other than Tenant or Tenant's employees without obtaining the prior written consent of Landlord, which consent shall be subject to the provisions of subsections (b) through (i) below. Any such attempted assignment, subletting, mortgage or other encumbrance without such consent shall be null and void and of no effect. In connection with any transaction of the type described in this Paragraph 16(a):

(i) Any approved sublease shall be subject to all of the terms and provisions of this Lease and shall be terminable by Landlord upon the expiration or any earlier termination of this Lease, including a termination by mutual agreement of Landlord and Tenant.

(ii) In connection with any such approved assignment, the assignee shall, within ten (10) days after receipt of written request from Landlord, execute and deliver to Landlord a written assumption of the obligations of Tenant pursuant to this Lease accruing from and after the effective date of the assignment and in form and substance reasonably satisfactory to Landlord.

(iii) No such approved assignment or subletting shall release Tenant from any of the obligations of the tenant hereunder, whether accruing prior to or subsequent to the effective date of such transaction.

(iv) No such approved transaction shall be accompanied by a change in use from that permitted pursuant to Paragraph 11 of the Basic Lease Provisions nor shall any such transaction violate any exclusive use granted by Landlord prior to the proposed transaction.

(b) No assignment, subletting, mortgage or other encumbrance of Tenant's interest in this Lease shall relieve Tenant of its obligation to pay the rent and to perform all of the other obligations to be performed by Tenant hereunder. Except as provided below, any subletting by Tenant of any portion of the Premises shall be at not less than 100% of the then current market rental rate for direct (non-sublease) space in the Building (the "100% Rental Rate") and upon market terms and, if Landlord so requests, shall require that the assignee or sublessee remit directly to Landlord, on a monthly basis, all rent due to Tenant by said assignee or sublessee. The acceptance of rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any subletting, assignment, mortgage or other encumbrance. Consent to one sublease, assignment, mortgage or other encumbrance shall not be deemed to constitute consent to any subsequent attempted subletting, assignment, mortgage or other encumbrance. If Tenant desires to sublet all or any portion of the Premises at terms other than the 100% Rental Rate, then Tenant may do so provided Tenant engages Landlord's leasing agent as Tenant's exclusive agent to market such space. Landlord shall act in good faith in such capacity and make all prospective tenants of the Building who inquire about available space aware of Tenant's space. The listing agreement between Landlord and Tenant shall be for a duration of one hundred eighty (180) days on generally available, arms length, market terms and conditions including, without limitation, a commission schedule and commission entitlement for transactions with registered parties occurring within one hundred eighty (180) days after expiration of the listing. Tenant acknowledges that Tenant's agreement to use Landlord as the listing broker is essential consideration for Landlord allowing subleasing at below the 100% Rental Rate which is otherwise prohibited. After expiration of the one hundred eighty (180) day period, Tenant shall be free to utilize services of any qualified broker and may offer the space at below the 100% Rental Rate provided Tenant does not advertise or publish such rates.

(c) If Tenant desires at any time to assign this Lease or to sublet the Premises or any portion thereof, it shall first notify Landlord of its desire to do so and shall submit in writing to Landlord (i) the name of the proposed subtenant or assignee; (ii) the nature of the proposed subtenant's or assignee's business to be carried on in the Premises, (iii) the terms and provisions of the proposed sublease or assignment and the proposed effective date thereof; and (iv) such financial information as Landlord may reasonably request concerning the proposed subtenant or assignee. The submission pursuant to clause (iii) shall include a copy of any agreement, escrow instructions or other document which contains or memorializes the terms and provisions of the transaction for which Landlord's consent is required. Similarly, if Tenant desires to mortgage or encumber its interest in this Lease, Tenant shall first supply to Landlord in writing such information as to such transaction as may be reasonably requested by Landlord.

(d) As a condition to Landlord's consent to such assignment or subletting, Landlord shall be entitled to receive (at the same time as paid to Tenant), in the case of a subletting, one hundred percent (100%) of all rent (however denominated and paid) payable by the subtenant to Tenant in excess of that payable by Tenant to Landlord pursuant to the other provisions of this Lease and, in the case of an assignment, one hundred percent (100%) of all consideration given, directly or indirectly, by the assignee to Tenant in connection with such assignment for the value of the leasehold estate, less normal and usual costs incurred by Tenant in connection with such subletting or assignment. For the purposes of this subparagraph, the term "rent" shall mean all consideration paid or given, directly or indirectly, for the use of the Premises or any portion thereof. The term "consideration" shall mean and include money, services, property or any other thing of value such as payment of costs, cancellation of indebtedness, discounts, rebates and the like. "Normal and usual costs" shall only mean the following: broker's commission paid by Tenant to a broker independent of Tenant in connection with such assignment or subletting; legal fees incurred by Tenant in processing such assignment or subletting; and out-of-pocket costs incurred by Tenant in advertising for an assignee or subtenant. "Sublet" and "sublease" shall include a sublease as to which Tenant is sublessor and any sub-sublease or other sub-subtenancy, irrespective of the number of tenancies and tenancy levels between the ultimate occupant and Landlord, as to which Tenant receives any consideration, as defined in this subparagraph, and Tenant shall require on any sublease which it executes that Tenant receive the profit from all sub-subtenancies, irrespective of the number of levels thereof. Any rent or other consideration which is to be passed through to Landlord by Tenant pursuant to this subparagraph shall be paid to Landlord promptly upon receipt by Tenant and shall be paid in cash, irrespective of the form in which received by Tenant from any subtenant or assignee. In the event that any rent or other consideration received by Tenant from a subtenant or assignee is in a form other than cash, Tenant shall pay to Landlord in cash the fair value of such consideration.

(e) At any time within thirty (30) days after Landlord's receipt of the last of the information specified in subparagraph (c) above, Landlord may by written notice to Tenant elect (i) to approve or disapprove of such assignment or sublease, (ii) to sublease the Premises or the portion thereof so proposed to be subleased by Tenant, or to take an assignment of Tenant's leasehold estate hereunder, or such part thereof as shall be specified in said notice, on the same terms as those stated in this Lease and in turn sublease or assign to the proposed subtenant or assignee on the same terms as those offered by Tenant to the proposed subtenant or assignee, as the case may be; or (iii) to terminate this Lease as to the portion (including all) of the Premises so proposed to be subleased or assigned, with a proportionate abatement in the rent payable hereunder. Tenant shall, at Tenant's own cost and expense, discharge in full any commissions which may be due and owing as the result of any proposed assignment or subletting, whether or not the Premises are recaptured pursuant hereto and rented by Landlord to the proposed subtenant or assignee or any other tenant. If Landlord does not disapprove the proposed subletting or assignment in writing and does not exercise any option set forth in this subparagraph (e) within said thirty (30) day period, Tenant may within one hundred eighty (180) days after the expiration of said thirty (30) day period enter into a valid assignment or sublease of the Premises or portion thereof, upon the terms and conditions set forth in the information furnished by Tenant to Landlord pursuant to subparagraph (c) above. It is provided, however, that any material change in such terms shall be subject to Landlord's consent and rights of termination and recapture as provided in this Paragraph and, provided further, that any amount to be paid by Tenant in connection with such subletting or assignment pursuant to subparagraph (d) above shall be paid to Landlord upon consummation of such transaction.

(f) Landlord shall have the right to approve or disapprove any proposed assignee or subtenant. In exercising such right of approval or disapproval, Landlord shall be entitled to take into account any fact or factor which Landlord reasonably deems relevant to such decision, including but not necessarily limited to the following, all of which are agreed by Tenant to be reasonable factors for Landlord's consideration:

(i) The financial strength of the proposed assignee or subtenant, including, but not limited to, the adequacy of its working capital to pay all expenses anticipated in connection with any proposed remodeling of the Premises. Landlord may also consider the business experience of the proposed subtenant or assignee and the longevity of the current enterprise, it being understood and agreed that "start-up" ventures and enterprises found by Landlord to lack sufficient maturity may be disapproved by Landlord.

(ii) The proposed use of the Premises by such proposed assignee or subtenant and the compatibility of such proposed use within the quality and nature of the other uses in the Building.

(iii) Any violation which the proposed use by such proposed assignee or subtenant would cause of any other rights granted by Landlord to Landlord's other tenants.

(iv) Whether there then exists any default by Tenant pursuant to this Lease or any non-payment or non-performance by Tenant under this Lease which, with the passage of time and/or the giving of notice, would constitute a default under this Lease.

(v) The business reputation, character, history and nature of the business of the proposed assignee or subtenant.

(vi) Whether the proposed assignee or subtenant is an existing tenant of Landlord or its affiliates, it being understood and agreed that Landlord will disapprove a subletting or assignment to such an existing tenant if (A) Landlord or its affiliates can reasonably meet such tenant's additional space requirements or (B) if Tenant proposes to charge less than the 100% Rental Rate.

(vii) Whether the proposed assignee or subtenant is a person or entity with whom Landlord or any of its affiliates have negotiated (within the past ninety days) or are actively negotiating for space, it being understood and agreed that Landlord will disapprove a subletting or assignment to such potential direct tenant. For the purposes hereof, negotiation shall mean that Landlord has submitted a written proposal to the prospective tenant.

(viii) Whether the proposed assignee or subtenant is a governmental entity or agency it being understood and agreed that Landlord will disapprove the proposed subletting or assignment as being inconsistent with the character of Landlord's tenancies.

Moreover, Landlord shall be entitled to be reasonably satisfied that each and every covenant, condition or obligation imposed upon Tenant by this Lease and each and every right, remedy or benefit afforded Landlord by this Lease is not impaired or diminished by such assignment or subletting. Landlord and Tenant acknowledge that the express standards and provisions set forth in this Lease dealing with assignment and subletting, including those set forth in this subparagraph (f) have been freely negotiated and are reasonable at the date hereof taking into account Tenant's proposed use of the Premises and the nature and quality of Landlord's real property. No withholding of consent by Landlord for any reason deemed sufficient by Landlord shall give rise to any claim by Tenant or any proposed assignee or subtenant or entitle Tenant to terminate this Lease or to any abatement of rent. In this connection, Tenant hereby expressly waives its rights under California Civil Code Section 1995.310. Moreover, approval of any assignment of Tenant's interest shall, whether or not expressly so stated, be conditioned upon such assignee assuming in writing all obligations of Tenant hereunder.

(g) All options to extend, renew or expand, all exterior sign rights and all reserved, reduced cost or free parking rights, in each case if any, contained in this Lease are personal to Tenant or its affiliates. Consent by Landlord to any assignment or subletting shall not include consent to the assignment or transfer of any such rights or options with respect to the Premises or any other special privileges or extra services granted to Tenant by this Lease, any addendum or amendment hereto or any letter agreement. All such options, rights, privileges and extra services shall terminate upon such subletting or assignment unless Landlord specifically grants the same in writing to such assignee or subtenant.

(h) The voluntary or other surrender of this Lease by Tenant or a mutual cancellation hereof shall not work a merger, and shall, at the option of Landlord, terminate all or any existing subleases or subtenancies or shall operate as an assignment to Landlord of such subleases or subtenancies. Tenant agrees to reimburse Landlord for Landlord's reasonable costs and attorneys' fees incurred in connection with the processing and documentation of any such requested assignment, subletting, transfer, change of ownership or hypothecation of this Lease or Tenant's interest in and to the Premises.

(i) Landlord shall be permitted to hire outside contractors to review all assignment and subletting documents and information and Tenant shall reimburse Landlord for the actual and reasonable out-of-pocket cost thereof, including reasonable attorneys' fees, on demand.

17. ACCESS

Landlord reserves and shall at any time and all times have the right to enter the Premises to inspect the same, to supply janitorial service and any other service to be provided by Landlord to Tenant hereunder, to submit said Premises to prospective purchasers, tenants or actual or prospective lenders, to post notices of non-responsibility, to use and maintain pipes and conduits in and through the Premises, and to alter, improve or repair the Premises or any other portion of the Building, all without being deemed guilty of an eviction of Tenant and without abatement of rent, and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, provided that the business of Tenant shall be interfered with as little as is reasonably practicable. Landlord may enter by means of a master key without liability to Tenant for any damage caused by Landlord entering the Premises, except for damage to Tenant's personal property caused by any failure of Landlord to exercise due care. Tenant shall not disturb any notices or other items placed by Landlord in the Premises. Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults and safes, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency in order to obtain entry to the Premises. Any lock installed by Tenant shall be of a type and style designated by Landlord concurrently with such installation. Any entry to the Premises obtained by Landlord by any of said means shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or any eviction of Tenant from the Premises or any portion thereof. No provision of this Lease shall be construed as obligating Landlord to perform any repairs, alterations or decorations except as otherwise expressly agreed to be performed by Landlord.

18. SUBORDINATION; ATTORNMENT; ESTOPPEL CERTIFICATES; FINANCIAL STATEMENTS

(a) This Lease and the rights of Tenant hereunder, at Landlord's election, shall be junior, subject, and subordinate to the lien of any ground or underlying lease, mortgage, deed of trust, and other security instrument of any kind now or hereafter covering the Premises or the Building, or any portion of any thereof, and to any and all advances made thereunder, interest thereon or costs incurred pursuant thereto (with respect to mortgages or deeds of trust) and any amendments, modifications, renewals, supplements, consolidations, replacements or extensions thereto. Such priority shall be established without the necessity of the execution and delivery of any further instruments on the part of Tenant to effect such subordination. Landlord or any ground lessor, mortgagee or beneficiary under a deed of trust may at any time cause such subordination by giving notice thereof to Tenant at least sixty (60) days before the subordination is to become effective. Notwithstanding the foregoing, Tenant covenants and agrees to (a) execute and deliver upon demand such further instruments evidencing such subordination of this Lease or subordination of such mortgage, deed of trust or ground lease as may be requested by Landlord and (b) supply such financial information concerning Tenant as may be requested by any ground lessor or lender, prospective purchaser or Landlord, in connection with such subordination, within ten (10) business days after demand. If Tenant fails to execute such further instruments within ten (10) business days after demand, Landlord may execute such documents on behalf of Tenant as Tenant's attorney-in-fact. Tenant does hereby make, constitute and irrevocably appoint Landlord as Tenant's attorney-in-fact and in Tenant's name, place and stead, to execute such instruments in accordance with this subparagraph. In addition, Tenant's failure to execute such further instruments within ten (10) business days after demand shall constitute a material breach of this Lease. Notwithstanding subordination by Tenant to any existing or future lienholder, Tenant's right to quiet possession of the Premises shall not be disturbed so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease to be observed and performed by Tenant, unless this Lease is terminated pursuant to specific provisions relating thereto contained herein. In the event of the foreclosure of any such lien or encumbrance, Tenant shall attorn to the then owner who owns or acquires title to the Building and will recognize such owner as Landlord under this Lease. Tenant hereby waives any right to terminate this Lease because of any such foreclosure.

(b) Notwithstanding the foregoing, and without the consent of Tenant, the holder of any mortgage or deed of trust or the beneficiary thereunder shall have the right to elect to be subject and subordinate to this Lease, with such subordination to be effective upon such terms and conditions as such holder or beneficiary may direct and which are not inconsistent with the provisions of this Paragraph 18.

(c) Tenant shall at any time and from time to time upon not less than twenty (20) days prior notice by Landlord, execute, acknowledge and deliver to Landlord a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), and the dates to which the Basic Annual Rent, Additional Rent and other charges have been paid in advance, if any, (ii) stating whether or not to the best knowledge of Tenant, Landlord is in default in the performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which Tenant may have knowledge and (iii) acknowledging (if true) the accuracy of such other facts as are included in such statement by Landlord. Any such statement delivered pursuant to this subparagraph may be relied upon by any prospective purchaser of the fee of the Building or any mortgagee, ground lessor or other like encumbrancer thereof or any assignee of any such encumbrancer upon the Building. If Tenant fails to deliver such statement within such time, such failure shall, at Landlord's option, be deemed to be Tenant's irrevocable appointment of Landlord as Tenant's special attorney-in-fact in connection with the preparation and execution of any such statement and such execution by Landlord as Tenant's attorney-in-fact shall be conclusive upon Tenant that (A) this Lease is in full force and effect, without modification except as may be represented by Landlord, (B) that there are no uncured defaults in Landlord's performance, (C) that not more than one month's Basic Annual Rent has been paid in advance and (D) that any other statements of fact included by Landlord in the statement are correct. Tenant shall be liable for all loss, cost or expense resulting from the failure of any ground lease, sale or funding of any loan caused by any material misstatement contained in any estoppel certificate supplied by Tenant or resulting from failure of Tenant to deliver any such statement.

(d) In addition, and not in lieu of the foregoing, within ten (10) days after the Commencement Date, Tenant shall execute and deliver to Landlord a certificate substantially in the form of Exhibit "D" attached hereto, indicating thereon any exceptions thereto which Tenant claims to exist at that time. Failure of Tenant to execute and deliver such certificate within such time period shall constitute an acceptance of the Premises and the acknowledgment and agreement by Tenant that the statements included in Exhibit "D" are true and correct without exception.

19. SALE BY LANDLORD

(a) In the event of a sale, transfer or conveyance by Landlord of the Building, the same shall operate to release Landlord from any and all liability under this Lease. Tenant's right to quiet possession of the Premises shall not be disturbed so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease to be observed and performed by Tenant, unless this Lease is terminated pursuant to specific provisions relating thereto contained herein. If any security deposit has been made by Tenant, Landlord may transfer the balance of such security deposit (after lawful deductions and in accordance with California Civil Code Section 1950.7), after notice to Tenant, to the purchaser, and thereupon Landlord shall be discharged from any further liability with respect thereto.

