

LAW OFFICES OF  
JENNIFER S.  
ROSENTHAL

A PROFESSIONAL CORPORATION

December 30, 2020

Attention: Christopher A. Callihan, Esq.  
Office of the City Attorney  
City of Salinas  
200 Lincoln Avenue  
Salinas, CA 93901  
Email: [chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us)

RE: AMENDED NOTICE OF APPEAL – Supplemental Information to Appeal Brief of the Denial of Two  
(2) Commercial Cannabis Applications: **Distribution** and Manufacturing at 743 Sanborn Place

Dear Mr. Callihan:

As you are aware, my firm represents the applicants of the commercial cannabis distribution and manufacturing applications with regard to the property located at 743 Sanborn Place, Salinas, that were denied on August 14, 2020 and we timely filed the Notice of Appeal on August 21, 2020. Following please find supplemental documentation in support of the original Notice of Appeal that is based on newly discovered information unknown to my firm and/or my clients at the time of the filing of the Notice of Appeal on August 21, 2020. Initially, information was not provided to my office or my clients as to the basis of the denial of the applications to allow a thorough appeal brief to be prepared. To date, further information has still not been provided to my office despite multiple requests made to the City of Salinas in writing.

Pursuant to Section 5-07.10, decisions affecting Commercial Cannabis Permits may be appealed to the Planning Commission or City Council. In filing this appeal, we respectfully request the Planning Commission to review the appeal De Novo due to the fact that the denials of the two (2) applications were arbitrary and capricious, overturn the two (2) denials and grant commercial cannabis licenses to Sanborn Distribution LLC and Sanborn Manufacturing LLC, respectively, as there are available licenses within the City's regulatory scheme to be granted. Section 5-07.10 does not address whether applications denied and subsequently appealed can be amended. It is the position of the applicants that amendments can be made to applications that have been denied and are up for review on appeal.

The applicants are in receipt of the scoring charts of the four (4) committee members that made the denial decision that was included in the Staff Report dated November 18, 2020. The wild variation in scores received indicates that the committee did not have baseline guidelines to determine scores and the application process is founded on the premise that an applicant can only move forward through the application process if they meet a certain score at each phase. The discrepancies in the scores received

in each category raise great concern and give rise to the necessity of another independent review of the original applications and supplemental materials.

The commercial cannabis application process specific to the City of Salinas is organized, managed and scored under the dominion and control of Rincon Consultants, Inc. It is our understanding and belief that there was a committee of four (4) individuals that scored all of the submitted applications (there were nine (9) total applications submitted and, of those nine applications, seven (7) applications including two (2) submitted by my clients, made it to Phase 3). The November 18, 2020 Staff Report included the scoring charts of the four (4) committee members and they are also attached hereto. As one can see, the vast range in scores implies there were not baseline requirements that had to be met to be given a particular score. For example, and specific to the Labor and Employment section, Reviewer ID SC4 gave Sanborn Distribution LLC 250 points out of 300 when Reviewer ID not stated gave Sanborn Distribution LLC 50 points out of 300.

Another example of the vast scoring ranges is in the Qualifications of Principals section, for which Reviewer ID SC2 gave Sanborn Distribution LLC's principals 50 points out of 500 and Reviewer ID SC4 gave the principals of Sanborn Distribution LLC 300 points out of 500. The Reviewer with the unknown ID number gave the applicants a score of 50 for Qualifications of Principals in their manufacturing application and gave the same principals a score of 100 under Qualifications of Principals in their distribution application. The principals are the same in both applications. Moreover, the applicants were told they were not permitted to bring their team to the interview process, i.e. the individuals who would be overseeing the manufacturing process, the compliance officer, etc. were not present during the interview.

An additional example of the discrepancies in scoring is regarding the Local Enterprise section – Reviewer SC5 gave each of my clients' applications a score of 500 out of 500, yet Reviewer ID not stated gave each application 175. That is quite a large difference.

Lastly, with regard to the Final Location of Business section, the unknown Reviewer scored each of my clients' applications at 500 out of 500 while Reviewer ID SC2 gave each of the applications a score of 100. That is 400 points left on the table – how can there be such a vast difference? Examples of this clearly uncalibrated review process are shown throughout the scoring records.

