

Exhibit B

Proposal

CITY OF SALINAS

In Response to:

Revised Scope – Commercial Cannabis Tax
Assessments

Submitted By:



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Scope of Work

SCI Team will conduct a project kick-off meeting with City staff to establish project priorities and goals, communication protocols, and timelines. Further, we will gather and review all applicable information needed to perform the required tasks. SCI will be available to meet via teleconference call on a regular basis when work is in progress and will be available to attend regularly scheduled coordination meetings as necessary when work is in progress.

1. Commercial Cannabis Tax Assessments

The SCI Team, led by the David Siris of The Pun Group for this task, will provide comprehensive annual auditing of cannabis businesses in order to ensure that the City receives full payment of all Measure L taxes, and ensuring compliance with applicable laws.

We will perform the following steps to deliver the services requested by the City:

Cannabis Business Gross Receipts and Square Footage Taxes	<ul style="list-style-type: none"> • Evaluate consistency between gross receipts and other information reported on financial statements to what was reported to the CDTFA for sales and use tax, cannabis excise tax, and/or cultivation tax. • Evaluate consistency between gross receipts reported on financial statements to gross receipts reported to the City. • Verify cultivation canopy as compared to maximum canopy reported on the business license application.
Collection and Audit of any Cannabis Tax	<ul style="list-style-type: none"> • Ensure each cannabis facility is complying with applicable portions of the City's Code and is submitting the true amount of gross receipts and tax. • Review business license tax returns submitted by the business and collected by the City and compare to each business's records for the time period identified by the City to determine accuracy and timeliness of gross receipts returns filed with the City. • Trace and verify the gross receipts reported on the quarterly gross receipts returns prepared by the business to gross receipts recorded in the business's accounting records to verify that these were in accordance with the City's regulations. • Verify reasonableness of reported revenues • We will issue all reports to the City in accordance with applicable standards from generally accepted auditing standards (GAAS). • The report for each cannabis business license tax audit will include the following information: <ul style="list-style-type: none"> • The overall conclusion of whether or not the cannabis business paid all required business license taxes and fees for the time period specified. • Any exceptions, errors, or areas of noncompliance were identified as a result of the procedures performed. This includes any significant deficiency in the design or operation of the internal control structure, including but not limited to the following areas: cash handling, inventory control, point of sale systems, and any other areas

	<p>that the auditor deems necessary for purposes of accurately reporting business license taxes due to the City.</p> <ul style="list-style-type: none"> • Express an opinion regarding the taxes remitted to the City by the cannabis business, or state that an opinion cannot be expressed in the auditor's report. If the Firm concludes, it cannot express an overall opinion. The engagement team will state the reasons, therefore, in the auditor's report. • Examine records and documentation that demonstrates that all cannabis goods have been obtained from, and are provided to, other licensed cannabis businesses and that details all the revenues and expenses, and assets and liabilities of the business. • Examine books of account, invoices, copies of orders and sales, shipping instructions, bills of lading, weigh bills, bank statements including canceled checks and deposit slips, and all other records necessary to show all transactions of the cannabis business.
State Rule Making Interpretation and Implementation	<ul style="list-style-type: none"> • Check for compliance with the latest officially approved state regulations for cannabis businesses across the supply chain. Licensees are required to comply with all rules and regulations pertaining to their license type, as well as follow all other applicable state laws.

Deliverables:

- Prepare and send notification letters to each cannabis business
- Annual Financial Audit and Audit Report for each cannabis business

2. Compliance Inspections and Reporting

For this task, Kyle Tankard of SCI will provide onsite facility inspections for each commercial cannabis business and report to the City the results of inspections relative to the City's local regulations and ordinances, conditions of approval, and State law. SCI will prepare an inspection checklist for each cannabis activity. Prior to conducting each inspection, SCI will prepare notification to the businesses to schedule inspections. Following the inspection, SCI will provide the City with a written report detailing the results of the compliance inspection including photo documentation of any violations. SCI will provide follow-up support to the City and cannabis businesses to provide recommendations to address and correct any deficiencies.

Among the elements and activities SCI will inspect and monitor are as follows:

- **Product:** Inventory management, seed-to-sale tracking, packaging and labeling verification, product testing protocols, etc.
- **Record Retention:** Review and confirm employee records, business records, tax information records, transportation manifests, video surveillance retention, equipment certifications, training programs and safety programs.

- **Security and Surveillance:** Verify video surveillance equipment, camera placement, alarm systems, locks, facility access control, security guards, occupational badges, and other security and safety processes.
- **Facility Compliance:** Verify facility's operational compliance including waste management, odor control, pesticide and solvent storage, signage, cash handling procedures, product shipment and receipt procedures, etc.

Deliverables:

- Conduct onsite facility inspections
- Provide written report detailing the findings of inspections
- Provide follow-up support and recommendations

Budget Estimate

In consideration for the Tasks as detailed in the Scope of Work, the estimated compensation is detailed below by task:

Work Plan	Fee
1. Commercial Cannabis Tax Assessments	\$ *6,500 (per audit per permit)
2. Compliance Inspections & Reporting	\$ 1,700 (per inspection per facility)

*If the initial audit period for a cannabis permit is less than 1 year (12 months) the fee will be prorated by each quarter (3 months) at \$1,625 for each quarter audited. If the permit holder's audit period is equal to or less than 1 month the City has the option to defer the audit and add that audit period the next audit period (for example: if the initial audit period is 1 month, the City can defer that 1 month to the following 12 month audit period for a total of 13 months). If a permit holder has multiple permits for different cannabis business types, the fee for the audit of each additional permit will be \$6,500 if the business type's gross revenue is greater than \$100,000 and \$3,250 if the gross revenue is equal to or less than \$100,000.