20. NONLIABILITY AND INDEMNIFICATION OF LANDLORD; INSURANCE

(a) Landlord's Nonliability. Subject to Paragraphs 20(j) and 21 below, Landlord and its partners, and their respective partners, officers, agents and employees shall not be liable for Tenant's loss of income or extra expense or for any damage to Tenant's property, nor for loss of damage to property by theft or otherwise, nor for any injury or damage which may be sustained by the person, goods, wares, merchandise or property of Tenant, its employees, invitees or customers or any other person in or about the Premises caused by or resulting from any peril which may affect the Premises, including without limitation fire, explosion, falling plaster, steam, electricity, gas, water or rain, which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures of the same, whether such damage or injury results from conditions arising upon the Premises or upon other portions of the Building, or from other sources. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant or occupant of the Building or any of their officers, employees, agents, representatives, customers and invitees and Tenant hereby waives any such right it may have against Landlord. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or of defects therein or in the fixtures or equipment. Any claim, defense, or other right of Tenant arising in connection with this Lease or with negotiations before this Lease was signed shall be barred unless Tenant files an action or interposes a defense based thereon within one hundred eighty (180) days after the date of the alleged event on which Tenant is basing its claim, defense or right.

(b) Indemnification. Subject to Paragraphs 20(j) and 21 below, and to the fullest extent permitted by law, Tenant shall indemnify, hold Landlord harmless from and defend Landlord, its agents and employees against any and all claims, losses, costs, damages, expenses or liabilities, including without limitation reasonable attorney's fees and costs of defense, for death of or any injury or damage to any person or property whatsoever, when such death, injury or damage has been caused in part or in whole by the act, neglect, fault, or omission of Tenant, its assignees, sublessees, agents, servants, employees or invitees or which arises from Tenant's use of the Premises or the conduct of Tenant's business. Tenant shall further indemnify, hold Landlord harmless from and defend Landlord, it's agents and employees against and from any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease. This indemnification provision shall not require payment as a condition precedent to recovery, and Tenant's defense obligation hereunder shall include the obligation, upon demand, to defend Landlord against any claim or action of the type herein specified by counsel reasonably satisfactory to Landlord. In addition, if any person not a party to this Lease shall institute any other type of action against Tenant in which Landlord, involuntarily and without cause, shall be made a party defendant and which is related to this Lease, Tenant shall indemnify, hold Landlord harmless from and defend Landlord from all liabilities by reason thereof.

(c) Tenant's Insurance. Tenant hereby agrees to maintain in full force and effect at all times during the term of this Lease, at its own expense, for the protection of Tenant and Landlord, as their interests may appear, policies of insurance which afford the following coverages:

(i) Workers' Compensation coverage as required by law, including United States Longshoremen and Harborworkers Act (if applicable), together with Employer's Liability coverage with a limit of not less than $1,000,000 per occurrence.

(ii) Comprehensive General Liability or Commercial General Liability Insurance with respect to the Premises and the operations on or on behalf of Tenant in, on or about the Premises, including but not limited to Blanket Contractual Liability, Owners Protective, Broad Form Property Damage Liability Coverage, Personal Injury, Completed Operations, Products Liability (if applicable), Fire Legal Liability, Host Liquor Liability (or Liquor Liability, if applicable), protection and indemnity (if applicable) and Owned and Non-Owned Automobile Coverage in an amount not less than $1,000,000 per occurrence. The policy for such insurance shall contain the following provisions: (A) severability of interest; (B) cross liability; (C) an endorsement naming Landlord and any other parties in interest designated by Landlord as an additional insured; (D) an endorsement stating, in substance, "such insurance as is afforded by this policy for the benefit of the Landlord and any other additional insured shall be primary as respects to any liability or claims arising out of the occupancy of the Premises by the Tenant, or Tenant's operations and any insurance carried by Landlord, or any other additional insured shall be non-contributory;" (E) with respect to improvements or alterations permitted under this Lease, contingent liability and builder's risk insurance; (F) an endorsement allocating to the Premises the full amount of liability limits required by this Lease; (G) coverage must be on an "occurrence basis;" "Claims Made" forms are not acceptable; and (H) an aggregate limit of no less than $3,000,000 per annum available for occurrences at the Premises, if such policy has an aggregate limit.

(iii) Insurance providing protection against "All Risks" of physical loss, including without limitation insurance against fire, theft, burglary, structural collapse, sprinkler leakage, earthquake and flood (if required by a lender holding a security interest in the Building), vandalism and malicious mischief, in an amount sufficient to cover the full cost of replacement (with no deductible for depreciation and with the understanding that such amount shall be adjusted not more frequently than on an annual basis) of all improvements and betterments to the Premises, all of Tenant's fixtures, furnishings, equipment, furniture, trade fixtures and other personal property located or used in the Premises and loss of income or extra expense including losses resulting from an interruption in or failure of the Intrabuilding Network Cabling. All policies of such insurance shall contain no coinsurance or contribution provisions and shall name Landlord and the lending institution(s), if any, as additional insureds and/or loss payable in accordance with such lender's or lenders' requirements. For the purposes of this subparagraph (iii), the Premises shall consist of the Rentable Area shown in the floor plan attached hereto as Exhibit "A-1," and consist of the cubic space spanning from the floor slab to the bottom surface of the floor slab of the floor immediately above the Premises (the "upper slab"), without any offsets or deductions for columns and other structural portions of the Building or vertical penetrations that are included for the special use of Tenant. Such cubic space shall include the plenum space which is bounded by the lower surface of the upper slab and the suspended ceiling of the Premises. The proceeds of such insurance, so long as this Lease remains in effect, shall be used to repair or replace the improvements, trade fixtures and personal property in the Premises so insured. Upon any termination of this Lease pursuant to Paragraph 14(a) above, the proceeds of such insurance relating to improvements to the Premises shall be the property of Landlord.

(iv) Loss of income or business interruption insurance providing protection against any peril included within the classification "All Risk," including but not limited to insurance against sprinkler leakage.

The minimum limit of the coverage provided in division (ii) above shall be adjusted upward only at the expiration of each third (3rd) full calendar year as follows: Not less that sixty (60) days prior to the relevant adjustment date, Landlord shall request such insurance brokerage firm as is then placing insurance for Landlord (the "Reviewing Broker") to review Tenant's then existing liability insurance coverage, to review the then use of the Premises and the claims history with respect thereto and to recommend, in writing, the amount of coverage to be carried by Tenant pursuant to division (ii). Such recommendation shall be based upon the then use of the Premises and the liability claims history with respect to the Premises and shall be certified by the Reviewing Broker to be consistent with amounts of coverage generally recommended by such Reviewing Broker for similar types of tenants or users of property with uses similar to that of the Premises in the geographical area which includes the Premises. If the Reviewing Broker shall recommend an increase(s) in the amount of coverage then provided by Tenant under division (ii), Tenant shall promptly increase its coverage to the recommended amount(s). In no event shall there by any reduction in the amount of coverage provided by Tenant under division (ii) below the initial amounts set forth herein, notwithstanding any recommendation by the Reviewing Broker. The failure of the Reviewing Broker to require any additional insurance coverage shall not be deemed to relieve Tenant from any obligations under this Lease.

(d) Deductibles. Tenant may, with the written consent of Landlord, elect to have reasonable deductibles in connection with the policies of insurance required to be maintained by Tenant under subparagraph (c)(iii).

(e) Certificates of Insurance. Tenant shall deliver to Landlord at least thirty (30) days prior to the time such insurance is first required to be carried by Tenant, and thereafter at least thirty (30) days prior to the renewal date or expiration of each such policy, Certificates of Insurance evidencing the above coverage with limits not less than those specified above. Such Certificates, with the exception of Workers' Compensation, shall add Landlord and each of its partners, and its and their subsidiaries, affiliates, partners, officers, directors, agents, employees, lenders and other persons or entities designated by Landlord and having an insurable interest in the Premises as additional insureds and shall expressly provide that the interest of same therein shall not be affected by any breach by Tenant of any policy provision for which such Certificates evidence coverage. Neither Landlord nor any other person or entity named as an additional insured pursuant to this subparagraph shall have any obligation under such policies, such as payment of premiums, giving of notices and the like. Further, all Certificates shall expressly provide that not less than thirty (30) days prior unqualified written notice shall be given to Landlord or Landlord's lender in the event of material alteration to, non-renewal of, or cancellation of the coverages evidenced by such Certificates. Notwithstanding the foregoing, Landlord may, at any time, from time to time, inspect and/or copy and approve any and all insurance policies required hereunder.

(f) Landlord's Insurance. Landlord shall at all times during the term of this Lease maintain in effect a policy or policies of (i) "All Risk" insurance, together with sprinkler leakage and vandalism and malicious mischief coverage, covering the Building, including Landlord's interest in all tenant improvements in the Premises, and (ii) Lessor's "Risk Only" Liability Insurance. Landlord may also, but shall not be required to, maintain flood and earthquake insurance with respect to the Building, rental interruption insurance assuring that the rent under this Lease will be paid to Landlord for a period of not less than twelve (12) months if the Premises are destroyed or rendered inaccessible by a risk insured against under the foregoing coverage, and any other types of insurance that Landlord, in its business judgment, may determine is necessary or desirable to obtain. The cost of all such insurance shall be included in the Operating Expenses to be reimbursed by Tenant to Landlord pursuant to Paragraph 3.

(g) Increase in Coverage. Upon demand, Tenant shall provide Landlord, at Tenant's expense, with such increased amount of existing insurance, and such other insurance in such limits, as Landlord may require and such other hazard insurance as the nature and condition of the Premises may require in the sole judgment of Landlord to afford Landlord adequate protection for risks of Tenant to be insured hereunder.

(h) No Co-Insurance. If on account of the failure of Tenant to comply with the provisions of this Paragraph, Landlord or any additional insured is adjudged a coinsurer by its insurance carrier, then any loss or damage Landlord or such additional insured shall sustain by reason thereof shall be borne by Tenant and shall be immediately paid by Tenant upon receipt of a bill therefor and evidence of such loss.

(i) Insurance Limits. Landlord makes no representation that the limits of liability specified to be carried by Tenant under the terms of this Lease are adequate to protect Tenant against Tenant's undertakings under this Lease. In the event Tenant believes that any such insurance coverage called for under this Lease is insufficient, Tenant shall provide, at its own expense, such additional insurance as Tenant deems adequate. In no event shall the limits of any coverage maintained by Tenant pursuant to this Paragraph 20 be considered as limiting Tenant's liability under this Lease.

(j) Landlord's Negligence. Nothing contained herein shall operate to relieve Landlord from any loss, damage, injury, liability, claim, cost or expense which it is determined by a court of competent jurisdiction was proximately caused by its willful misconduct or its own sole negligence or the sole negligence of its agents or employees.

(k) General Requirements. All insurance required to be carried by Tenant hereunder shall be with companies rated A:XI, or better, in the then most recent edition of Best's Insurance Guide and licensed to provide the relevant insurance in the State of California. Such insurance shall be primary insurance (and not "excess over") as respects Landlord and any other additional insured(s) designated by Landlord and not contributory with any other available insurance. All policies of such insurance shall each contain an unqualified provision that the insurer will not cancel, deny renewal or materially amend the coverage provided by such policy without first giving Landlord and any additional insured(s) thirty (30) days prior written notice. All policies and certificates delivered by Tenant pursuant to this Paragraph shall contain liability limits not less than those set forth herein, shall list the additional insured(s) and shall specify all endorsements and special coverages required by this Paragraph. Any insurance required to be maintained by Tenant may be maintained by Tenant pursuant to so-called "blanket" policies of insurance so long as (i) the Premises is specifically identified therein (by rider, endorsement or otherwise) as included in the coverage provided, (ii) the limits of the policy are applicable on a "per location" basis to the Premises and (iii) such policies otherwise comply with the provision of this Lease. The term "term of this Lease" shall mean, for the purposes of this Paragraph, the period commencing on the date Tenant is given access to the Premises for any purpose through the later of the expiration or termination of the Lease term or the date Tenant surrenders physical possession of the Premises to Landlord. With respect to the Comprehensive General Liability insurance required to be obtained by Tenant under this Lease, the foregoing general requirements are subject to the specific requirements set forth in subparagraph (c)(ii), above.

(l) Landlord's Self Help Right. In the event that Tenant fails to procure, maintain and/or pay for at the times and for the durations specified in this Lease, any insurance required by this Paragraph, or fails to carry insurance required by any governmental requirement, Landlord may (but without obligation to do so) at any time or from time to time, and without notice, procure such insurance and Tenant agrees to pay the sums so paid by Landlord together with interest thereon at the interest rate set forth in Paragraph 37(a) below, and any costs or expenses incurred by Landlord in connection therewith, within ten (10) days following Landlord's written demand to Tenant for such payment.

21. WAIVER OF SUBROGATION

Landlord and Tenant each hereby waives on behalf of themselves and their respective insurance carriers any and all rights of recovery against the other, and against any other tenant or occupant of the Building and against the officers, employees, agents, representatives, customers and invitees of such other party and of such other tenant or occupant of the Building for loss of or damage to such waiving party or its property or the property of others under its control, to the extent that such loss or damage is insured against under any policy of insurance required to be carried by such waiving party pursuant to the provisions of this Lease (or any other policy of insurance carried by such waiving party in lieu thereof) at the time of such loss or damage. The foregoing waiver shall be effective whether or not a waiving party shall actually obtain and maintain the insurance which such waiving party is required to obtain and maintain pursuant to this Lease (or any substitute therefor). The policies of insurance which Landlord and Tenant are required to maintain under this Lease shall provide that the insurance company shall waive all right of recovery by way of subrogation against either Landlord or Tenant in connection with any damage covered by the subject policy.

22. ATTORNEYS' FEES

In the event of any legal action or proceeding brought by either party against the other arising out of this Lease or in which this Lease is asserted as a defense, the prevailing party shall be entitled to recover from the other party reasonable attorneys' fees incurred in such action in an amount determined by the court, in addition to its costs incurred in such action, and such amounts shall be included in any judgment rendered in such action or proceeding. For purposes of this provision, in any unlawful detainer or other action or proceeding instituted by Landlord based upon any default or alleged default of Tenant hereunder, Landlord shall be deemed the prevailing party if (a) judgment is entered in favor of Landlord or (b) prior to trial or judgment Tenant shall pay all or any portion of the rent claimed by Landlord, eliminate the condition(s), cease the act(s) or otherwise cure the omission(s) claimed by Landlord to constitute a default by Tenant hereunder. If Landlord engages an attorney due to any failure by Tenant to comply with this Lease but no legal action or proceeding is commenced, Tenant agrees to pay Landlord's reasonable attorney fees and costs related to such matter. If Landlord becomes involved in any litigation or dispute, threatened or actual, by or against anyone not a party to the Lease, but arising by reason of or related to any act of omission of Tenant or any of the Tenant Parties, Tenant agrees to pay Landlord's reasonable attorneys' fees and other costs incurred in connection with the litigation or dispute regardless of whether a lawsuit is actually filed.

23. WAIVER

No waiver by Landlord of any provision of this Lease or of any breach by Tenant hereunder shall be deemed to be a waiver of any other provision hereof, or of any subsequent breach by Tenant of the same or any other provision. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act of Tenant. Furthermore, any custom or practice which may develop between the parties in the administration of this Lease shall not be construed to waive or lessen the right of Landlord to insist upon the performance by Tenant in strict accordance with all of the terms, covenants, agreements, conditions, and provisions of this Lease. No act or thing done by Landlord or Landlord's agents during the term of this Lease shall be deemed an acceptance of a surrender of the Premises, unless done in a writing signed by Landlord. Tenant's delivery of keys to any employee or agent of Landlord shall not operate as a termination of this Lease or a surrender of the Premises unless done pursuant to a written agreement to such effect executed by Landlord. The acceptance of any rent by Landlord following a breach of this Lease by Tenant shall not constitute a waiver by Landlord of such breach (other than the failure to pay the particular rent so accepted) or any other breach unless such waiver is expressly stated in a writing signed by Landlord. The acceptance of any payment from a debtor in possession, a trustee, a receiver or any other person acting on behalf of Tenant or Tenant's estate shall not waive or cure a default under Paragraph 26(A)(vi) or waive the provisions of Paragraphs 16 or 25.

24. NOTICES

All notices, requests, payments, consents or approvals ("notices") which Landlord or Tenant may be required, or may desire, to serve on the other shall be in writing and may be served, by personal service or as an alternative to personal service, by mailing the same by registered or certified mail, postage prepaid and return receipt requested, addressed as set forth in Item 13 of the Basic Lease Provisions, or addressed to such other address or addresses as either Landlord or Tenant may from time to time designate to the other in the manner provided for herein. All notices shall be deemed effective upon receipt. If personally delivered, notices shall be deemed received at the time of delivery. If any notice is sent by mail, the same shall be deemed delivered and received on the date of receipt or refusal indicated on the return receipt. Any notice provided for herein may also be sent by facsimile transmission or by any reputable overnight courier so long as written confirmation of delivery of such notice is obtained by the sender. In either of these cases, a confirmation copy of such notice shall be sent by registered or certified mail, return receipt requested, and such notice shall be deemed to be received one day after it is sent.

25. INSOLVENCY OR BANKRUPTCY

In no event shall this Lease be assigned or assignable by operation of law and in no event shall this Lease be an asset of Tenant in any receivership, bankruptcy, insolvency, or reorganization proceeding.

26. DEFAULTS AND REMEDIES

(a) The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant:

(i) Any failure by Tenant to pay the rent or to make any other payment required to be made by Tenant hereunder at the time specified for payment. Landlord shall give Tenant three (3) days written notice of any such default, which notice shall be in lieu of, and not in addition to, any notice required under Section 1161, et seq., of the California Code of Civil Procedure, as amended;

(ii) The abandonment or vacation of the Premises by Tenant. Abandonment is herein defined to include, but is not limited to, any absence by Tenant from the Premises for five (5) days or longer, without notice from Landlord being required and regardless of whether Tenant is otherwise in default under this Lease;

(iii) Any failure by Tenant to observe and perform any other provision of this Lease to be observed or performed by Tenant, where such failure continues for ten (10) days (except where a different period of time is specified in this Lease) after written notice by Landlord to Tenant; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under Section 1161, et seq., of the California Code of Civil Procedure, as amended. If the nature of such default is such that the same cannot reasonably be cured within such ten (10) day period, Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion;

(iv) Tenant makes or has made or furnishes or has furnished any warranty, representation or statement to Landlord in connection with this Lease, or any other agreement to which Tenant and Landlord are parties, which is or was false or misleading in any material respect when made or furnished;

(v) Subject to the provisions of Paragraph 16(h) above, any substantial portion of the assets of Tenant is transferred, or any material obligation is incurred by Tenant, unless such transfer or obligation is incurred in the ordinary course of Tenant's business, or in good faith for fair equivalent consideration, or with Landlord's consent; and/or

(vi) The making by Tenant of any general assignment for the benefit of creditors; the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days; the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within sixty (60) days; or Tenant's convening of a meeting of its creditors or any class thereof for the purpose of effecting a moratorium upon or composition of its debts.