According to the Staff Report made in preparation of the Planning Commission hearing scheduled for November 18, 2020 of which neither my clients nor my firm were given notice, the following categories within my clients' applications received low scoring in the application process:

1. Qualifications of Principals;
2. Location;
3. Community Benefits;
4. Labor & Employment; and,
5. Environmental Benefits.

These categories have been addressed in the amended application attached hereto for the Commission to consider in their decision.

Thank you,



Jennifer S. Rosenthal, Esq.

cc: Courtney Grossman, Planning Manager  
Ryan Russell, Rincon Consultants, Inc.  
Sanborn Distribution LLC  
Sanborn Manufacturing LLC

## Scoring Charts



City of Salinas

Commercial Cannabis Business Permitting: Round 2, 2019

Commercial Cannabis Permit (CCP) Application Review: Tallied Scores

#	Business Name	Use*	Address	Completeness Review Passed?	Phase 2 Score** (averaged from Selection Committee members)	Phase 3 Score (averaged from Selection Committee members)	Phase 1 Score Plus Phase 2 Score***	
1	Sanborn Retail LLC	Disp	743 Sanborn Pl	yes	1,020 (does not qualify for phase 3)	N/A	N/A	
2	Sanborn Distribution LLC	Distro	743 Sanborn Pl	yes	1,196; 1,604 needed for 2,800	750 1025 1750 1450 <b>(1,243)</b>	2,439	X
3	Sanborn Manufacturing LLC	Mfg	743 Sanborn Pl	yes	1,176; 1,624 needed for 2,800	750 975 1750 1450 <b>(1,231)</b>	2,407	X
4	E7 Salinas LLC	Disp	347 W Market St	yes	1,400; 1,400 needed for 2,800	750 1850 1925 1850 <b>(1,593)</b>	2,993	✓
5	E7 Salinas LLC	Distro	347 W Market St	yes	1,395; 1,405 needed for 2,800	1200 1925 1875 1750 <b>(1,687)</b>	3,082	✓
6	E7 Salinas LLC	Mfg	347 W Market St	yes	1,415; 1,385 needed for 2,800	1200 1900 1775 1800 <b>(1,668)</b>	3,083	✓
7	Horizon Salinas	Disp	320 W Market St	yes	1,343; 1,457 needed for 2,800	1900 2450 1900 1900 <b>(2,037)</b>	3,380	✓
8	Horizon Salinas	Distro	320 W Market St	yes	1,355 – 1,445 needed for 2,800	1900 2450 1850 1800 <b>(2,000)</b>	3,355	✓
9	The Connoisseur	Disp	103 Monterey St	no	N/A	N/A	N/A	

\*Disp = dispensary (1 permit available), Distro = distribution (3 permits available), Mfg = manufacturing (1 permit available)

\*\*Score of 1,050 points is required to qualify for Phase 3

\*\*\*Total score of 2,800 points is required to qualify for Phase 4 (Public Meeting and Permit Issuance)

City of Salinas Commercial Cannabis Business Permitting: Round 2, 2019

Commercial Cannabis Permit (CCP) Application Review: Final Scoring (Phase 3 Scoring)

Reviewer ID: \_\_\_\_ SC2 \_\_\_\_

#	Business Name	Use*	Final Location of Business (500 pts)	Community Benefits (300 pts)	Enhanced Product Safety (200 pts)	Environmental Benefits (200 pts)	Labor & Employment (300 points)	Local Enterprise (500 points)	Qualifications of Principals (500 pts)	Phase 3 Scoring Total (2,500 points maximum)
1	<del>Sanborn Retail LLC</del>	Disp	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Sanborn Distribution LLC	Distro	100	100	100	100	100	200	50	750
3	Sanborn Mfg LLC	Mfg	100	100	100	100	100	200	50	750
4	E7 Salinas LLC	Disp	100	150	200	150	150	250	200	750
5	E7 Salinas LLC	Distro	100	150	200	150	150	250	200	1200
6	E7 Salinas LLC	Mfg	100	150	200	150	150	250	200	1200
7	Horizon Salinas	Disp	200	300	200	100	200	400	500	1900
8	Horizon Salinas	Distro	200	300	200	100	200	400	500	1900

Score of 2,800 points (Phase 2 score + Phase 3 score) is required to qualify for Phase 4 (Public Meeting and Permit Issuance)  
 disp = dispensary (1 available); distro = distribution (3 available); mfg = manufacturing (1 available)