SCI Staff	Hourly Rate
John Bliss, President	\$ 290
Kyle Tankard, Cannabis Services Leader	\$ 300
Arcelia Herrera, Senior Cannabis Consultant	\$ 250

The Pun Group Staff	Hourly Rate
Ken Pun, Engagement Partner	\$ 200
Venessa Burke, Partner	\$ 200
David Siris, Manager	\$ 175
Masood K. Yousufzai, Assistant Manager	\$ 150

Incidental costs incurred for the purchase of additional travel and other out-of-pocket expenses will be reimbursed at actual cost, with the total not to exceed \$750 per year without prior authorization from the City. The scope of services includes one face-to-face staff planning meeting. Any additional face-to-face meetings, if required, shall be billed at the rate of \$1,500 per person, per meeting. SCI is available to meet via teleconference call on a regular basis at no additional charge.

Classification	SCI			Pun Group			
	President	Senior Cannabis Consultant	Cannabis Consultant	Engagement Partner	Partner	Manager	Assistant Manager
	John Bliss	Kyle Tankard	Arcelia Herrera	Ken Pun	Venessa Burke	David Siris	Masood Yousufza
Assigned Staff							
Fully Loaded Hourly Rate	\$290	\$300	\$250	\$200	\$200	\$175	\$150

Scope of Work									
Work Plan		Hours						Total Hours	Total Costs
1	Commercial Cannabis Tax Assessments				3	5	10	21	\$ 6,500
2	Compliance Inspection & Reporting		1.5	5				7	\$ 1,700
TOTAL DIRECT HOURS		0	1.5	5	3	5	10	21	\$ 8,200
								Total Labor Cost	\$ 8,200

Direct Costs		Number of Units	Cost per Unit		Total Costs		
Incidentals	Travel and other out-of-pocket expenses	1	\$ 750		\$ 750		
					Direct Costs	\$ 750	
						TOTAL COSTS	\$ 8,950

Project Schedule

Timeline

Project start date	January 1, 2023
Financial Audits 2021	May 2023 – August 2023
Compliance Inspections	June 2023
Financial Audits 2022	August 2023 – December 2023
Financial Audits 2023 – Kick Off	March 2024 – June 2024
Compliance Inspection	June 2024

Commercial Cannabis Tax Assessments



The Pun Group is available to begin the Commercial Cannabis Tax Assessments upon execution of the contract. An initial meeting with the City’s dedicated team will be coordinated to determine the competition schedule of the audits of business licenses and finalize the report template. On average, a typical financial audit takes 4-6 weeks.

Compliance Inspections & Reporting

SCI is available to begin onsite compliance inspections for operational cannabis businesses upon execution of the contract. If conducting annual inspections, the inspections will take place mid-year for each cannabis facility. If additional inspections are requested, they will be scheduled proportionately throughout the year.

General Contract Requirements

Proof of Insurability

		SCICONS-01		KALANA			
CERTIFICATE OF LIABILITY INSURANCE				DATE (MM/DD/YYYY) 12/15/2021			
THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.							
IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).							
PRODUCER License # 0L72977 Legacy Risk & Insurance Services 1850 Mt. Diablo Blvd, Suite 400 Walnut Creek, CA 94596			CONTACT NAME: PHONE (A/C No. Ext): (925) 482-1000 FAX (A/C No.): (925) 482-1001 EMAIL: certificates@legacyrisk.net				
INSURED			INSURER(S) AFFORDING COVERAGE				
SCI Consulting Group 4745 Mangles Boulevard Fairfield, CA 94534-4319			INSURER A: Sentinel Insurance Company Ltd INSURER B: Markel Insurance Company INSURER C: Gemini Insurance Company INSURER D: INSURER E: INSURER F:				
			NAIC # 10833				
COVERAGES		CERTIFICATE NUMBER:		REVISION NUMBER:			
THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.							
INSTR LTR	TYPE OF INSURANCE	ACORD INSD	RUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:	X		57SBARH8313DX	4/20/2021	4/20/2022	EACH OCCURRENCE \$ 2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 2,000,000 GENERAL AGGREGATE \$ 4,000,000 PRODUCTS - COMPOF AGG \$ 4,000,000
A	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY			57SBARH8313DX	4/20/2021	4/20/2022	COMBINED SINGLE LIMIT (Ea accident) \$ 2,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
A	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED: RETENTION \$			57SBARH8313DX	4/20/2021	4/20/2022	EACH OCCURRENCE \$ 1,000,000 AGGREGATE \$ 1,000,000
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N	N/A	MWC000353311	4/20/2021	4/20/2022	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
C	Service & Technical			VIPL054563	12/17/2021	12/17/2022	Each Claim/Agg \$ 2,000,000
C	Prof Liab/Claims Mad			VIPL054563	12/17/2021	12/17/2022	Deductible \$ 25,000
DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required) Evidence of Coverage Only.							
CERTIFICATE HOLDER				CANCELLATION			
Bidding and Presentation Only				SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.			
				AUTHORIZED REPRESENTATIVE 			

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Concurrence with Contract Provisions

The SCI Team accepts the provisions of the City's standard contract as attached to the RFP. Furthermore, The SCI Team understands that under certain circumstances, and subject to the discretion of the City, some provisions of the contract may be modified upon final contract negotiations with the selected consultant.