(b) In the event of any such default by Tenant, then in addition to any other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event that Landlord shall elect to so terminate this Lease then Landlord may recover from Tenant:

(i) the worth at the time of award of any unpaid rent which had been earned at the time of such termination; plus

(ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss which Tenant proves reasonably could have been avoided; plus

(iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term of this Lease after the time of award exceeds the amount of such rental loss that Tenant proves reasonably could have been avoided; plus

(iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom including any amount expended by Landlord to mitigate damages; plus

(v) the unamortized value of the Building Standard Work (as described in Exhibit "B") made to the Premises, calculated by reference to the length of the term of the Lease that would have remained had the Lease not been terminated; plus

(vi) the amount of rent, if any, that is postponed or abated, as well as the amount of any other rent or operating concession, any lease take over obligation assumed by Landlord, any lease subsidy paid by Landlord or any other bonus, lease cancellation payment, inducement or concession for Tenant's entering into this Lease; and

(vii) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California law.

(c) As used in subparagraphs (b)(i) and (b)(ii) above, the "worth at the time of award" is computed by allowing interest at the rate determined pursuant to Paragraph 37 below. As used in subparagraph (b)(iii) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(d) In the event of any default by Tenant, Landlord shall also have the right, with or without terminating this Lease, to re-enter the Premises and remove all persons and property from the Premises. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant, all in accordance with applicable California law.

(e) In the event of the vacation or abandonment of the Premises by Tenant or in the event that Landlord shall elect to re-enter as provided above or shall take possession of the Premises pursuant to legal proceedings or pursuant to any notice provided by law, then if Landlord does not elect to terminate this Lease as provided in this Paragraph 26, Landlord may from time to time, without terminating this Lease, either recover all rental as it becomes due or relet the Premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Landlord in its sole discretion may deem advisable, with the right to make alterations and repairs to the Premises. Election by Landlord to proceed pursuant to this subparagraph shall be made upon written notice to Tenant and shall be deemed an election of the remedy described in California Civil Code Section 1951.4 and, unless Landlord relets the Premises, Tenant shall have the right to sublet or assign subject to the prior written consent of Landlord. Such consent shall not be unreasonably withheld and shall be subject to all of the terms and provisions of Paragraph 16.

(f) In the event that Landlord shall elect to so relet, then rentals received by Landlord from such reletting shall be applied: first, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of any cost of such reletting; third, to the payment of the cost of any alterations and repairs to the Premises; fourth, to the payment of rent due and unpaid hereunder; and the residue, if any, shall be held by Landlord and applied in payment of future amounts as the same may become due and payable hereunder. Should the rent for such reletting, during any month for which the payment of rent is required hereunder, be less than the rent payable during that month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord immediately upon demand therefor by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as ascertained, any costs and expenses incurred by Landlord in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.

(g) No re-entry, removal of property or taking possession of the Premises by Landlord pursuant to this Paragraph 26 shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction. Furthermore, neither Landlord's acts of maintenance or preservation nor its efforts to relet nor the appointment of a receiver to collect rents shall constitute a termination of Tenant's right to possession unless a written notice of such intention is provided by Landlord to Tenant. Notwithstanding any reletting without termination by Landlord because of any default by Tenant, Landlord may at any time after such reletting elect to terminate this Lease for any such default.

(h) In any action for unlawful detainer commenced by Landlord against Tenant by reason of any default hereunder, the reasonable rental value of the Premises for the period of the unlawful detainer shall be the amount of rent reserved in this Lease for such period, unless Landlord or Tenant shall prove to the contrary by competent evidence. The rights and remedies reserved to Landlord herein, including those not specifically described, shall be cumulative and, except as otherwise provided by California statutory law in effect at the time, Landlord may pursue any or all of such rights and remedies, or any other right available at law or equity, at the same time or otherwise. Without limitation, Tenant acknowledges that Tenant's failure to timely comply with the requirements of Paragraph 18(a) may result in a lender refusing to loan Landlord funds or a buyer refusing to purchase the Building on favorable terms (or at all), causing Landlord substantial monetary damages.

(i) All covenants and agreements to be performed by Tenant under this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any abatement of rent. If Tenant fails to pay any sum of money, other than rent, required to be paid by it or fails to perform any other act on its part to be performed, and such failure continues beyond any applicable grace period set forth in the Paragraph providing for such obligation (or if no grace period is set forth in such Paragraph, then the applicable grace period pursuant to this Paragraph 26), then in addition to any other remedies provided herein Landlord may, but shall not be obligated so to do, without curing such default or waiving or releasing Tenant from any of its obligations, make any such payment or perform any such other act on Tenant's part, including the removal of any offending signs. Landlord's election to make any such payment or perform any such act on Tenant's part shall not give rise to any responsibility of Landlord to continue making the same or similar payments or performing the same or similar acts. Tenant shall, within ten (10) days after written demand therefor by Landlord, reimburse Landlord for all sums so paid by Landlord and all necessary incidental costs, together with interest thereon at the rate determined under Paragraph 37, accruing from the date of such payment by Landlord; and Landlord shall have the same rights and remedies in the event of failure by Tenant to pay such amounts as Landlord would have in the event of a default by Tenant in payment of rent.

(j) Tenant hereby waives, for itself and all persons claiming by and under Tenant, all rights and privileges which it might have had under any present or future law, to redeem the Premises or to continue the Lease after being dispossessed or ejected from the Premises.

27. HOLDOVER

Tenant shall surrender possession of the Premises immediately after the expiration of the Lease term or termination of the Lease. If Tenant or anyone claiming under Tenant holds over after the expiration or earlier termination of the term hereof without the express written consent of Landlord, Tenant shall (a) become a tenant at sufferance only at the greater of (i) two hundred percent (200%) of the Basic Annual Rent and Additional Rent then in effect, or (ii) two hundred percent (200%) of the then current market rent in the Building (Basic Annual Rent and Additional Rent) by reference to recent comparable transactions entered into by Landlord and otherwise upon the terms, covenants and conditions herein specified, so far as applicable, (b) pay all damages sustained by Landlord by reason of such holding over and (c) indemnify, defend and hold Landlord harmless from and against any loss or liability resulting from such holding over, including, but not limited to, any amounts required to be paid to any tenant or prospective tenant who was to have occupied the Premises after said termination or expiration and any related attorneys' fees and brokerage commissions. Acceptance by Landlord of rent after such expiration or earlier termination shall not constitute a consent to a holdover hereunder, but shall create only a month-to-month tenancy terminable at the end of any calendar month by not less than ten (10) days written notice given by either party to the other party. Further, no payment of money by Tenant to Landlord after the termination of this Lease by Landlord, or after the giving of any notice of termination to Tenant by Landlord which Landlord is entitled to give Tenant under this Lease, shall reinstate, continue or extend the term of this Lease or shall affect any such notice given to Tenant prior to the payment of such money, it being agreed that after the service of such notice or the commencement of any suit by Landlord to obtain possession of the Premises, Landlord may receive and collect when due any and all payments owed by Tenant under the Lease, and otherwise exercise its rights and remedies. The making of any such payments by Tenant shall not waive such notice, or in any manner affect any pending suit or judgment obtained. The foregoing provisions of this Paragraph are in addition to and do not affect Landlord's right of re-entry or any other rights of Landlord hereunder or as otherwise provided by law.

28. CONDITION OF PREMISES

Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or the Building or with respect to the suitability of any part of the Building for the conduct of Tenant's business. The taking of possession of the Premises by Tenant shall conclusively establish that the Premises and the Building were at such time in good and sanitary order, condition and repair. Landlord and its agents shall not be liable for any latent defect in the Premises or in the Building. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or in the Building, or of defects therein or in the fixtures and equipment.

29. QUIET POSSESSION

Upon Tenant's paying the rent hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire term hereof, subject to all the provisions of this Lease.

30. TENANT'S SIGNS

(a) Tenant may, at its sole cost and expense, place its signs displaying its logo and graphics on the entrance doors to the Premises and in hallways or elevator lobbies on floors wholly leased by Tenant. On partial floors leased by Tenant, Tenant, at Landlord's initial cost and thereafter at Tenant's sole cost and expense, may place Landlord's standard sign on entrance doors to the Premises which will conform to Landlord's graphics program for the Building.

(b) Landlord at its own cost and expense shall place a directory board in the Building lobby. Landlord shall cause Tenant's name to be affixed thereto, at Landlord's initial cost and thereafter at Tenant's cost. Tenant may utilize one line per one thousand square feet of Rentable Area of the Premises.

(c) Unless specifically set forth to the contrary in an addendum to this Lease, Tenant shall not place any sign on the exterior of the Building, or within the Building if such sign may be seen from outside of the Building or on any Building sign monument or other device constructed for the placement of tenant signs.

(d) All Tenant signs installed by Landlord or Tenant shall comply with all applicable requirements of all governmental authorities having jurisdiction and shall be installed in a good and workmanlike manner. Such signs shall be maintained and kept in good repair at Tenant's sole cost and expense.

31. CONFLICT OF LAWS

This Lease shall be governed by and construed pursuant to the laws of the State of California, and the venue of any action or proceeding under this Lease shall be Orange County, California.

32. COMMON FACILITIES

Tenant shall have the non-exclusive right, in common with Landlord and other tenants and occupants of the Building and their employees, agents and business visitors, to the use of all common facilities which constitute a part of the Building, subject to such reasonable rules and regulations relating to such use as Landlord may from time to time establish. Common facilities located within the Building include any building lobby, elevators, rest rooms, stairways and stairwells, elevator lobbies and all common entrances, corridors, passageways and serviceways which are not located within the Premises of Tenant or the premises of another tenant of the Building. Common facilities located outside of the Building include landscaping, hardscaping and any fountains adjacent to the Building, a parking structure (the "Building Parking Structure"), all sidewalks, driveways, vehicle and pedestrian entrances and accessways, loading docks, truck tunnels, truck parking and truck turn-around areas, vehicle and pedestrian ramps serving the Building and any pedestrian walkway connecting the Building and the Building Parking Structure. Landlord may make changes at any time and from time to time to the common facilities, without any liability to Tenant, and no such change shall entitle Tenant to any abatement of rent. Landlord shall at all times have the sole and exclusive control of the common facilities. To the extent that any common facilities located outside of the Building are maintained jointly or for the common benefit of Landlord and the owners of adjacent structures, (i) Tenant's non-exclusive right of use of such common facilities shall be in common with Landlord, other tenants and occupants of and visitors to the Building and the owners, tenants, occupants of and visitors to such other structures and (ii) Operating Expenses for purposes of Paragraph 3 shall include only that portion of the operating expenses of such common facilities as are allocated to the Building from time to time by agreement among Landlord and the owners of such other structures. During the term and subject to availability, Tenant's principals and employees shall be entitled to purchase contracts for reserved and random select parking at the prevailing price offered by the operator of the Building Parking Structure which such prices are currently $175/month for a reserved space contract and $90/month for a random select parking contract. Parking privileges shall be subject to compliance with all rules and regulations applicable thereto as designated by Landlord or the operator of the Parking Structure.

Tenant shall keep all common facilities free and clear of any obstructions created or permitted by Tenant or resulting from Tenant's operations and shall not conduct an assembly on the common facilities without Landlord's prior consent. Nothing herein shall affect the right of Landlord at any time to remove any persons not authorized to use the common facilities or to prevent the use of such facilities by unauthorized persons. Landlord reserves the right, from time to time, to (A) make alterations in or additions to the common facilities, including without limitation, constructing new structures or changing the location, size, shape and/or number of the driveways, entrances, parking spaces, parking areas, loading and unloading areas, landscape areas and walkways, (B) close temporarily any of the common facilities of the Building for maintenance purposes as long as reasonable access to the Premises remains available, (C) designate property to be included in or eliminate property from the common facilities of the Building, and (D) use the common facilities of the Building while engaged in making alterations in or additions or repairs to the Building.

33. SUCCESSORS AND ASSIGNS

Except as otherwise provided in this Lease, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

34. BROKERS

Tenant warrants that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only the broker(s) named in Item 10 of the Basic Lease Provisions, if any, and that it knows of no other real estate broker or agent who is or might be entitled to a commission in connection with this Lease. Landlord covenants and agrees to pay all real estate commissions due in connection with this Lease to such named broker(s), but only at such time(s) and in such amount(s) as are agreed in writing between Landlord and such broker. Tenant agrees to pay and hold Landlord harmless from and defend Landlord against any cost, expense or liability for any compensation claimed by any broker, finder or agent employed or claiming to have been employed by Tenant in connection with this Lease or with the negotiation of this Lease. Landlord and Tenant acknowledge that payment shall not be a condition precedent to recovery upon the foregoing indemnification provision.

35. NAME

Tenant shall not, without the written consent of Landlord, use the name, insignia or logotype of the Building for any purpose other than as the address of the business to be conducted by Tenant in the Premises, and in no event shall Tenant acquire any rights in or to such name, insignia and/or logotype. Furthermore, Tenant shall not use any picture of the Building in its advertising, stationery or in any other manner. Tenant shall, when referring to the Building, refer to the Building by the name or address assigned thereto, from time to time, by Landlord. References to the Building and its location shall not be made by Tenant in any other manner. Landlord expressly reserves the right, in its sole and absolute discretion, at any time to change the name, insignia, logotype or street address of the Building without in any manner being liable to Tenant.

36. EXAMINATION OF LEASE

Submission of this instrument for examination, negotiation or signature by Tenant does not constitute an offer to lease or a reservation of the Premises for Tenant or an option for Tenant to lease the Premises, and it is not effective as a Lease or otherwise until at least one counterpart, duly executed by authorized persons of Landlord and Tenant, has been delivered to each party thereto. Without limiting the generality of the foregoing, Tenant acknowledges that this Lease and any material amendments hereto are subject to the approval of Landlord's lender with respect to the Building. Promptly upon execution of this Lease by Tenant, Landlord shall submit the same to its lender for approval. Delivery by Landlord to Tenant of a copy of this Lease or of any amendment hereto fully executed by Landlord and Tenant shall constitute notice to Tenant that Landlord has obtained the approval of its lender with respect to this Lease or such amendment.

37. INTEREST ON TENANT'S OBLIGATIONS; LATE CHARGE

(a) Any amount due from Tenant to Landlord which is not paid when due shall bear interest at the maximum rate per annum which Landlord is permitted by law to charge, from the date such payment is due until paid, but the payment of such interest shall not excuse or cure any default by Tenant under this Lease. Such rate shall remain in effect after the occurrence of any breach or default hereunder by Tenant to and until payment of the entire amount due.

(b) In the event Tenant is more than ten (10) days late in paying any installment of rent due under this Lease, Tenant shall pay Landlord a late charge equal to five percent (5%) of the delinquent installment of rent, provided that in no event shall the amount of such late charge be less than One Hundred Dollars ($100.00). The parties agree that it would be impractical or extremely difficult to fix Landlord's actual damages due to a late payment by Tenant and that the amount of such late charge represents a reasonable estimate of the cost and expense that would be incurred by Landlord in processing each delinquent payment of rent by Tenant and that such late charge shall be paid to Landlord as liquidated damages for each delinquent payment pursuant to California Civil Code Section 1671. The parties further agree that the payment of late charges and the payment of interest provided for in subparagraph (a) above are distinct and separate from one another in that the payment of interest is to compensate Landlord for the use of Landlord's money by Tenant, while the payment of a late charge is to compensate Landlord for the additional administrative expense incurred by Landlord in handling and processing delinquent payments. It is understood that the payment of any late charge by Tenant and the acceptance thereof by Landlord shall not be deemed a waiver by Landlord of its rights regarding any default by Tenant under this Lease.

(c) After the second late payment in any calendar year, in addition to all of its other remedies, Landlord shall have the option to require that (i) beginning with the first payment of rent next due, rent shall no longer be paid in monthly installments but shall be payable quarterly, three (3) months in advance and/or (ii) to require the payment of a security deposit equal to three (3) months rent (Basic Annual Rent and Additional Rent).

(d) Should Tenant deliver to Landlord, at any time during the term, two (2) or more insufficient checks, Landlord may require that all monies then and thereafter due from Tenant be paid to Landlord by cashier's check.

38. TIME

Time is of the essence of this Lease with respect to the performance of every provision of this Lease in which time of performance is a factor.

39. DEFINED TERMS AND MARGINAL HEADINGS

The words "Landlord" and "Tenant" as used herein shall each include the plural as well as the singular and, when applicable, shall refer to actions taken by their respective representatives. If more than one person is named as Tenant the obligations of such persons are joint and several. The headings to the Paragraphs of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretations of any part hereof.

40. PRIOR AGREEMENTS; SEPARABILITY

This Lease and the exhibits and any addenda hereto contain all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreement, understanding or representation pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest, and consented to in writing by any lender designated by Landlord holding a secured interest in the Building. No verbal agreement or implied covenant shall be held to vary the terms hereof, any statute, law or custom to the contrary notwithstanding. No employee or agent of Landlord shall have authority, by letter, memorandum or other written communication, to amend, vary or delete any provision of this Lease or any exhibit hereto, unless such written instrument bears the signature of Landlord. If any term or provision of this Lease the deletion of which would not adversely affect the receipt of any material benefit by either party hereunder shall be held invalid, illegal or unenforceable to any extent, the remainder of this Lease shall not be affected thereby and each term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

41. TRAFFIC AND ENERGY MANAGEMENT

(a) Tenant and its employees shall comply with South Coast Air Quality Management District Rule 2202 (formerly known as Regulation 15) and any other environmental regulation and/or program now or hereafter applicable to the Building. Landlord and Tenant agree to cooperate and use their best efforts to participate in governmentally mandated and voluntary traffic management programs generally applicable to businesses located in Costa Mesa, California or to the Building and, initially, shall encourage and support van and car pooling by office workers and service employees and shall encourage and support staggered and flexible working hours for employees to the fullest extent permitted by the requirements of Tenant's business. Neither this Paragraph nor any other provision in this Lease, however, is intended to or shall create any rights or benefits in any other person, firm, company, governmental entity or the public.