City of Salinas Commercial Cannabis Business Permitting: Round 2, 2019

Commercial Cannabis Permit (CCP) Application Review: Final Scoring (Phase 3 Scoring)

Reviewer ID: \_\_\_\_\_

#	Business Name	Use*	Final Location of Business (500 pts)	Community Benefits (300 pts)	Enhanced Product Safety (200 pts)	Environmental Benefits (200 pts)	Labor & Employment (300 points)	Local Enterprise (500 points)	Qualifications of Principals (500 pts)	Phase 3 Scoring Total (2,500 points maximum)
1	<del>Sanborn Retail LLC</del>	Disp	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Sanborn Distribution LLC	Distro	500	100	50	50	50	175	100	1,025
3	Sanborn Mfg LLC	Mfg	500	100	50	50	50	175	50	975
4	E7 Salinas LLC	Disp	500	200	200	150	250	350	200	1,850
5	E7 Salinas LLC	Distro	500	200	250	175	250	250	200	1,925
6	E7 Salinas LLC	Mfg	500	200	200	200	250	250	200	1,900
7	Horizon Salinas	Disp	500	275	200	175	300	500	500	2,450
8	Horizon Salinas	Distro	500	275	200	175	300	500	500	2,450

Score of 2,800 points (Phase 2 score + Phase 3 score) is required to qualify for Phase 4 (Public Meeting and Permit Issuance)  
 disp = dispensary (1 available); distro = distribution (3 available); mfg = manufacturing (1 available)

City of Salinas Commercial Cannabis Business Permitting: Round 2, 2019

Commercial Cannabis Permit (CCP) Application Review: Final Scoring (Phase 3 Scoring)

Reviewer ID: \_\_SC4\_\_

#	Business Name	Use*	Final Location of Business (500 pts)	Community Benefits (300 pts)	Enhanced Product Safety (200 pts)	Environmental Benefits (200 pts)	Labor & Employment (300 points)	Local Enterprise (500 points)	Qualifications of Principals (500 pts)	Phase 3 Scoring Total (2,500 points maximum)
1	<del>Sanborn Retail LLC</del>	Disp	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Sanborn Distribution LLC	Distro	400	250	150	100	250	300	300	1750
3	Sanborn Mfg LLC	Mfg	400	250	150	100	250	300	300	1750
4	E7 Salinas LLC	Disp	500	250	175	150	250	300	300	1925
5	E7 Salinas LLC	Distro	500	250	175	100	250	300	300	1875
6	E7 Salinas LLC	Mfg	400	250	175	100	250	300	300	1775
7	Horizon Salinas	Disp	500	250	150	150	250	300	300	1900
8	Horizon Salinas	Distro	500	250	150	100	250	300	300	1850

Score of 2,800 points (Phase 2 score + Phase 3 score) is required to qualify for Phase 4 (Public Meeting and Permit Issuance)  
 disp = dispensary (1 available); distro = distribution (3 available); mfg = manufacturing (1 available)

City of Salinas Commercial Cannabis Business Permitting: Round 2, 2019

Commercial Cannabis Permit (CCP) Application Review: Final Scoring (Phase 3 Scoring)

Reviewer ID: SL5

#	Business Name	Use*	Final Location of Business (500 pts)	Community Benefits (300 pts)	Enhanced Product Safety (200 pts)	Environmental Benefits (200 pts)	Labor & Employment (300 points)	Local Enterprise (500 points)	Qualifications of Principals (500 pts)	Phase 3 Scoring Total (2,500 points maximum)
1	Sanborn Retail LLC	Disp	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Sanborn Distribution LLC	Distro	400	150	100	50	150	500	100	1,450
3	Sanborn Mfg LLC	Mfg	400	150	100	50	150	500	100	1,450
4	E7 Salinas LLC	Disp	400	300	150	100	200	500	200	1,850
5	E7 Salinas LLC	Distro	350	300	150	50	200	500	200	1,750
6	E7 Salinas LLC	Mfg	400	300	150	50	200	500	200	1,800
7	Horizon Salinas	Disp	450	250	150	150	200	200	500	1,900
8	Horizon Salinas	Distro	400	250	150	100	200	200	500	1,800

Score of 2,800 points (Phase 2 score + Phase 3 score) is required to qualify for Phase 4 (Public Meeting and Permit Issuance)  
 disp = dispensary (1 available); distro = distribution (3 available); mfg = manufacturing (1 available)