(b) Landlord and Tenant agree to cooperate and use their best efforts to comply with any and all guidelines or controls imposed upon either Landlord or Tenant by federal or state governmental organizations or by any energy conservation association to which Landlord is a party concerning energy management.

(c) All costs, fees and assessments and other charges paid by Landlord to any governmental authority or voluntary association in connection with any program of the types described in this Paragraph, and all costs and fees paid by Landlord to any governmental authority, voluntary association or third party pursuant to or to implement any such program, shall be included in Operating Expenses for the purpose of Paragraph 3, whether or not specifically listed in such Paragraph. Any breach by Tenant of any of its covenants in this Paragraph 41 may result in penalties or fees being assessed against Landlord or the Building. These penalties or fees shall not be part of Operating Expenses but instead shall be payable by Tenant on demand of Landlord.

42. CORPORATE/PARTNERSHIP/TRUST AUTHORITY

Each individual executing this Lease on behalf of Landlord and Tenant represents and warrants that the execution and delivery of this Lease on behalf of the party for whom such person is executing is duly authorized, that he or she is authorized to execute and deliver this Lease and that this Lease is binding upon such party in accordance with its terms. If Tenant is a corporation, Tenant shall, within ten (10) days after execution of this Lease, deliver to Landlord a certified copy of a resolution of the Board of Directors of Tenant or any executive committee thereof authorizing or ratifying the execution of this Lease. Failure of Tenant to provide such resolution shall not, however, relieve Tenant of its obligations pursuant to this Lease. If Tenant is a partnership or trust, Tenant shall deliver those certificates or written assurances from the partnership or trust as Landlord may reasonably request.

43. NO LIGHT, AIR OR VIEW EASEMENT

Any diminution or shutting off of light, air or view by any structure which may be erected on lands adjacent to the Building shall in no way affect this Lease, abate any payment owed by Tenant under the Lease, or otherwise impose any liability on Landlord.

44. NON-DISCLOSURE OF LEASE TERMS

Landlord and Tenant agree that the terms of this Lease are confidential and constitute proprietary information of the parties hereto. Disclosure of the terms hereof could adversely affect the ability of Landlord to negotiate with other tenants. Each of the parties hereto agrees that such party, and its respective partners, officers, directors, employees, agents, real estate brokers and sales persons and attorneys, shall not disclose the terms and conditions of this Lease to any other person without the prior written consent of the other party hereto except pursuant to an order of a court of competent jurisdiction. The foregoing notwithstanding, Landlord may disclose the terms hereof to any lender now or hereafter having a lien on Landlord's interest in the Building or any portion thereof, and either party may disclose the terms hereof to its respective independent accountants who review its respective financial statements or prepare its respective tax returns, to any prospective transferee of all or any portions of their respective interests hereunder (including a prospective sublessee or assignee of Tenant), to any lender or prospective lender to such party, to any governmental entity, agency or person to whom disclosure is required by applicable law, regulation or duty of diligent inquiry and in connection with any action brought to enforce the terms of this Lease, on account of the breach or alleged breach hereof or to seek a judicial determination of the rights or obligations of the parties hereunder.

45. FORCE MAJEURE

Any covenants, conditions, provisions or agreements on the part of Landlord to perform any act or thing for the benefit of Tenant shall not be deemed breached if Landlord is unable to furnish or perform the same by virtue of a strike, lockout, laws, rules, orders, ordinances, directions, regulations or requirements of any federal, state, county or municipal authority, labor trouble or any other cause whatsoever beyond Landlord's control, nor shall Tenant's rent be abated by reason of such inability on the part of Landlord. Whenever under the provisions of this Lease, Landlord is required or agrees to take certain actions, Landlord's obligation shall be deemed fulfilled if Landlord causes such action to be taken by any other person.

46. MISCELLANEOUS

(a) At the expiration or earlier termination of this Lease, Tenant shall execute, acknowledge and deliver to Landlord, within five (5) days after written demand from Landlord to Tenant, any quitclaim deed or other document which may be reasonably requested by any reputable title insurance company to remove this Lease as a matter affecting title to the Premises on a preliminary title report or title policy issued with respect to the Building.

(b) Tenant acknowledges that the exterior demising walls of the Premises and the area between the finished ceiling of the Premises and the slab of the Building floor thereabove have not been leased to Tenant and the use thereof together with the right to install, maintain, use, repair and replace pipes, ducts, conduits and wires leading through, under or above the Premises in locations which will not materially interfere with Tenant's use of the Premises are hereby reserved by Landlord.

(c) All amounts payable hereunder shall be paid in lawful money of the United States which shall be legal tender at the time of payment. When no other time is stated herein for payment, payment of any amount due from Tenant to Landlord hereunder shall be made within ten (10) days after Tenant's receipt of Landlord's invoice or statement therefor.

(d) Tenant shall, upon written request by Landlord, amend this Lease in any manner reasonably requested by any actual or prospective ground lessor of or lender to Landlord, provided that any such amendment shall not materially impair any rights or remedies of Tenant hereunder.

(e) LANDLORD AND TENANT EACH ACKNOWLEDGES THAT IT HAS HAD THE ADVICE OF COUNSEL OF ITS CHOICE WITH RESPECT TO ITS RIGHTS TO TRIAL BY JURY UNDER THE CONSTITUTIONS OF THE UNITED STATES AND THE STATE OF CALIFORNIA. EACH PARTY EXPRESSLY AND KNOWINGLY WAIVES AND RELEASES ALL SUCH RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ANY MATTERS ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE.

_____ _____

Landlord's Initials Tenant's Initials

(f) This Lease may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

(g) This Lease shall be strictly construed neither against Landlord nor Tenant.

(h) Neither this Lease nor any memorandum hereof shall be recorded by either Landlord or Tenant.

(i) The obligations of the indemnifying party under each and every indemnification and hold harmless provision in this Lease shall survive the expiration or earlier termination of this Lease to and until the last to occur of (i) the last date permitted by law for the bringing of any claim or action with respect to which indemnification may be claimed by the indemnified party against the indemnifying party under such provisions or (ii) the date on which any claim or action for which indemnification may be claimed under such provision is fully and finally resolved and, if applicable, any compromise thereof or judgment or award thereon is paid in full by the indemnifying party and the indemnified party is reimbursed by the indemnifying party for any amounts paid by the indemnified party in compromise thereof or upon a judgment or award thereon and in defense of such action or claim, including reasonable attorneys' fees incurred.

(j) In no event shall the review, approval, inspection or examination by Landlord of any item to be reviewed, approved, inspected or examined by Landlord under the terms of this Lease be deemed to be an approval of, or representation or warranty as to, the adequacy, accuracy, sufficiency or soundness of any such item or the quality or suitability of such item for its intended use. Any such review, approval, inspection or examination by Landlord shall be for the sole purpose of protecting Landlord's interests in the Building under this Lease, and no third parties shall have any rights pursuant thereto.

(k) The obligations of Landlord herein are intended to be binding only on the property of the entity acting as Landlord and shall not be personally binding, nor shall any resort be had to the private properties of the general partners thereof or any employee or agent of Landlord. Subject to the provisions of Paragraph 18 to the contrary, any lien obtained to enforce any judgment obtained by Tenant against Landlord and any levy of execution thereon shall be subject and subordinate to any lien, mortgage or deed of trust to which Paragraph 18 applies or may apply.

47. GUARANTY – Intentionally Omitted

48. ADDENDA

The provisions in this Paragraph 48 shall supersede and override any other provision in this Lease to the extent the same are inconsistent.

48.1 - Access

Tenant shall have controlled access to the Building pursuant to the terms of this Lease, twenty-four (24) hours per day, seven (7) days per week, every day of the year. The foregoing shall not extend to temporary interruptions of such access as required for maintenance or repair, as the result of reconstruction or restoration following a casualty or condemnation or resulting from force majeure causes.

48.2 Civil Code Section 1938 Disclosure

Pursuant to Section 1938 of the Civil Code of California, Landlord hereby discloses to Tenant that the Building has not been inspected by a Certified Access Specialist.

EXHIBIT "A 1"

FLOOR PLAN(S) OF PREMISES

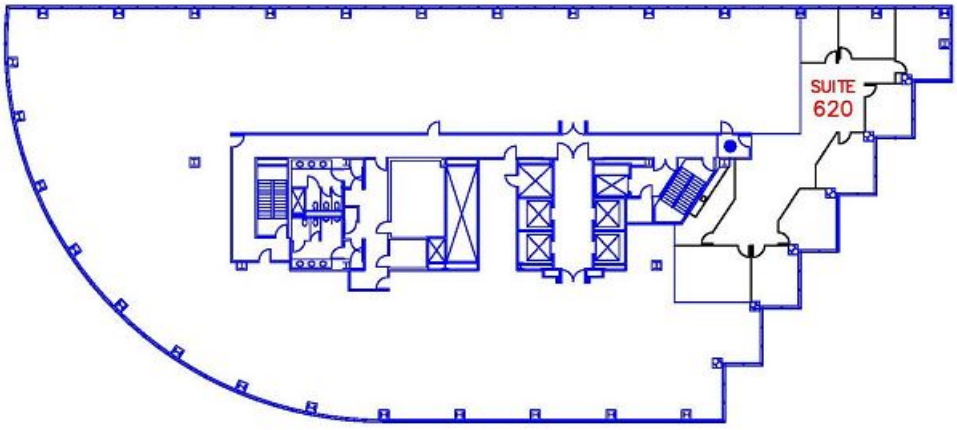

EXHIBIT "A 2"

PLOT PLAN OF BUILDING

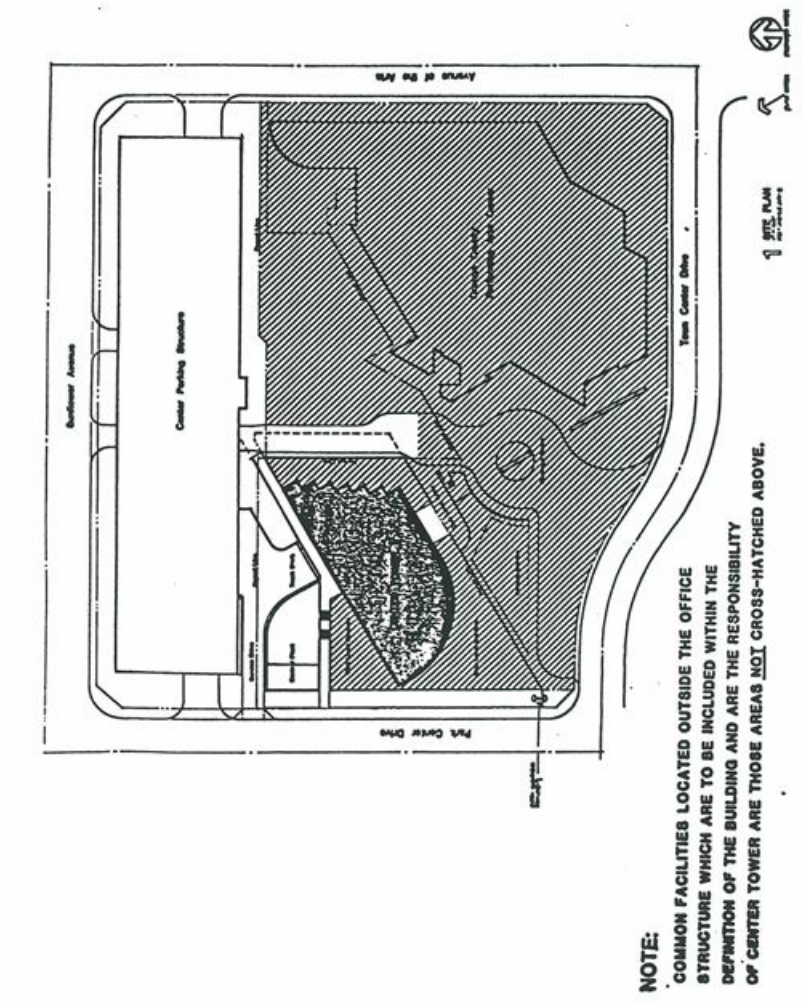

EXHIBIT "A 3"

RENTABLE AREA

The term "Rentable Area" as used in the lease to which this exhibit is attached (the "Lease") shall mean:

(a) As to each floor of the Building on which the entire space rentable to tenants is or will be leased to one tenant (hereinafter referred to as a "Single Tenant Floor"), Rentable Area attributable to such lease shall be the total of (i) the entire area bounded by the inside surface of the four exterior glass walls (or the inside surface of the permanent external wall(s) where there is no glass) on such floor, including, all areas used for elevator lobbies, corridors, special stairways, or elevators, rest rooms, mechanical rooms, electrical rooms and telephone closets, without deduction for columns and other structural portions of the Building or vertical penetrations that are included for the special use of the tenant of such floor, (ii) a pro rata portion of any Building lobby and (iii) any covered or enclosed common facilities which constitute a part of the Building and which are maintained by Landlord for the common benefit of all tenants of the Building and the area occupied by any mechanical, heating, ventilating and air conditioning equipment which serves the Building but which is located outside thereof which bears the same proportion to the total area of such common facilities as the Rentable Area of such Single Tenant Floor bears to the Rentable Area of the Building (excluding such common facilities), but excluding one half of the area contained within the exterior walls of the Building stairs, and excluding fire towers, vertical ducts, elevator shafts, flues, vents, stacks and pipe shafts.

(b) As to each floor of the Building on which space is or will be leased to more than one tenant, Rentable Area attributable to each such lease shall be the total of (i) the entire area included within the premises covered by such lease, being the area bounded by the inside surface of any exterior glass walls (or the inside surface of the permanent exterior wall(s) where there is no glass) of the Building bounding such premises, the exterior of all walls separating such premises from any public corridors or other public areas on such floor, and the centerline of all walls separating such premises from other areas leased or to be leased to other tenants on such floor, (ii) a pro rata portion of the area covered by the elevator lobbies, corridors, rest rooms, mechanical rooms, electrical rooms and telephone closets situated on such floor, (iii) a pro rata portion of the Building lobby, and (iv) that portion of the covered or enclosed common facilities which constitute a part of the Building and which are maintained by Landlord for the common benefit of all tenants of the Building and the area occupied by any mechanical, heating, ventilating and air conditioning equipment which serves the Building but which is located outside thereof which bears the same proportion to the total area of such common facilities as the Rentable Area of such premises bears to the Rentable Area of the Building (excluding such common facilities), but excluding one half of the area contained within the exterior walls of the Building stairs, and excluding fire towers, vertical ducts, elevator shafts, flues, vents, stacks and pipe shafts.

(c) For the purposes of paragraphs (a) and (b) above, there shall be included in the covered or enclosed common facilities which constitute a part of the Building the central heating, ventilating and air conditioning plant which services the Building and any areas which would have been included in the Rentable Area of any floor of the Building if any architectural recesses on such floor had not been designed and, in lieu thereof, the exterior walls of the Building had been extended to the exterior walls of adjacent floors which have no recesses.

(d) The Rentable Area of the Building shall be deemed to be 462,191 square feet for purposes of the Lease. The Rentable Area contained within the Premises let pursuant to the Lease initially shall be the number of square feet set forth in Item 2 of the Basic Lease Provisions.

EXHIBIT "B"

Intentionally Omitted

EXHIBIT "C"

RULES AND REGULATIONS

1. The sidewalks, entrances, lobby, passages, courts, elevators, vestibules, stairways, corridors and halls of the Building shall not be obstructed or used for any purpose other than ingress and egress. The halls, passages, entrances, lobby, elevators, stairways, balconies and roof are not for the use of the general public, and Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence, in the judgment of Landlord, shall be prejudicial to the safety, character, reputation and interests of the Building and its tenants, provided that nothing herein contained shall be construed to prevent such access to persons with whom Tenant normally deals only for the purpose of conducting its business on the Premises (such as clients, customers, office suppliers and equipment vendors, and the like) unless such persons are engaged in illegal activities in the Building. Neither Tenant nor any employee of Tenant shall go upon the roof of the Building without the prior written consent of Landlord.

2. No awnings or other projections shall be attached to the outside walls of the Building. No curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises other than Landlord's standard blinds. All electric ceiling fixtures hung in offices or spaces along the perimeter of the Building must be fluorescent, of a quality, type, design and bulb color approved by Landlord. Neither the interior nor the exterior of any windows shall be coated or otherwise sunscreened without the written consent of Landlord. No hanging planters, television sets or other objects shall be attached to or suspended from the ceiling by any tenant without the prior written consent of Landlord.

3. Except as provided in Paragraph 30 of the Lease, no sign, advertisement, notice or handbill shall be exhibited, distributed, painted or affixed by Tenant on, about or from any part of the Premises or the Building without the prior written consent of Landlord. If Landlord shall have given such consent at the time, whether before or after the execution of the Lease, such consent shall in no way operate as a waiver or release of any of the provisions hereof or of the Lease, and shall be deemed to relate only to the particular sign, advertisement or notice so consented to by Landlord and shall not be construed as dispensing with the necessity of obtaining the specific written consent of Landlord with respect to each and every such sign, advertisement or notice other than the particular sign, advertisement or notice, as the case may be, so consented to Landlord. In the event of the violation of the foregoing by Tenant, Landlord may remove or stop same without any liability, and may charge the expense incurred in such removal or stoppage to Tenant. Interior signs on doors and directory tablets shall be inscribed, painted or affixed for Tenant by Landlord at Tenant's expense, and shall be of a size, color, material and style acceptable to Landlord. The directory tablet will be provided exclusively for the display of the names and locations of tenants only and Landlord reserves the right to exclude any other names therefrom. Nothing may be placed on the exterior of corridor walls or corridor doors other than Landlord's standard lettering.