**Amended Application  
Sanborn Distribution LLC**

**AMENDED COMMERCIAL CANNABIS BUSINESS  
APPLICATION**

**CITY OF SALINAS  
COMMERCIAL CANNABIS BUSINESS  
DISTRIBUTION**

*APPLICANT*

**SANBORN DISTRIBUTION LLC  
A LIMITED LIABILITY COMPANY**

*PREPARED BY*

**LAW OFFICES OF JENNIFER S. ROSENTHAL APC  
JENNIFER S. ROSENTHAL, ESQ.  
P.O. BOX 1021, CARMEL VALLEY, CA 93924  
(831) 625-5193  
(831) 601-9376 (CELL)**

**CITY OF SALINAS**  
**AMENDED COMMERCIAL CANNABIS BUSINESS APPLICATION**  
**TABLE OF CONTENTS**

- 1. COMMERCIAL CANNABIS APPLICATION FORM**
- 2. ZONING VERIFICATION LETTER**
- 3. CRIMINAL HISTORY**
- 4. PROPOSED BUSINESS LOCATION**
- 5. SITE PLAN**
- 6. APPLICANT'S BUSINESS ORGANIZATION STATUS**
- 7. NAMES OF OWNERS AND OFFICERS**
- 8. BUSINESS PLAN**
  - 8A. DAY TO DAY OPERATIONS
  - 8B. CONFORMING TO STATE AND LOCAL LAW | DIVERSION PREVENTION
  - 8C. TRACK AND TRACE
  - 8D. PROPOSED CONSTRUCTION AND TIMELINE FOR COMPLETION
  - 8E. ESTIMATED BUDGET
  - 8F. PROOF OF CAPITALIZATION
  - 8G. PRO FORMA
- 9. NEIGHBORHOOD COMPATIBILITY**
- 10. SAFETY AND SECURITY PLAN**
- 11. COMMUNITY BENEFITS**
- 12. ENHANCED PRODUCT SAFETY**
  - 12A. LABELING REQUIREMENTS
  - 12B. CONSUMER AND PRODUCT SAFETY
- 13. ENVIRONMENTAL BENEFITS**
  - 13A. GREEN BUSINESS PRACTICES
  - 13B. WATER CONSERVATION MEASURES
  - 13C. ENERGY EFFICIENCY MEASURES
  - 13D. WASTE MANAGEMENT PLAN
- 14. LABOR AND EMPLOYMENT**



**15. LOCAL ENTERPRISE**

**16. QUALIFICATIONS OF PRINCIPALS**

**17. PROOF OF OWNERSHIP**

**1**

## **1. COMMERCIAL CANNABIS APPLICATION FORM**

Attached please find the Sanborn Distribution LLC's (Sanborn Distribution) Commercial Cannabis Business application and accompanying supplemental information.

### **Introduction:**

Sanborn Distribution is pursuing its first distribution facility in the California commercial cannabis industry. They intend to distribute commercial cannabis products to licensed operators in the City of Salinas, and the greater Monterey County area. Sanborn Distribution's goal is to distribute the best, highest quality cannabis products while improving the greater good of the City of Salinas and its residents.

The principals of Sanborn Distribution are long standing productive members of the greater City of Salinas. Together they own multiple commercial properties and have several commercial cannabis sites in the greater Salinas Valley and Santa Cruz County areas. Their cultivation facilities are some of the largest in the state and their understanding of the cannabis industry dates back to the regulatory scheme under the Compassionate Use Act.

### **Mission Statement:**

Sanborn Distribution's goal is to distribute the highest quality cannabis products for the licensed commercial cannabis operators in California. All products will be professionally processed, tested, and packaged. Sanborn Distribution intends to lead the local cannabis industry and operate in a fashion that benefits the local community and greater good of Monterey County.

6. Description of neighborhood around the proposed location (surrounding uses, nearby sensitive uses (such as schools, churches, parks, daycares, or libraries), transit access to site, etc. A separate sheet may be attached.  
743 Sanborn Place is located in the IG—GW—5—AR (Industrial—General—Sanborn Road at U.S. 101 Gateway Overlay—Airport Overlay) Zoning District. The surrounding neighborhood consists of a taqueria, auto body shops, and Overhead Door Company of Salinas. Transit access to the site is provided by Monterey-Salinas Transit bus line numbers 40 and 95. There are no sensitive uses nearby except the following: Taqueria El Oaxaqueño, 737 Sanborn Pl., on-site alcohol sales; 7-Eleven, 1020 Terven Ave., alcohol sales; AM PM, 970 Work St., alcohol sales; and Los Grullenses Taqueria, 655 Sanborn Pl., on-site alcohol sales.
7. Site plan must be dimensioned and show the entire parcel including parking and additional structures. In addition, please, show elevations and photos of proposed location (Attach to application). If any exterior alterations are proposed for the existing building, also attach proposed site plans and elevations.
8. Floor Plans (Attach to application). If any interior alterations are proposed for the existing building, also attach proposed floor plans.
9. Signage Plan.
10. Vicinity Map.
11. Photos of the site and building(s).

### Section E: Required supplemental information

This information is required for this application to be considered complete. Check the box evidencing that you have read the Description of Evaluation Criteria related to these specific categories in the Application Guidelines and attach the relative report(s) to the application.

- ☒ Proposed Location Information (Zoning Information Letter)
- ☒ Business Plan
- ☒ Neighborhood Compatibility Plan
- ☒ Safety and Security Plan
- ☒ Enhanced Product Safety
- ☒ Environmental Benefits
- ☒ Community Benefits
- ☒ Labor and Employment
- ☒ Local Enterprise
- ☒ Qualifications of Principals

**Section F: Final Location Information**

Only one site per application can be considered during Phase III. Attach proof of ownership of the site OR signed and notarized statement from the owner. This documentation is not required with initial application submittal, but is required prior to start of Phase III.

**Staff use only:**

Date of initial application: \_\_\_\_\_

Number assigned to application: \_\_\_\_\_

☐ Continued to Phase II      ☐ Denied

Date application reviewed for Phase II: \_\_\_\_\_

Points Awarded in Phase II: \_\_\_\_\_

☐ Continued to Phase III      ☐ Denied

Date Proof of ownership was verified or a signed and notarized statement from the property owner was received for Phase III: \_\_\_\_\_

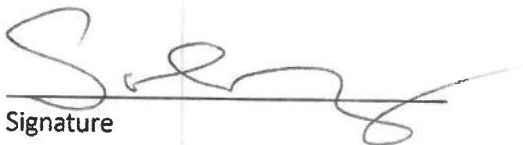
Date application reviewed for Phase III: \_\_\_\_\_

Points Awarded in Phase III: \_\_\_\_\_

☐ Continued to Phase IV      ☐ Denied

Notarized Statement of Property Owner

I, Sal M. Alvarez, am the manager of Alvarez Brothers LLC, the owner of the property located at 743 Sanborn Place, Salinas, California 93901. I have granted Sanborn Retail LLC, Sanborn Distribution LLC, and Sanborn Manufacturing LLC permission to operate commercial cannabis businesses, both medicinal and adult-use, for retail/dispensary, distribution and manufacturing on the property.

  
Signature

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

**ACKNOWLEDGEMENT**

STATE OF CALIFORNIA        )

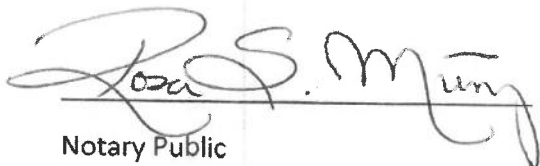
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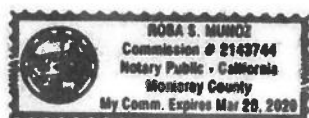
COUNTY OF                    )

On Oct. 22, 2019, before me, Rosa S. Munoz, a notary public, personally appeared Sal M. Alvarez who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

  
Notary Public



**2**

## **2. ZONING VERIFICATION LETTER**

Attached please find the Zoning Verification Letter from the City of Salinas for the subject property located at 743 Sanborn Place, Salinas.