4. The windows and doors that reflect or admit light and air into halls, passageways or other public places in the Building shall not be covered or obstructed by Tenant, nor shall any bottles, parcels or other articles be placed on the windowsills. Tenant shall see that the windows, transoms and doors of the Premises are closed and securely locked before leaving the Building and must observe strict care not to leave windows open when it rains. Tenant shall exercise extraordinary care and caution that all water faucets or water apparatus are entirely shut off before Tenant or Tenant's employees leave the Building, and that all electricity, gas or air shall likewise be carefully shut off, so as to prevent waste or damage. Tenant shall cooperate with Landlord in obtaining maximum effectiveness of the cooling system by closing blinds when the sun's rays fall directly on the windows of the Premises. Tenant shall not tamper with or change the setting of any thermostats or temperature control valves installed by Landlord. All lights in Tenant's premises shall be turned off at night and on weekends and holidays when such premises are not in use.

5. The toilet rooms, water and wash closets and other plumbing fixtures shall not be used for any purpose other than those for which they were constructed, and no sweepings, rubbish, rags, or other substances shall be thrown therein. All damages resulting from any misuse of the fixtures shall be borne by the tenant who, or whose subtenants, assignees or any of whose servants, employees, agents, visitors or licensees shall have caused the same.

6. Tenant shall not mark, paint, drill into, or in any way deface any part of the Premises or the Building. No boring, cutting or stringing of wires or laying of linoleum or other similar floor coverings or painting or wood staining of fixtures or equipment shall be permitted, except with the prior written consent of Landlord and only as Landlord may direct. The location of telephone boxes, call boxes and other equipment affixed to any premises shall be subject to Landlord's approval.

7. No bicycles, vehicles, birds or animals of any kind, other than those assisting handicapped persons, shall be brought into or kept in or about the Premises, and no cooking shall be done or permitted by Tenant in the Premises, except that the preparation of coffee, tea, hot chocolate and similar items for Tenant and its employees shall be permitted provided power shall not exceed that amount which can be provided by a 30 amp circuit. Tenant shall not cause or permit any unusual or objectionable odors to be produced or permeate from its Premises.

8. The Premises shall not be used for manufacturing or for the storage of merchandise except as such storage may be incidental to the permitted use of the Premises. Tenant shall not occupy or permit any portion of the Premises to be occupied as an office for a public stenographer or typist, or for the manufacture or sale of liquor, narcotics, or tobacco (including a cigarette vending machine for use by Tenant's employees) in any form, or as a medical office, or as a barber or manicure shop, or as an employment bureau without the express prior written consent of Landlord. Tenant shall not engage or pay any employees on the Premises except those actually working for Tenant on the Premises nor advertise for laborers giving an address at the Premises. The Premises shall not be used for lodging or sleeping or for any immoral or illegal purposes.

9. Tenant shall not make, or permit to be made any unseemly or disturbing noises or disturb or interfere with occupants of this or neighboring buildings or premises or those having business with them, whether by the use of any musical instrument, radio, phonograph, unusual noise, or in any other way. Tenant shall not throw anything out of doors, windows or skylights or down the passageways.

10. No Tenant, or subtenant or assignee of Tenant, if any, nor any of their servants, employees, agents, visitors or licensees shall at any time bring or keep upon any premises any inflammable, combustible or explosive fluid, chemical or substance.

11. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by Tenant, nor shall any changes be made in existing locks or the mechanisms thereof. Tenant must, upon the termination of its tenancy, restore to Landlord all keys to stores, offices, and toilet rooms, either furnished to or otherwise procured by Tenant, and in the event of the loss of keys so furnished, Tenant shall pay to Landlord the cost of replacing the same or of changing the lock or locks opened by any lost key if Landlord shall deem it necessary to make such changes.

12. All removals, and the carrying in or out of any safes, freight, furniture, and bulky matter of any description must take place during the hours which Landlord shall determine from time to time, and shall not be done without the express written consent of Landlord. The moving of safes and other fixtures and bulky matter of any kind must be done upon previous notice to the manager of the Building and under such person's supervision, and the persons employed by Tenant for such work must be acceptable to Landlord. Landlord reserves the right to inspect all safes, freight and other bulky articles to be brought into the Building and to exclude from the Building all safes, freight and other bulky articles which violated any of these Rules and Regulations or the Lease. Landlord reserves the right to prescribe the weight and position of all safes, which must be placed upon supports approved by Landlord to distribute the weight. No tenant shall place a load upon any floor which exceeds the load per square foot which such floor was designed to carry and which is allowed by law. Tenant shall be responsible for all damages occasioned by its movement into or out of the Building of any item described in this paragraph. All safes, freight and other bulky articles shall be taken into and removed from the Premises solely on the freight elevator of the Building and the freight loading and unloading areas adjacent thereto.

13. Tenant shall not purchase spring water, ice, towels, janitorial or maintenance or other like services from any person or persons not approved by Landlord and only at hours and under regulations fixed by Landlord.

14. Landlord shall have the right to prohibit any advertising by Tenant which, in Landlord's opinion, tends to impair the reputation of the Building or the desirability of the Building as an office location. Upon written notice from Landlord, Tenant shall refrain from or discontinue such advertising.

15. Landlord reserves the right to exclude from the Building from 6:00 p.m. to 8:00 a.m. on weekdays, after 12:00 noon on Saturdays and at all hours on Sunday and legal holidays all persons who are not known to the Building personnel and who do not present a pass to the Building approved by Landlord. Landlord will furnish passes to persons for whom Tenant requests the same in writing. Tenant shall be responsible for all persons for whom it requests passes and shall be liable to Landlord for all acts of such persons. Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of an invasion, mob riot, public excitement or other circumstances rendering such action advisable in Landlord's opinion, Landlord reserves the right without any abatement of rent to require all persons to vacate the Building and to prevent access to the Building during the continuance of the same for the safety of Tenant and the protection of the Building and the property in the Building, and no such action by Landlord shall entitle Tenant to any abatement of rent. Tenant shall observe all security regulations issued by Landlord and shall comply with all instructions and/or directions of Building personnel.

16. Any persons employed by any tenant to do janitorial work shall, while in the Building and outside of the Premises, be subject to and under the control and direction of the manager of the Building (but not as an agent or servant of such manager or of Landlord), and such tenant shall be responsible for all acts of such persons.

17. All doors opening onto public corridors shall be kept closed, except when in use for ingress and egress. Tenant shall not prop open or block open entrance doors to the Building, service doors to the Building or elevator doors.

18. The requirements of tenants will be attended to only upon application to the Office of the Building. Employees of Landlord shall not perform any work outside of their regular duties except under special instructions from Landlord.

19. Canvassing, soliciting, peddling and vending in the Building are prohibited and Tenant shall report any such activity to Landlord and otherwise cooperate to prevent the same. It is understood and agreed that Landlord may prohibit access to the Building by any solicitors, peddlers or vendors, including without limitation, food vendors at Landlord's discretion. Landlord reserves the right unto itself to license Building access to any such solicitors, peddlers and vendors.

20. All office equipment of any electrical or mechanical nature shall be placed by Tenant in the Premises in settings approved by Landlord to absorb or prevent any vibration, noise and annoyance.

21. No air conditioning unit or other similar apparatus shall be installed or used by Tenant without the written consent of Landlord.

22. There shall not be used in any space, or in the elevators and public halls of the Building, either by Tenant or others, any hand trucks except those equipped with rubber tires and rubber side guards.

23. No vending machine or machines of any description shall be installed, maintained or operated upon the Premises without the prior written consent of Landlord.

24. The scheduling of any tenant move-ins shall be subject to the reasonable discretion of Landlord.

25. If Tenant desires telephone or telegraph connections, Landlord will direct electricians as to where and how the wires are to be introduced. No boring or cutting for wires or otherwise shall be made without directions from Landlord.

26. The term "personal goods or services vendors" as used herein means persons who periodically enter the Building for the purpose of selling goods or services to Tenant, other than goods or services which are used by Tenant only for the purpose of conducting its business on the Premises. "Personal goods or services" include, but are not limited to, drinking water and other beverages, food, barbering services and shoeshining services. Landlord reserves the right to prohibit personal goods and services vendors from access to the Building except upon such reasonable terms and conditions, including but not limited to the payment of a reasonable fee and provision for insurance coverage, as are related to the safety, care and cleanliness of the Building, the preservation of good order therein, and the relief of any financial or other burden on Landlord occasioned by the presence of such vendors or the sale by them of personal goods or services to Tenant or its employees. If necessary for the accomplishment of these purposes, Landlord may exclude a particular vendor entirely or limit the number of vendors who may be present at any one time in the Building.

27. It shall be the responsibility of each tenant to provide its employees with keys to its premises. Landlord will under no circumstances open any premises for any tenant or its employees.

28. Smoking or carrying a lighted cigar, cigarette or pipe anywhere in the interior of the Building is prohibited. Smoking is also prohibited in the common areas of the Building, except for those specific areas designated in writing by Landlord. The location of such areas shall be determined by Landlord in its sole discretion. Landlord hereby reserves the right from time to time to designate substitute smoking areas within the common areas in its sole discretion.

29. No waiver of any rule or regulation by Landlord shall be effective unless expressed in writing and signed by Landlord. Landlord may waive any one or more of these rules for the benefit of a particular tenant or tenants, but no such waiver by Landlord shall be construed as a waiver of such rules in favor of any other tenant or tenants, nor prevent Landlord from thereafter enforcing any such rules against any or all tenants of the Building.

EXHIBIT "D"

TENANT'S CERTIFICATE

Center Tower Associates, LLC
650 Town Center Drive
Suite 930
Costa Mesa, CA 92626
Attn: Property Management

Gentlemen:

The undersigned does hereby state, declare, represent and warrant as follows:

1. The undersigned tenant ("Tenant") has entered into a certain lease dated _____, 20__ (the "Lease") with Center Tower Associates, LLC, a California limited liability company ("Landlord"). The Lease covers certain premises commonly known as Suite ___, 650 Town Center Drive, Costa Mesa, CA 92626 (the "Building") and more particularly described in the Lease (the "Premises").

2. The Lease is in full force and effect and has not been modified, amended, supplemented or changed, except as set forth, if at all, on Exhibit "A" attached hereto and all provisions of the Lease and the modifications, amendments, supplements or changes set forth on Exhibit "A" attached hereto, if any, are hereby ratified by Tenant. If no amendments are described on Exhibit "A," then Tenant certifies that there are no amendments, modifications, supplements or changes to the Lease. Such Lease and any amendments described on Exhibit "A" constitute the entire agreement between Landlord and Tenant as to the leasing of the Premises.

3. The commencement date of the Lease was _____, 20__ (the "Commencement Date"). Basic Annual Rent and Additional Rent in the full amounts required by the Lease are payable from the Commencement Date except as set forth, if at all, on Exhibit "A." Basic Annual Rent and Additional Rent have been paid through _____.

4. Tenant has accepted possession of the Premises and is now in occupancy thereof.

5. The terms of the Lease to be performed by Landlord through the date hereof have been fully satisfied, including without limitation, all improvement work to be performed by Landlord with respect to the Premises. Tenant acknowledges that such work has been completed in all respects. Landlord has fulfilled all of its duties of an inducement nature, and all required contributions by Landlord to Tenant on account of improvements by Tenant to the Premises have been paid and received.

6. As of this date there are no defaults by Landlord pursuant to the Lease. Tenant has no defenses with respect to its obligations under the Lease and claims no setoff or counterclaim against Landlord.

7. Basic Annual Rent and Additional Rent have not been paid in advance of the due dates therefor except as set forth, if at all, on Exhibit "A." A security deposit in the amount of $_____ is required by the Lease and has been deposited with Landlord. Basic Annual Rent and Additional Rent due through the date hereof have been paid in full except as set forth, if at all, on Exhibit "A."

8. Tenant has not assigned its interest in the Lease or sublet the Premises or any portion thereof except as set forth, if at all, on Exhibit "A."

9. Tenant is not in violation of any of its obligations nor in breach of any of its covenants concerning the use of hazardous substances as provided for in the Lease.

10. Tenant acknowledges that the Lease is subject to an assignment of Landlord's interest therein to Landlord's lender with respect to the Building, ("Lender"). In connection with such assignment, Tenant acknowledges and agrees that:

(a) Lender may rely upon the statements contained in this Certificate to the same extent as if this Certificate were addressed to Lender.

(b) No amendments, modifications, supplements or changes to the Lease shall be effective without the written consent of Lender.

(c) Upon receipt of written notice from the Lender, Tenant agrees to make all payments of Basic Annual Rent and Additional Rent thereafter coming due to Lender.

(d) Tenant shall, in writing, notify Lender of any defaults by Landlord pursuant to the Lease which would entitle Tenant to cancel the Lease or to abate the rent payable thereunder. Such notice to Lender shall be given at the same time as notice is given to Landlord.

Dated: _____, 20__

TENANT:

By: _____

Title: _____

By: _____

Title: _____

EXHIBIT "A"

1. Amendments, modifications, supplements to Lease:

(If None, so state)

2. Rent Abatement:

(If None, so state)

3. Prepaid Rent:

(If None, so state)

4. Rent in Default:

(If None, so state)

5. Assignments and sublettings:

(If None, so state)

EXHIBIT "E"

JANITORIAL SPECIFICATION

General Specifications

These specifications are included to describe the level of services, which this contract is intended to include. The evaluation of the contractor's performance will be based upon results, not upon the frequency or method of performance. All cleaning products are to be Green Seal Certified or meet the California Code of Regulations. Micro fiber clothes are to be used when possible. Contractor is responsible for training all employees with green building cleaning and proper chemical storage.

Office and Common Areas

Daily Service – Office/Common Areas

Empty all wastebaskets and recycle bins, change all plastic liners as necessary. Wash out receptacles as needed.

Take all trash to designated areas for removal from building. Be careful not to spot any floor areas or elevator carpets in the process.

Take all recycling to designated recycle compactor.

Using a damp micro fiber cloth, dust all horizontal surfaces (low dusting), baseboards, furniture, and equipment. Do not dust desks that are cluttered with work papers. Replace all desk ornaments in their original position.

Dust furniture – sweep off any dust, paper bits, erasures as needed. Remove staples.

Any spots or spills resulting due to the contractor's negligence shall be removed at contractor's expense.

Clean conference tables, chairs, whiteboards and blackboards (upon request).

Remove fingerprints, marks and stains from all partitions, desks, cabinets and doors.

Wipe clean all hand plates, kick plates, light switches and doorknobs.

Vacuum and spot carpets in high traffic areas, remove staples and other debris.

Using a micro fiber mop, spot damp mop all tile and cement floors. Remove all black scuffmarks.

Clean, polish, sanitize and wipe off all stains and splash marks from drinking fountains.

Clean and sanitize all lavatories and rest rooms

Spot clean fingerprints, smudges and other marks from all glass doors, partitions, and mirrors.

When exiting any suite, shut off lights and lock suite door unless directed otherwise by Property Manager's office.

Perform additional work as requested by lessee and bill directly to lessee.

Wash all lunchroom tabletops, counters, cabinets and exterior refrigerator surfaces.

Report all burned out fluorescent tubes to security nightly.

Weekly Service – Office/Common Area

1. Damp wipe with a micro fiber cloth all interior doors as needed.
2. Vacuum offices and common area fabric furniture.
3. Damp wipe all vinyl and leather furniture
4. Dust all ledges, files, baseboards, and sills under 7'.
5. Dust low and high surfaces of all furniture.
6. Sweep and damp mop full tile or cement floor areas.
7. Thoroughly detail vacuum entire carpet areas. Remove staples and other debris.

Monthly Service – Office/Common Area

1. Wipe down with a damp microfiber cloth all desktops upon request.
2. Completely clean all furniture systems partitions as needed.
3. Dust all ledges, walls, moldings, pictures, shelves, etc. over 7'.
4. Completely vacuum all drapes (3420 Bristol only)
5. Completely clean air conditioning grills.
6. Scrub and wax all tile floors.
7. Mop and clean buff all hardwood, parquet and composition floors.
8. Clean all vinyl baseboards.

CONFIDENTIAL

AMENDMENT TO THE OPTION AGREEMENT

THIS AMENDMENT IS MADE TO THE OPTION AGREEMENT concerning UM 5070, with an effective date of July 1, 2014 (hereinafter called the "Effective Date"), by and between THE UNIVERSITY OF MISSISSIPPI, NATIONAL CENTER FOR NATURAL PRODUCTS RESEARCH, with a principal address at University, Mississippi 38677 (hereinafter called "UM"), and NEMUS, a California corporation with a principal address at 16440 Bake Parkway, Suite 150, Irvine, CA 92618 (hereinafter called "NEMUS). The Effective Date of this Amendment is August 15, 2014.

The Parties hereby agree to the following changes to the Option Agreement:

UM hereby waives the *** per month option fee and extends the term of the Option Period beyond October 15, 2014 to provide UM more time to assemble additional technical information ("Additional Information") on UM 5070 in order for NEMUS to conduct due diligence. The Parties will execute a second amendment to the Option Agreement that will detail among other things a new expiration date for the Option Agreement at the time that UM provides NEMUS with the Additional Information.

IN WITNESS WHEREOF, each of the parties hereto has caused this agreement to be duly executed by its legally authorized agent on the day and year indicated below.

THE UNIVERSITY OF MISSISSIPPI

By:	/s/ WALTER G. CHAMBLISS	8/15/14
Name:	Walter G. Chambliss, Ph.D	Date
Title:	Director of Technology Management Office of Research and Sponsored Programs	

Acknowledged:

By:	/s/ MAHMOUD A. ELSOHLY	8/15/14
Name:	Mahmoud A. ElSohly, Ph.D.	Date
Title:	Research Professor, National Center for Natural Products Research	

NEMUS, a California Corporation

By:	/s/ REG A. LAPHAM	8/14/14
Name:	Reg A. Lapham	Date
Title:	CEO	

*** Certain confidential information contained in this document, marked with three asterisks (***), has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

CONFIDENTIAL

OPTION AGREEMENT

THIS OPTION AGREEMENT made effective the 15th of October 2014 (hereinafter called the "Effective Date"), by and between THE UNIVERSITY OF MISSISSIPPI, NATIONAL CENTER FOR NATURAL PRODUCTS RESEARCH, with a principal address at University, Mississippi 38677 (hereinafter called "UM"), and NEMUS, a corporation organized and existing under the laws of California with a principal address 16133 Ventura Blvd., 7th Floor, Encino, CA 91436 ("NEMUS")

RECITALS

WHEREAS, UM and NEMUS executed three License Agreements, all with effective dates of September 29, 2014, in which NEMUS was granted royalty-bearing exclusive, worldwide licenses to develop and commercialize products that deliver amino acid ester prodrugs of delta-9-tetrahydrocannabinol via the oral cavity, the eye and rectally.

WHEREAS, NEMUS has interest in conducting due diligence on the development and commercialization of amino acid ester prodrugs of delta-9-tetrahydrocannabinol delivered by other routes of administration not covered by the License Agreements, including but not limited to intra-nasal and transdermal delivery systems.

WHEREAS, UM is willing to grant NEMUS an exclusive option to evaluate the commercial viability of other routes of administration of amino acid esters of delta-9-tetrahydrocannabinol;

NOW, THEREFORE, in consideration of the premises and the performance of the covenants herein contained it is agreed as follows:

I. OBLIGATIONS AND REPRESENTATIONS OF UM

1. UM hereby grants to NEMUS, on the terms and conditions herein set forth, a nonassignable, exclusive option expiring on March 31, 2014 (the "Option Period"), to exclusively license additional routes of administration of amino acid esters of delta-9-tetrahydrocannabinol. NEMUS agrees to pay a non-refundable upfront option fee of *** within thirty (30) days of the Effective Date of this Agreement. This option fee covers the entire Option Period. In exchange for this exclusive option, NEMUS agrees to provide UM with a copy of all research and development, manufacturing, and commercialization related information and data generated by NEMUS or otherwise obtained by NEMUS related to other routes of administration of amino acid esters of delta-9-tetrahydrocannabinol (collectively the "Studies") during the Option Period.

2. UM represents to NEMUS that UM has the right to grant licenses toother routes of administration of amino acid esters of delta-9-tetrahydrocannabinol and the patent rights described in Appendix A are not subject to any lien, license, assignment, security interest, or other encumbrances with the exception of the three License Agreements executed between NEMUS and UM.

3. During the term of this Agreement UM agrees to notify 3rd parties who express interest in licensing other routes of administration that the technology is under an exclusive option with another company.

*** Certain confidential information contained in this document, marked with three asterisks (***), has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

II. OBLIGATIONS AND REPRESENTATIONS OF NEMUS

1. NEMUS will exercise diligence during the term of this Agreement in evaluating its interest in other routes of administration.

2. If NEMUS decides not to exercise the option, NEMUS agrees to provide UM within thirty (30) days after expiration or termination of this Agreement copies of all Studies as defined in Section I.1. NEMUS agrees and understands that UM shall own all right, title and interest in these Studies with no financial obligation to NEMUS.

III. EXERCISE OF OPTION

The option herein granted shall be exercisable by NEMUS by providing written notice to UM at any time during the term of the Option Period. If NEMUS fails to exercise the option, UM shall be free to license or option other routes of administration to any third party with no further obligations to NEMUS.

IV. LICENSE AGREEMENT

In the event NEMUS exercises its option hereunder, the parties will negotiate in good faith a License Agreement containing the usual and customary representations, warranties, covenants, and agreements using the License Agreements already executed by NEMUS and UM as a model agreement.

V. TERM AND TERMINATION

1. This AGREEMENT will expire on March 31, 2015 and may be extended by mutual agreement of the parties in writing under the financial terms detailed in Section I.1.

2. NEMUS may terminate this Agreement at any time by notifying UM in writing of its intent to terminate and the effective termination date. In such event, NEMUS will provide UM a copy of all Studies as defined in Section I.1 within thirty (30) days.

3. Upon termination of this Agreement, the parties shall have no further rights or obligations except as expressly set forth herein.

IN WITNESS WHEREOF, each of the parties hereto has caused this agreement to be duly executed by its legally authorized agent on the day and year indicated below.

THE UNIVERSITY OF MISSISSIPPI

By:	/s/ WALTER G. CHAMBLISS	10/15/14
Name:	Walter G. Chambliss, Ph.D	Date
Title:	Director of Technology Management Office of Research and Sponsored Programs	

Acknowledged:

By:	/s/ MAHMOUD A. ELSOHLY	10/20/14
Name:	Mahmoud A. ElSohly, Ph.D.	Date
Title:	Research Professor, National Center for Natural Products Research	

NEMUS, a California Corporation

By:	/s/ ELIZABETH M. BERECZ	10/15/14
Name:	Elizabeth Berecz	Date
Title:	Chief Financial Officer	

APPENDIX A

PATENTS

UM 5050 ***Compositions Containing Delta-9-THC Amino Acid Esters and Process of Preparation***

Issued: US Patent # 8,809,261

Pending: US CIP USSN 14/462,482
JP 2011 534860
JP DIV SN TBA
EP 09 824 226.6
AU 2009308665
CA 2,741,862
HK 11113006.2

CONFIDENTIAL

SECOND AMENDMENT TO THE OPTION AGREEMENT

THIS SECOND AMENDMENT IS MADE TO THE OPTION AGREEMENT concerning intellectual property, proprietary data and know-how related to the treatment of methicillin-resistant S*taphylococcus aureus* infections using cannabinoids ("UM 5070") with an effective date of July 1, 2014 by and between THE UNIVERSITY OF MISSISSIPPI, NATIONAL CENTER FOR NATURAL PRODUCTS RESEARCH, with a principal address at University, Mississippi 38677 (hereinafter called "UM"), and NEMUS, a California corporation with a principal address at 16440 Bake Parkway, Suite 150, Irvine, CA 92618 (hereinafter called "NEMUS). The Effective Date of this Second Amendment is October 15, 2014.

Whereas, the Option Agreement was amended (the "First Amendment") on August 15, 2014 to delay payment of a monthly option fee by NEMUS to UM to allow NEMUS to receive Additional Information.

The Parties hereby agree to the following changes to the Option Agreement:

NEMUS hereby agrees to pay UM an option fee of *** per month starting on 10/15/14 in order for NEMUS to complete due diligence and develop a research plan.

The Option Agreement will expire on March 15, 2015 and may be extended by mutual agreement of the parties in writing under the financial terms detailed in Section I.1.

IN WITNESS WHEREOF, each of the parties hereto has caused this agreement to be duly executed by its legally authorized agent on the day and year indicated below.

THE UNIVERSITY OF MISSISSIPPI

By:	/s/ WALTER G. CHAMBLISS	10/20/14
Name:	Walter G. Chambliss, Ph.D	Date
Title:	Director of Technology Management Office of Research and Sponsored Programs	

Acknowledged:

By:	/s/ MAHMOUD A. ELSOHLY	10/20/14
Name:	Mahmoud A. ElSohly, Ph.D.	Date
Title:	Research Professor, National Center for Natural Products Research	

NEMUS, a California Corporation

By:	/s/ REG A. LAPHAM	10/17/14
Name:	Reg A. Lapham	Date
Title:	CEO	

*** Certain confidential information contained in this document, marked with three asterisks (***), has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

NEMUS BIOSCIENCE, INC.

Code of Business Conduct and Ethics[1]

Adopted October 31, 2014

1. **Introduction**

This Code of Business Conduct and Ethics ("Code") has been adopted by the Board of Directors (the "Board") of Nemus Bioscience, Inc. (together with its subsidiaries, the "Company") and summarizes the standards that must guide our actions. While covering a wide range of business practices and procedures, these standards cannot and do not cover every issue that may arise, or every situation where ethical decisions must be made, but rather set forth key guiding principles that represent Company policies and establish conditions for employment at the Company.

We must strive to foster a culture of honesty and accountability. Our commitment to the highest level of ethical conduct should be reflected in all of the Company's business activities including, but not limited to, relationships with employees, customers, suppliers, competitors, the government and the public, including our stockholders. All of our employees, officers and directors must conduct themselves according to the language and spirit of this Code and seek to avoid even the appearance of improper behavior. Even well-intentioned actions that violate the law or this Code may result in negative consequences for the Company and for the individuals involved.

One of our Company's most valuable assets is our reputation for integrity, professionalism and fairness. We should all recognize that our actions are the foundation of our reputation and adhering to this Code and applicable law is imperative.

2. **Compliance with Laws, Rules and Regulations**

We are strongly committed to conducting our business affairs with honesty and integrity and in full compliance with all applicable laws, rules and regulations. No employee, officer or director of the Company shall commit an illegal or unethical act, or instruct others to do so, for any reason.

If you believe that any practice raises questions as to compliance with this Code or applicable law, rule or regulation or if you otherwise have questions regarding any law, rule or regulation, please contact the Chief Financial Officer. The Company also holds information and training sessions to promote compliance with the laws, rules and regulations that affect our business.

3. **Trading on Inside Information**

Using non-public, Company information to trade in securities, or providing a family member, friend or any other person with a "tip", is illegal. All such non-public information should be considered inside information and should never be used for personal gain. You are required to familiarize yourself and comply with the Company's policy against insider trading, copies of which are distributed to all employees, officers and directors and are available from the Chief Financial Officer. You should contact the Chief Financial Officer with any questions about your ability to buy or sell securities.

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1 Item 406 o Regulation S-K requires that the Company (i) file a copy of the code as an exhibit to its annual report, (ii) posted the existing code on the Company's website and disclosed in its annual report, its website address and the fact that it has posted such code on its website or (iii) undertake in its annual report to provide to any person without charge, upon request, a copy of the code and explain the manner in which such request may be made. The commentary to NYSE Section 303A.10 requires that the code be posted on the Company's website. The Company's proxy statement, or if the Company does not file a proxy statement, the Company's annual report on Form 10-K, must state that the code is available on the Company website and in print to stockholders upon request. Nasdaq Rule 5625 requires only that the code be publicly available.

4. **Protection of Confidential Proprietary Information**

Confidential proprietary information generated and gathered in our business is a valuable Company asset. Protecting this information plays a vital role in our continued growth and ability to compete, and all proprietary information should be maintained in strict confidence, except when disclosure is authorized by the Company or required by law.

Proprietary information includes all non-public information that might be useful to competitors, investors or that could be harmful to the Company, its customers or its suppliers if disclosed. Intellectual property, such as trade secrets, patents, trademarks and copyrights, as well as business, research and new project plans, objectives and strategies, records, databases, salary and benefits data, employee medical information, customer, employee and suppliers lists and any unpublished financial or pricing information must also be protected.

Unauthorized use or distribution of proprietary information violates Company policy and could be illegal. Such use or distribution could result in negative consequences for both the Company and the individuals involved, including potential legal and disciplinary actions. We respect the property rights of other companies and their proprietary information and require our employees, officers and directors to observe such rights.

Your obligation to protect the Company's proprietary and confidential information continues even after you leave the Company, and you must return all proprietary information in your possession upon leaving the Company.

5. **Conflicts of Interest**

Our employees, officers and directors have an obligation to act in the best interest of the Company. All employees, officers and directors should avoid situations that present a potential or actual conflict between their interest and the interest of the Company.

A "conflict of interest" occurs when a person's private interest interferes in any way, or even appears to interfere, with the interest of the Company, including its subsidiaries and affiliates. A conflict of interest can arise when an employee, officer or director takes an action or has an interest that may make it difficult for him or her to perform his or her work objectively and effectively. Conflicts of interest may also arise when an employee, officer or director (or his or her family members) receives improper personal benefits as a result of the employee's, officer's or director's position in the Company.

Although it is not be possible to describe every situation in which a conflict of interest may arise, the following are examples of situations which may constitute a conflict of interest:

- Working, in any capacity, for a competitor, customer or supplier while employed by the Company.
- Accepting gifts of more than modest value or receiving personal discounts or other benefits as a result of your position in the Company from a competitor, customer or supplier.
- Competing with the Company for the purchase or sale of property, services or other interests.
- Having an interest in a transaction involving the Company, a customer or supplier other than as an employee, officer or director of the Company (not including routine investments in publicly traded companies).
- Receiving a loan or guarantee of an obligation as a result of your position with the Company.
- Directing business to a supplier owned or managed by, or which employs, a relative or friend.

Situations involving a conflict of interest may not always be obvious or easy to resolve. You should report actions that may involve a conflict of interest to the Chief Financial Officer.

In order to avoid conflicts of interests employees and officers must disclose to the Chief Financial Officer any material transaction or relationship that reasonably could be expected to give rise to such a conflict, and the Chief Financial Officer shall notify the Board of any such disclosure. Conflicts of interests involving the Chief Financial Officer and directors shall be disclosed to the independent members of the Board (the "Independent Directors").

6. **Protection and Proper Use of Company Assets**

Protecting Company assets against loss, theft or other misuse is the responsibility of every employee, officer and director. Loss, theft and misuse of Company assets directly impacts our profitability. Any suspected loss, misuse or theft should be reported to a manager/supervisor or the Chief Financial Officer.

The sole purpose of the Company's equipment, vehicles and supplies is the conduct of our business. They may only be used for Company business consistent with Company guidelines.

7. **Corporate Opportunities**

Employees, officers and directors are prohibited from taking for themselves business opportunities that arise through the use of corporate property, information or position. No employee, officer or director may use corporate property, information or position for personal gain, and no employee, officer or director may compete with the Company. Competing with the Company may involve engaging in the same line of business as the Company, or any situation where the employee, officer or director takes away from the Company opportunities for sales or purchases of products, services or interests.

8. **Fair Dealing**

Each employee, officer and director of the Company should endeavor to deal fairly with customers, suppliers, competitors, the public and one another at all times and in accordance with ethical business practices. No one should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice. No bribes, kickbacks or other similar payments in any form shall be made directly or indirectly to or for anyone for the purpose of obtaining or retaining business or obtaining any other favorable action. The Company and the employee, officer or director involved may be subject to disciplinary action as well as potential civil or criminal liability for violation of this policy.

Occasional business gifts to and entertainment of non-government employees in connection with business discussions or the development of business relationships are generally deemed appropriate in the conduct of Company business. However, these gifts should be given infrequently and their value should be modest. Gifts or entertainment in any form that would likely result in a feeling or expectation of personal obligation should not be extended or accepted.

Practices that are acceptable in commercial business environments may be against the law or the policies governing federal, state or local government employees. Therefore, no gifts or business entertainment of any kind may be given to any government employee without the prior approval of the Chief Financial Officer.

Except in certain limited circumstances, the Foreign Corrupt Practices Act ("FCPA") prohibits giving anything of value directly or indirectly to any "foreign official" for the purpose of obtaining or retaining business. When in doubt as to whether a contemplated payment or gift may violate the FCPA, contact the Chief Financial Officer before taking any action.

9. **Quality of Public Disclosures**

The Company has a responsibility to provide full and accurate information in our public disclosures, in all material respects, about the Company's financial condition and results of operations. Our reports and documents filed with or submitted to the Securities and Exchange Commission and our other public communications shall include full, fair, accurate, timely and understandable disclosure.

10. **Compliance with This Code and Reporting of Any Illegal or Unethical Behavior**

All employees, officers and directors are expected to comply with all of the provisions of this Code. The Code will be strictly enforced throughout the Company and violations will be dealt with immediately, including subjecting persons to corrective and/or disciplinary action such as dismissal or removal from office. Violations of the Code that involve illegal behavior will be reported to the appropriate authorities.

Situations which may involve a violation of ethics, laws or this Code may not always be clear and may require difficult judgment. Employees should report any concerns or questions about violations of laws, rules, regulations or this Code to their managers/supervisors or the Chief Financial Officer or, in the case of accounting, internal accounting controls or auditing matters, the Independent Directors. Interested parties may also communicate directly with the Company's non-management directors through contact information located in the Company's annual proxy statement.

Any concerns about violations of laws, rules, regulations or this Code by the CEO, any senior financial officer, any senior officer or director should be reported promptly to the Independent Directors of such violation. If concerns or complaints require confidentiality, including keeping an identity anonymous, we will endeavor to protect this confidentiality, subject to applicable law, regulation or legal proceedings.

The Company encourages all employees, officers and directors to report any suspected violations promptly and intends to thoroughly investigate any good faith reports of violations. The Company will not tolerate any kind of retaliation for reports or complaints regarding misconduct that were made in good faith. Open communication of issues and concerns by all employees without fear of retribution or retaliation is vital to the successful implementation of this Code. You are required to cooperate in internal investigations of misconduct and unethical behavior.

The Company recognizes the need for this Code to be applied equally to everyone it covers. The Chief Financial Officer of the Company will have primary authority and responsibility for the enforcement of this Code, subject to the supervision of the Independent Directors, and the Company will devote the necessary resources to enable the Chief Financial Officer to establish such procedures as may be reasonably necessary to create a culture of accountability and facilitate compliance with the Code. Questions concerning this Code should be directed to the Chief Financial Officer.

11. **Waivers and Amendments**

Any waivers of the provisions in this Code for executive officers or directors may only be granted by the Board of Directors and will be promptly disclosed to the Company's stockholders. Any waivers of this Code for other employees may only be granted by the Chief Financial Officer or the Board.

Amendments to this Code must be approved by the Board and amendments of the provisions in this Code applicable to the CEO and the senior financial officers will also be promptly disclosed to the Company's stockholders.

12. **Equal Opportunity, Non-Discrimination and Fair Employment**

The Company's policies for recruitment, advancement and retention of employees forbid discrimination on the basis of any criteria prohibited by law, including but not limited to race, sex and age. Our policies are designed to ensure that employees are treated, and treat each other, fairly and with respect and dignity. In keeping with this objective, conduct involving discrimination or harassment of others will not be tolerated. All employees are required to comply with the Company's policy on equal opportunity, non-discrimination and fair employment, copies of which were distributed and are available from the Chief Financial Officer.

13. **Compliance with Antitrust Laws**

The antitrust laws prohibit agreements among competitors on such matters as prices, terms of sale to customers and allocating markets or customers. Antitrust laws can be very complex, and violations may subject the Company and its employees to criminal sanctions, including fines, jail time and civil liability. If you have any questions, consult the Chief Financial Officer.

14. **Political Contributions and Activities**

Any political contributions made by or on behalf of the Company and any solicitations for political contributions of any kind must be lawful and in compliance with Company policies. This policy applies solely to the use of Company assets and is not intended to discourage or prevent individual employees, officers or directors from making political contributions or engaging in political activities on their own behalf. No one may be reimbursed directly or indirectly by the Company for personal political contributions.

15. **Environment, Health and Safety**

The Company is committed to conducting its business in compliance with all applicable environmental and workplace health and safety laws and regulations. The Company strives to provide a safe and healthy work environment for our employees and to avoid adverse impact and injury to the environment and communities in which we conduct our business. Achieving this goal is the responsibility of all officers, directors and employees.

Messineo & Co., CPAs LLC
2471 N McMullen Booth Road, Suite 302
Clearwater, FL 33759-1362
T: (518) 530-1122
F: (727) 674-0511

EXHIBIT 16.1

Office of the Chief Accountant
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

November 3, 2014

We have read the statements included in the Form 8-K, dated October 31, 2014, of Nemus Bioscience, Inc., previously known as Load Guard Logistics, Inc., to be filed with the Securities and Exchange Commission and are in agreement with the statements contained in Item 4.01 insofar as they relate to our firm.

We have no basis to either agree or disagree with other statements of the registrant contained in the Form 8-K

Very truly yours,

Messineo & Co CPAs LLC

Messineo & Co., CPAs, LLC
Clearwater, Florida

Exhibit 21.1

Nemus, a California corporation

NEMUS

BALANCE SHEETS

ASSETS

	June 30, 2014	December 31, 2013	December 31, 2012
Current assets			
Cash and cash equivalents	**$ 528,494**	$ -	$ -
Prepaid expenses and other current assets	**16,029**	-	-
Total assets	**$ 544,523**	$ -	$ -

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	June 30, 2014	December 31, 2013	December 31, 2012
Current liabilities			
Accounts payable	**$ -**	$ 2,153	$ 1,750
Accrued expenses	**9,717**	180,000	60,000
Total current liabilities	**9,717**	182,153	61,750
Commitments and contingencies (Note 3)			
Stockholders' equity (deficit)			
Common stock, no par value; 100 million shares authorized; 9,570,000 issued and outstanding as of June 30, 2014 and 7,770,000 issued and outstanding as of December 31, 2013 and 2012	**805,480**	1,000	1,000
Warrants issued and outstanding - 3,450,000 at June 30, 2014; and 3,000,000 at December 31, 2013 and 2012, respectively	**85,500**	-	-
Accumulated deficit	**(356,174)**	(183,153)	(62,750)
Total stockholders' equity (deficit)	**534,806**	(182,153)	(61,750)
Total liabilities and stockholders' equity	**$ 544,523**	$ -	$ -

See accompanying notes to financial statements.

NEMUS

STATEMENTS OF OPERATIONS

	Six Months Ended June 30, 2014	(Unaudited) Six Months Ended June 30, 2013	Year Ended December 31, 2013	Inception (July 17, 2012) to December 31, 2012
Operating expenses				
General and administrative	**$ 173,021**	$ 60,202	$ 120,403	$ 62,750
Total operating expenses	**173,021**	60,202	120,403	62,750
Operating loss	**(173,021)**	(60,202)	(120,403)	(62,750)
Provision for income taxes	**-**	-	-	-
Net loss	**$ (173,021)**	$ (60,202)	$ (120,403)	$ (62,750)

See accompanying notes to financial statements.

NEMUS

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock				
	Shares	Amounts	Warrants	Accumulated Deficit	Total
Balance, Inception Date, July 17, 2012	-	$ -	$ -	$ -	$ -
Issue common stock to founders	7,770,000	1,000	-	-	1,000
Net loss from inception date (July 17, 2012) to December 31, 2012	-	-	-	(62,750)	(62,750)
Balance, December 31, 2012	7,770,000	1,000	-	(62,750)	(61,750)
Net loss for the year ended December 31, 2013	-	-	-	(120,403)	(120,403)
Balance, December 31, 2013	7,770,000	1,000	-	(183,153)	(182,153)
Issuance of common stock and warrants, net of $10,020 of offering costs	1,800,000	804,480	85,500	-	889,980
Net loss for the six months ended June 30, 2014	-	-	-	(173,021)	(173,021)
Balance, June 30, 2014	**9,570,000**	**$ 805,480**	**$ 85,500**	**$ (356,174)**	**$ 534,806**

See accompanying notes to financial statements.

NEMUS

STATEMENTS OF CASH FLOWS

	For The Six Months Ended June 30, 2014	(Unaudited) For The Six Months Ended June 30, 2013	For The Year Ended December 31, 2013	Inception (July 17, 2012) to December 31, 2012
Cash flows from operating activities:				
Net loss	**$ (173,021)**	$ (60,202)	$ (120,403)	$ (62,750)
Adjustments to reconcile net loss to net cash used in operating activities:				
Changes in assets and liabilities:				
Prepaid expenses, deposits, and other assets	**(16,029)**	-	-	-
Accounts payable and accrued expenses	**(172,436)**	60,202	120,403	61,750
Net cash used in operating activities	**(361,486)**	-	-	(1,000)
Cash flows from financing activities:				
Proceeds from common stock issuance, net of offering costs of $10,020	**889,980**	-	-	1,000
Net cash provided by financing activities	**889,980**	-	-	1,000
Net decrease in cash and cash equivalents	**528,494**	-	-	-
Cash and cash equivalents, beginning of period	**-**	-	-	-
Cash and cash equivalents, end of period	**$ 528,494**	$ -	$ -	$ -
Supplemental disclosures of cash-flow information:				
Cash paid during the year for:				
Interest	**$ -**	$ 202	$ 403	$ -

See accompanying notes to financial statements.

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Basis of Presentation

Nemus (the "Company", "we") is a biopharmaceutical company that plans to develop and commercialize therapeutics from cannabanoids through our partnership with the University of Mississippi. The University of Mississippi ("UM") is federally permitted and licensed to cultivate cannabis for research and commercial purposes. We were incorporated in California on July 17, 2012 and our headquarters are located in Los Angeles, California.

As of June 30, 2014, the Company has devoted substantially all of its efforts to securing product licenses, raising capital, and building infrastructure, and has not realized revenue from its planned principal operations. Accordingly, the Company is considered to be in the development stage, and the period ending June 30, 2013 is unaudited.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Liquidity and Going Concern

The Company has incurred operating losses and negative cash flows from operations since our inception. As of June 30, 2014, we had cash and cash equivalents of $528,494. In August of 2014, we raised an additional $1,100,000 (see subsequent events note 6) to be utilized to fund ongoing operations. The Company anticipates that it will continue to incur net losses into the foreseeable future as it continues to advance and develop a number of potential drug candidates into preclinical development activities and expands its corporate infrastructure which includes the costs associated with being a public company. Without additional funding, management believes that the Company will not have sufficient funds to meet its obligations beyond June 2015. These conditions give rise to substantial doubt as to the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company plans to continue to fund its losses from operations and capital funding needs through public or private equity or debt financings, strategic collaborations, licensing arrangements, asset sales, government grants or other arrangements. However, the Company cannot be sure that such additional funds will be available on reasonable terms, or at all. If the Company raises additional funds by issuing equity securities, substantial dilution to existing stockholders would result. If the Company is unable to secure adequate additional funding, the Company may be forced to make a reduction in spending, extend payment terms with suppliers, liquidate assets where possible, and/or suspend or curtail planned programs.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The carrying value of those investments approximates their fair market value due to their short maturity and liquidity. Cash and cash equivalents include cash on hand and amount on deposit with financial institutions. The Company minimizes its credit risk associated with cash and cash equivalents by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Company has not experienced any losses on such accounts.

Fair Value Measurements

Certain assets and liabilities are carried at fair value under U.S. GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last is considered unobservable, is used to measure fair value:

Level 1: Valuations for assets and liabilities traded in active markets from readily available pricing sources such as quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs (other than Level 1 quoted prices) such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The carrying values of our financial instruments, including, cash and cash equivalents, prepaid expenses, accounts payable, and accrued expenses approximate their fair value due to the short maturities of these financial instruments. We do not have financial assets or liabilities that are measured at fair value on a recurring basis as of June 30, 2014 and December 31, 2013 and 2012.

Property and Equipment, Net

As of June 30, 2014, the Company had no property or equipment. Expenditures for additions, renewals and improvements will be capitalized at cost. Depreciation will generally be computed on a straight-line method based on the estimated useful life of the related assets. Maintenance and repairs that do not extend the life of assets are charged to expense when incurred. When properties are disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reported in the period the transaction takes place.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted cash flows expected to be generated by the asset. If the carrying amount exceeds its estimated future undiscounted cash flows, an impairment charge is recognized by the amount by which the carrying amount exceeds the fair value of the asset.

The costs incurred for the rights to use licensed technologies in the research and development process, including licensing fees and milestone payments, will be charged to research and development expense as incurred in situations where the Company has not identified an alternative future use for the acquired rights, and are capitalized in situations where there is an identified alternative future use. No cost associated with the use of licensed technologies has been capitalized to date.

Income Taxes

The Company accounts for our deferred income tax assets and liabilities based on differences between the financial reporting and tax bases of assets and liabilities, and net operating loss carry forwards (the "NOLs") and other tax credit carry forwards. These items are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date. Any interest or penalties would be recorded in the Company's statement of operations in the period incurred.

Income Taxes, continued

The Company records a valuation allowance to reduce the deferred income tax assets to the amount that is more likely than not to be realized. In making such determinations, management considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. As a result there are no income tax benefits reflected in the statement of operations to offset pre-tax losses.

The Company recognizes a tax benefit from uncertain tax positions when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position.

Revenue Recognition

The Company is a development stage enterprise and has not generated any revenue since inception.

Research and Development Expenses

Research and development ("R&D") costs are expensed when incurred. These costs may consist of external research and development expenses incurred under agreements with third-party contract research organizations and investigative sites, third-party manufacturing organizations and consultants; employee-related expenses, which include salaries, benefits and stock-based compensation for the personnel involved in our preclinical and clinical drug development activities; and facilities expense, depreciation and other allocated expenses; and equipment and laboratory supplies.

Stock-Based Compensation Expenses

Stock-based compensation cost is estimated at the grant date based on the fair value of the award, and the cost is recognized as expense ratably over the vesting period. We use the Black-Scholes option pricing model for estimating the grant date fair value of stock options and warrants using the following assumptions:

- Exercise price - We determined the exercise price based on valuations using the best information available to management at the time of the valuations.
- Volatility – We estimate the stock price volatility based on industry peers who are also in the early development stage given the limited market data available in the public arena.
- Expected term - The expected term is based on a simplified method which defines the life as the average of the contractual term of the options and warrants and the weighted-average vesting period for all open awards.
- Risk-free rate - The risk-free interest rate for the expected term of the option or warrant is based on the average market rate on U.S. treasury securities in effect during the quarter in which the awards were granted.
- Dividends – The dividend yield assumption is based on our history and expectation of paying no dividends.

There was no stock-based compensation for the six month periods ended June 30, 2014 and 2013, year ended December 31, 2013, and the period from Inception (July 17, 2012) to December 31, 2012.

Segment Information

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 280, "Segment Reporting" establishes standards for reporting information about reportable segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group ("CODM"), in deciding how to allocate resources and in assessing performance. The CODM evaluates revenues and gross profits based on product lines and routes to market. Based on the early development stage of our operation, we operate in a single reportable segment.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. The Company is required to record all components of comprehensive loss in the financial statements in the period in which they are recognized. Net income (loss) and other comprehensive loss, net of their related tax effect, arrived at a comprehensive loss. For the six month periods ended June 30, 2014 and 2013, the year ended December 31, 2013 and for the period from Inception (July 17, 2012) through December 31, 2012, the comprehensive loss was equal to the net loss.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-10 "Development Stage Entities" (Topic 915). The objective of the ASU is to improve financial reporting by reducing the cost and complexity of associated with the incremental reporting requirements for development stage entities. The ASU removes all incremental financial reporting requirements from U.S. GAAP for development stage entities, including the inception-to-date information and certain other disclosures. The ASU also eliminates an exception provided to development stage entities in Topic 810 "Consolidation" for determining whether an entity is a variable interest entity on the basis of amount of investment equity at risk. For public business entities, those amendments are effective for annual reporting periods beginning after December 15, 2014, and interim periods therein. Earlier adoption is permitted for any annual or interim period for which financial statements have not yet been issued. Accordingly, the Company has elected to adopt these changes effective July 17, 2012.

In June 2014, the FASB issued ASU No. 2014-12 "Compensation – Stock Compensation" (Topic 718). The ASU provides guidance for accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. That is the case when an employee is eligible to retire or otherwise terminate employment before the end of the period in which a performance target could be achieved and still be eligible to vest in the award if and when the performance target is achieved. The amendment requires a performance target that affects vesting and that could be achieved after requisite service period be treated as a performance condition. Compensation cost should be recognized in the period in which it becomes probable that such performance condition would be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. Those amendments are effective for annual reporting periods beginning after December 15, 2015, and interim periods therein. The Company is currently evaluating the potential impact that adoption may have on its financial statements.

2. University of Mississippi ("UM") Agreements

In July 2013, the Company entered into a Memorandum of Understanding (MOU) with the UM to engage in joint research of extracting, manipulating, and studying cannabis in certain forms to develop intellectual property (IP) with the intention to create and commercialize therapeutic medicines. Nemus will own all IP developed solely by its employees and will jointly own all IP developed jointly between Nemus and UM employees. The term of the MOU agreement is five years and the parties agree to negotiate separate Research agreements upon the identification of patentable technologies as well as any deemed to be a trade secret. The agreement can be terminated by either party upon providing a three month written notice.

On May 15,2014, the Company entered into an Option Agreement in which UM has granted Nemus a three-month option for conducting due diligence to exclusively license a suppository dosage form containing Dronabinol Hemisuccinate and other esters ("NPC 4718"). UM has waived its normal option fee of $7,500 per month during the option period. Upon exercise of the option, the party agreed to negotiate in good faith a license agreement (see note 6 for subsequent events).

3. Commitments and Contingencies

Lease Commitments

The Company leases facilities under month-to-month operating lease agreements. There are no future minimum commitments in excess of one year for the operating leases in place as of June 30, 2014 . Monthly rent expense under this lease is $2,259, commencing June 23, 2014. Rent expense for the six months ended June 30, 2014 was $550 and for the six month period ended June 30, 2013, year ended December 31, 2013 and the period from Inception (July 17, 2012) to December 31, 2012 was $0.

Independent Contractor Agreements

The Company has entered into independent contractor agreements with individuals that are operating in the capacity of our management team, or that are serving in an advisory role. These agreements were effective at various dates commencing July 17, 2012, and can be terminated upon 30 days notice. Independent contractor expense for the six months ended June 30, 2014 was $140,000 and for the six month period ended June 30, 2013 was $60,000, for the year ended December 31, 2013 was $120,000, and the period from Inception (July 17, 2012) to December 31, 2012 was $60,000.

Legal Matters

General Litigation and Disputes

From time to time, in the normal course of our operations, we may be a party to litigation and other dispute matters and claims. Currently Nemus is not party to any litigation, dispute matters or claims. Litigation can be expensive and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict and our view of these matters may change in the future as the litigation and events related thereto unfold. An unfavorable outcome to any legal matter, if material, could have a materially adverse effect on our operations or our financial position, liquidity or results of operations. Following is a brief description of such litigation and dispute proceedings.

Government Proceedings

Like other companies in the pharmaceutical industry, we are subject to extensive regulation by national, state and local government agencies in the United States. As a result, interaction with government agencies occurs in the normal course of our operations. It is possible that criminal charges and substantial fines and/or civil penalties or damages could result from any government investigation or proceeding. There are no current proceedings or inquiries as of June 30, 2014.

4. Equity

Common Stock

On July 17, 2012, the Company issued 7,770,000 common shares with no par value to its founders and one board member in exchange for the services provided to establish Nemus, valued at approximately $1,000.

Common Stock, continued

In June of 2014, the Company sold 1,800,000 shares of common stock with no par value and warrants for a purchase price of $900,000 (the "June 2014 Stock Purchase Agreement) to a group of private investors. See additional discussion on warrants below.

Warrants

On July 17, 2012, the Company issued warrants to purchase up to 3,000,000 shares of our common stock to its founders and two advisors in consideration for services provided in the start-up of operations. The warrants are exercisable at a price of $1.00 per share and have a term of ten years. The Company valued these warrants utilizing the Black-Scholes valuation model and they were determined to be of nominal value given the start-up nature of the Company's operations at the time of grant.

In conjunction with the June 2014 Stock Purchase Agreement, the Company issued warrants to purchase up to 450,000 shares of common stock to a group of private investors. The warrants are exercisable at a price of $1.00 per share and expire on June 12, 2020. The Company valued these warrants at $85,500. This amount was recorded as Warrants and was reclassified from the total consideration received for both the common stock and warrants purchased. The Company's board of directors considered various objective and subjective factors, along with input from management, to determine the fair value of the warrants, including:

- Contemporaneous valuation prepared by an independent third-party valuation specialist effective as of June 30, 2014,
- Its results of operations, financial position and the status of research and development efforts and achievement of enterprise milestones,
- The composition of, and changes to, the Company's management team and board of directors,
- The lack of liquidity of its common stock as a private company,
- The Company's stage of development, business strategy and the material risks related to its business and industry,
- The valuation of publicly-traded companies in the biotechnology sectors,
- External market conditions affecting the biotechnology industry sectors,
- The likelihood of achieving a liquidity event for the holders of its common stock, such as an initial public offering, or IPO, or a sale of the Company, given prevailing market conditions, and
- The state of the IPO market for similarly situated privately held biotechnology companies.

There are significant judgments and estimates inherent in the determination of the fair value of the Company's warrants. These judgments and estimates include the assumptions regarding its future operating performance, the time to completing an IPO or other liquidity event and the determination of the appropriate valuation methods. If the Company had made different assumptions, its warrant valuation could have been significantly different.

5. Income Taxes

At June 30, 2014, the Company had net operating loss carry forwards ("NOLs") aggregating approximately $350,000 which, if not used, expire in 2034. The utilization of these NOLs may become subject to limitations based on past and future changes in ownership of the Company pursuant to Internal Revenue Code Section 382.

The Company records a valuation allowance against deferred tax assets to the extent that it is more likely than not that some portion, or all of, the deferred tax assets will not be realized. Due to the substantial doubt related to the Company's ability to continue as a going concern and utilize its deferred tax assets, a valuation allowance for the full amount of the deferred tax assets has been established at June 30, 2014. As a result of this valuation allowance there are no income tax benefits reflected in the accompanying statement of operations to offset pre-tax losses.

The Company has no uncertain tax positions as of June 30, 2014 due to limited nature of its operations.

6. Subsequent Events

Common Stock Issuance

In August of 2014, the Company sold 2,200,000 shares of common stock with no par value and warrants for a purchase price of $1,100,000 to a group of private investors. In conjunction with the current year issuance, the Company issued warrants to purchase 550,000 shares of common stock with an exercise price of $1.00 per share and expires in August 2020.

Common Stock Issuance to Individual Investors

In October 2014, the Company issued 1,110,000 common shares with no par value to eighteen individual investors that had participated in a prior entity founded by Nemus' then current president. Such entity has been insolvent and not operating since the inception date of Nemus. The issuance of these shares was in exchange for the signing of a release of claims against the Company, its President, and the former entity. The Company will record the settlement expense in the fourth quarter of 2014.

UM Agreements

On July 1,2014, the Company entered into three additional Option Agreement in which UM has granted Nemus three-month exclusive options for conducting due diligence on the following three cannabinoid extracts for the purposes of FDA approval and commercialization:

1) UM 1490 – transmucosal delivery of cannabinoids
2) UM 5070 – treatment for methicillin-resistant *Staphylococcus aureus* infections
3) UM 8790 – ocular delivery of cannabanoids

On August 12, 2014, Nemus provided the requisite written notice to UM and exercised its option to exclusively license UM's rights to UM 1490, UM 5070 and UM 8790.

On September 29, 2014, the Company executed these three license agreements which contain certain milestone and royalty payments, as defined therein. There is a one-time upfront payment of $65,000 per license agreement, payable in four equal monthly installments starting on October 1, 2014. There is an annual fee of $25,000 per license agreement, payable on the anniversary of each effective date. These licenses also require the Company to reimburse UM for patent cost incurred related to these products under license at a minimum of $70,000. These license agreements will terminate upon expiration of the patents, breach or default of the license agreements, or upon 60 days written notice by the Company to UM.

UM Lease Agreement

On September 1, 2014, the Company signed an operating lease for laboratory and office space at the Innovation Hub, Insight Park located on the University of Mississippi campus. The lease term commences on October 1, 2014 and expires on December 31, 2017. There are annual escalating rent provisions and two months of free rent in the agreement. The total cash payments over the life of the lease will be divided by the total number of months in the lease period and the average rent will charged to expense each month during the lease period. The monthly amount to be charged to rent expense will be approximately $9,000.

7. Subsequent Events (Unaudited)

Corporate Headquarters Lease

In October, 2014, we signed a lease agreement for our corporate office headquarters that consists of approximately 3,684 square feet located at 650 Town Center Drive, Suite 620, Costa Mesa, CA 92626. The lease expires on October 31, 2016 and our annual rent is $64,470, payable in equal monthly installments with annual escalations.

Renewable Option Agreement

The license agreements with UM signed on September 29, 2014 (see Note 6) include the rights to UM5050, a pro-drug formulation of tetrahydrocannabinol, or THC. These license agreements are for delivery of UM5050 through ocular, transmucosal and trans-rectal delivery. On October 15, 2014, we signed a renewable option agreement for the rights to explore other routes of delivery of UM5050 not yet agreed upon and/or in combination with other cannabinoids or other compatible compounds. There is a one-time up-front option payment of $10,000 due on November 15, 2014 and the option period is for six months expiring on March 31, 2015. At the end of the option period, the Company has the right to renew for an additional six months under the same financial terms and conditions.

Agreement and Plan of Merger

On October 31, 2014, Load Guard Logistics, Inc. ("LGL") closed an Agreement and Plan of Merger, dated October 17, 2014 (the "Merger Agreement"), with Nemus Acquisition Corp. ("Acquisition Sub"), Nemus Bioscience, Inc. ("Name Change Merger Sub"), and Nemus ("Nemus"), pursuant to which Acquisition Sub merged with and into Nemus and Nemus survived as a wholly-owned subsidiary of LGL (the "Merger"). On November 3, 2014, LGL changed its name to "Nemus Bioscience, Inc." by merging with Name Change Merger Sub.

Assignment and Assumption Agreement

On October 31, 2014, the LGL entered into an Assignment and Assumption Agreement (the "Assignment Agreement") with LGT, Inc., a Florida corporation and a wholly-owned subsidiary of LGL ("LGT"), pursuant to which LGL transferred all of its assets and liabilities to LGT immediately prior to the consummation of the Merger.

Share Repurchase and Cancellation Agreement

On October 31, 2014, the LGLentered into a Share Repurchase and Cancellation Agreement (the "Repurchase Agreement") with LGT, Yosbani Mendez and Francisco Mendez, pursuant to which LGL repurchased 5,431,460 shares of its common stock (the "Repurchased Shares") from Yosbani Mendez and Francisco Mendez for a repurchase price of all of the issued and outstanding shares of LGT. Upon the repurchase, LGL cancelled all of the Repurchased Shares.

Lock-up Agreements

Concurrently with the closing of the Merger Agreement, on October 31, 2014, LGL entered into Lock-up Agreements ("Lock-up Agreements") with certain stockholders of Nemus (the "Nemus Stockholders"). The Nemus Stockholders agreed that during the period from the closing of the Merger Agreement on October 31, 2014, until the first anniversary thereof, the Nemus Stockholders will not sell, transfer, or otherwise dispose of any shares of common stock issued pursuant to the Merger, other than in connection with an offer made to all stockholders of the LGL in connection with merger, consolidation, or similar transaction involving the LGL or an underwritten offering of the Registrant's securities.

The description of the Merger Agreement, the Assignment Agreement, the Repurchase Agreement and form of Lock-up Agreement is qualified in its entirety by reference to the complete text of such agreements, which is are attached hereto as Exhibits 2.1, 10.1, 10.2 and 10.3, respectively, and incorporated by reference herein.

Principal Terms of the Merger

Pursuant to the Merger Agreement, Acquisition Sub agreed to merge with and into Nemus, with Nemus as the surviving corporation, with each share of Nemus being exchanged for 12,880,000 shares of LGL (the "Merger"). The Merger closed on October 31, 2014. Upon consummation of the Merger, we had 16,000,000 shares of common stock, no shares of preferred stock, and warrants to purchase 4,000,000 shares of common stock issued and outstanding.

On November 3, 2014, LGL changed its corporate name from "Load Guard Logistics, Inc." to "Nemus Bioscience, Inc." by merging with Name Change Merger Sub. Our common stock is quoted on the OTCBB under the symbol "LGLR". We expect to receive a new symbol as a result of our name change to Nemus Bioscience, Inc. This market is extremely limited and the prices quoted are not a reliable indication of the value of our common stock. As of October 31, 2014, no shares of our common stock have traded.

On October 31, 2014, after the closing of the Merger, our Board of Directors approved the Nemus Bioscience, Inc. 2014 Omnibus Incentive Plan (the "2014 Plan") and granted 1,080,000 options to purchase shares of its common stock pursuant to the 2014 Plan.

The transactions contemplated by the Merger Agreement were intended to be a "tax-free" reorganization pursuant to the provisions of Sections 351 and/or 368(a) of the Internal Revenue Code of 1986, as amended.

The Merger resulted in a change in control of our company from Yosbani Mendez and Francisco Mendez, to the stockholders of Nemus. In connection with the change in control, John B. Hollister, Cosmas N. Lykos and Gerald W. McLaughlin were appointed as members of our Board of Directors effective upon the closing of the Merger. Yosbani Mendez and Francisco Mendez, officers and directors of LGL prior to the consummation of the Merger, resigned from all officer and director positions with the Company at the time the transaction was consummated.

The Merger is being accounted for as a reverse-merger and recapitalization. Nemus is the acquirer for financial reporting purposes and LGL is the acquired company. Consequently, the assets and liabilities and the operations that will be reflected in the historical financial statements prior to the Merger will be those of Nemus and will be recorded at the historical cost basis of Nemus, and the consolidated financial statements after completion of the Merger will include the assets and liabilities of LGL and Nemus, the historical operations of Nemus and the operations of the Nemus from and after the closing date of the Merger.

(b) Pro Forma Financial Information. The unaudited pro forma combined condensed balance sheet was prepared assuming the merger closed on June 30, 2014. The unaudited pro forma combined condensed statements of operations were prepared as if the merger had taken place at the beginning of the respective periods for the six months ended June 30, 2014 and the year ended December 31, 2013. These statements should be read in conjunction with the historical consolidated financial statements and related notes in LGL's Annual Report on Form 10-KSB for the year ended October 31, 2013 and the Quarterly Report on Form 10-QSB for the six-month period ended April 30, 2014. The unaudited pro forma combined condensed statements of operations are not necessarily indicative of what the actual results of operations would have been had such transactions taken place at the beginning of the respective periods.

We are providing this information to aid you in your analysis of the financial aspects of the merger. The unaudited pro forma condensed combined financial statements described above should be read in conjunction with the historical financial statements of LGL and Nemus and the related notes thereto.

The columns captioned "Load Guard Logistics" represent the balance sheet of LGL as of April 30, 2014 and the related statements of operations for the year ended October 31, 2013 and for the six months ended April 30, 2014. The columns captioned "Nemus" represent the balance sheet of Nemus as of June 30, 2014 and the related statements of operations for the year ended December 31, 2013 and for the six months ended June 30, 2014.

NEMUS and LOAD GUARD LOGISTICS

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
For the Period Ended December 31, 2013

	Nemus	Load Guard Logistics		(a) Proforma Adjustments		Proforma Combined
Sales, net	$ -	$ 339,926		$ (339,926)		$ -
Operating expenses						
Fuel and fuel taxes	-	131,341		(131,341)		-
Salaries and wages	-	87,870		(87,870)		-
Operations and maintenance	-	67,298		(67,298)		-
Professional fees	-	32,164		(32,164)		-
General and administrative	120,403	28,495		(28,495)		120,403
Total operating expenses	120,403	347,168		(347,168)		120,403
Operating loss	(120,403)	(7,242)		7,242		(120,403)
Other (expense) income						
Interest expense	-	(2,151)		2,151		-
Interest income	-	789		(789)		-
Gain on insurance claim	-	6,506		(6,506)		-
Loss on disposal of equipment	-	(1,684)		1,684		-
Total other expense	-	3,460		(3,460)		-
Loss before provision for income taxes	(120,403)	(3,782)		3,782		(120,403)
Provision for income taxes	-	-		-		-
Net loss	$ (120,403)	$ (3,782)		$ 3,782		$ (120,403)
Net loss per common share - basic and diluted	$ (0.02)	$ 0.00				$ (0.01)
Weighted-average common shares outstanding - basic and diluted	7,770,000	7,361,274	(b)	(4,241,274)	(c)	10,890,000

NEMUS and LOAD GUARD LOGISTICS

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
For the Six Months Ended June 30, 2014

	Nemus	Load Guard Logistics	(e) Proforma Adjustments	Proforma Combined
Sales, net	$ -	$ 136,175	$ (136,175)	$ -
Operating expenses				
Fuel and fuel taxes	-	44,129	(44,129)	-
Salaries and wages	-	39,873	(39,873)	-
Operations and maintenance	-	30,917	(30,917)	-
Professional fees	-	20,293	(20,293)	-
General and administrative	173,021	15,727	(15,727)	173,021
Total operating expenses	173,021	150,939	(150,939)	173,021
Operating loss	(173,021)	(14,764)	14,764	(173,021)
Other (expense) income				
Interest expense	-	(717)	717	-
Interest income	-	632	(632)	-
Gain on insurance claim	-	4,853	(4,853)	-
Total other expense	-	4,768	(4,768)	-
Loss before provision for income taxes	(173,021)	(9,996)	9,996	(173,021)
Provision for income taxes	-	-	-	-
Net loss	$ (173,021)	$ (9,996)	$ 9,996	$ (173,021)
Net loss per common share - basic and diluted	$ (0.02)	$ 0.00		$ (0.01)
Weighted-average common shares outstanding - basic and diluted	9,570,000	8,551,460 (f)	(5,431,460) (g)	12,690,000

NEMUS and LOAD GUARD LOGISTICS

UNAUDITED PRO FORMA COMBINED BALANCE SHEET
As of June 30, 2014

ASSETS	Nemus	Load Guard Logistics	Proforma Adjustments		Proforma Combined
Current assets					
Cash and cash equivalents	$ 528,494	$ 49,952	$ (49,952)	(d)	$ 528,494
Accounts receivable	-	35,425	(35,425)	(d)	-
Prepaid expenses and other current assets	16,029	-	-		16,029
Notes receivable	-	2,538	(2,538)	(d)	-
Total current assets	544,523	87,915	(87,915)		544,523
Property and equipment, net	-	34,813	(34,813)	(d)	-
Other assets	-	-	-		-
Total assets	$ 544,523	$ 122,728	$ (122,728)		$ 544,523
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued expenses	$ 9,717	$ 13,992	$ (13,992)	(d)	$ 9,717
Notes payable, related parties	-	35,355	(35,355)	(d)	-
Total current liabilities	9,717	49,347	(49,347)		9,717
Noncurrent liabilities	-	-	-		-
Commitments and contingencies					
Stockholders' equity					
Common stock	805,480	3,623	(805,480)	(h)	12,690
			(3,623)	(d)	
			12,690	(i)	
Additional paid in capital		83,077	(83,077)	(d)	792,790
			805,480	(i)	
			(12,690)	(l)	
Warrants	85,500				85,500
Accumulated deficit	(356,174)	(13,319)	13,319	(d)	(356,174)
Total stockholders' equity	534,806	73,381	(73,381)		534,806
Total liabilities and stockholders' equity	$ 544,523	$ 122,728	$ (122,728)		$ 544,523

(1) DESCRIPTION OF TRANSACTION AND BASIS OF PRESENTATION

On October 17, 2014, LGL entered into an Agreement and Plan of Merger (the "Merger Agreement") with Nemus, Acquisition Sub and Name Change Merger Sub. Pursuant to the Merger Agreement, Acquisition Sub agreed to merge with and into Nemus, with Nemus as the surviving corporation, with each share of Nemus being exchanged for 12,880,000 shares of LGL (the "Merger"). The Merger closed on October 31, 2014.

Upon consummation of the Merger, the stockholders of Nemus common stock retained 12,880,000 shares of our common stock and the stockholders of LGL common stock received 3,120,000 shares of our common stock. Immediately after the closing of the Merger, we had 16,000,000 shares of common stock, no shares of preferred stock, options to purchase 1,080,000 shares of common stock, warrants to purchase 4,000,000 shares of common stock issued and outstanding.

The Merger is being accounted for as a reverse-merger and recapitalization. Nemus is the acquirer for financial reporting purposes and LGL is the acquired company. The results of operations for LGL have been eliminated as a result of the spin out of these operations to LGT prior to the merger. Consequently, the assets and liabilities and the operations that will be reflected in the historical financial statements prior to the Merger will be those of Nemus and will be recorded at the historical cost basis of Nemus, and the consolidated financial statements after completion of the Merger will include the assets and liabilities of LGL and Nemus, the historical operations of Nemus and the operations of Nemus from and after the closing date of the Merger.

The most recent fiscal year end for LGL is October 31, 2013 and for Nemus is December 31, 2013 so for purposes of presentation, these periods have been combined in the pro forma financial statements that follow. In addition, the second quarter financial results for LGL ending April 30, 2014 have been combined with the comparable period ending June 30, 2014 for Nemus. The unaudited pro forma combined condensed balance sheet and statements of operations have been prepared to give effect to the following pro forma adjustments:

(2) PRO FORMA ADJUSTMENTS for the year ended December 31, 2013 (Note Unaudited)

(a) To eliminate the results of operations for LGT, a subsidiary of LGL, that is not being acquired by Nemus.
(b) To record 2.36 to 1 forward stock split of LGL shares prior to the merger. The weighted average common shares outstanding as of December 31, 2013 for LGL have been adjusted to reflect this split.
(c) To reflect share repurchase by LGL's principal shareholder of 4,241,274 shares prior to the effective date of the merger; such amount has been adjusted for shares issued subsequent to 12/31/13.

(3) PRO FORMA ADJUSTMENTS for the six months ended June 30, 2014 (Note Unaudited)

(d) To eliminate the historical stockholders' equity accounts of LGL, the accounting acquiree, and the related assets and liabilities which are not being assumed by Nemus.
(e) To eliminate the results of operations for LGT, a subsidiary of LGL, that is not being acquired by Nemus.
(f) To record 2.36 to 1 forward stock split of LGL shares prior to the merger. The weighted average common shares outstanding as of June 30, 2014 for LGL have been adjusted to reflect this split.
(g) To reflect share repurchase by LGL's principal shareholder of 5,431,460 shares prior to the effective date of the merger.
(h) To record the cancellation of 12,880,000 shares of Nemus common stock and 3,120,000 shares of LGL common stock held by its former stockholders and the issuance of 16,000,000 shares issued to Nemus shareholders at $.001 per share. Such amounts have been adjusted to omit share issuances that occurred subsequent to the pro forma balance sheet date of 2,200,000 shares in August of 2014, and 1,110,000 shares in October of 2014.
(i) To record $.001 par value for common stock outstanding immediately after closing.