**RE: ZONING INFORMATION FOR COMMERCIAL CANNABIS BUSINESS (CCB)  
LOCATED AT 743 SANBORN PLACE IN THE IG – GW-5 – AR (INDUSTRIAL-GENERAL –  
SANBORN ROAD @ U.S. 101 GATEWAY OVERLAY – AIRPORT OVERLAY) ZONING  
DISTRICT (APN 003-561-015-000)**

Dear Mr. Alvarez:

On March 20, 2019, the Community Development Department received your request for zoning information for the above referenced site in connection with a Commercial Cannabis Business (CCB) consisting of the following:

1. Dispensary
2. Cultivation Facility
3. Delivery Service
4. Commercial Cannabis Manufacturing Business
5. Testing Lab
6. Distribution

The subject site is located in the IG-GW-5-AR (Industrial- General – Sanborn Road at U.S. 101 Gateway Overlay- Airport Overlay) Zoning District (APN 003-561-015-000). The following provides an overview of the adjacent land uses and zoning districts to the site:

The subject site is located in the IG (Industrial-General) Zoning District (APN 177-141-063-000). The following provides an overview of the adjacent land uses and zoning districts to the site:

North:	IG – GW-5 – AR (Industrial-General – Sanborn Road @ U.S. 101 Gateway Overlay - Airport Overlay)/ Restaurant and Residential
South:	IG – GW-5 – AR (Industrial-General – Sanborn Road @ U.S. 101 Gateway Overlay - Airport Overlay)/ Multifamily dwellings
East:	IG – AR (Industrial-General - Airport Overlay)/ Industrial Complex
West:	Sanborn Place and South Sanborn Road

Project case files applicable to the site are listed below. Copies are available in our office for review.

1. SD2018-001 Small Distribution for Cannabis

Zoning Analysis of the proposed CCB.

1. **Dispensary:** Dispensary, which is most closely defined as Retail Sales per Zoning Code Section 37-10.420, would be permissible as an accessory use to the proposed manufacturing/cultivation/distribution CCB in the underlying zoning district. Note that Zoning Code Section 37-30.310, Table 37-30.130, Footnote 4 states that in Industrial districts only accessory retail sales, limited to thirty percent of the total square footage of all structures on a site or two thousand five hundred square feet, whichever is less, shall be allowed.
2. **Cultivation Facility:** Cultivation Facility, which is most closely defined as Nursery per Zoning Code Section 37-10.380, would be permissible in the underlying Zoning District subject to a Site Plan Review. Nurseries are limited to the IGC and IG zoning districts. However, per Zoning Code Section 37-50.350 Table 37-50.100, Nurseries require 1 space per 1,000 sq.ft. of lot area for the first 10,000 sq.ft.; 1 per 5,000 sq.ft. thereafter; plus 1 per 250 sq.ft. per sales floor area.
3. **Delivery Service:** Delivery Service, which is most closely defined as an Office, Business and Professional use (similar to a taxi dispatch office) per Zoning Code Section 37-10.390, would require a conditional use permit in the underlying Zoning District. Note that Zoning Code Section 37-30.310, Table 37-30.130, Footnote 26 states that in *IGC* and *IG* districts, accessory business and professional offices shall be limited to thirty percent of the total square footage of all structures on a site or two thousand five hundred square feet, whichever is less, shall be allowed. However, per Zoning Code Section 37-50.350 Table 37-50.100, Office, Business and Professional requires 1 space per 300 sq.ft. of gross floor area.
4. **Manufacturing:** Manufacturing, which is most closely defined as Industry, Limited per Zoning Code Section 37-10.330, would be permissible in the underlying Zoning District. subject to a Site Plan Review per Zoning Code Section 37-30.310, Table 37-30.130 and the provisions of off-street parking and compliance with Zoning Code development standards regulation. Industry, Limited requires one space for 500 sq.ft. of gross floor area. Site improvements will be required with the Site Plan Review, which include but are not limited to, landscaping, fencing, trash/recycling requirements, lighting, etc.
5. **Testing Lab:** Testing Lab, which is most closely defined as a Laboratories use per Zoning Code Section 37-10.360, would be permissible in the underlying Zoning District subject to a Site Plan Review per Zoning Code Section 37-30.310, Table 37-30.130. Per Zoning Code Section 37-50.350 Table 37-50.100, Laboratories require 1 space per 500 sq.ft. of gross floor area.
6. **Distribution:** Distribution, which is most closely defined as a Wholesale use per Zoning Code Section 37-10.470, would be permissible in the underlying Zoning District subject to a Site Plan Review. Per Zoning Code Section 37-50.350 Table 37-50.100,

Wholesale, Distribution require 1 space per 1,000 sq.ft. of gross floor area; plus 1 space per 300 sq. ft. of gross floor area for auxiliary office.

Staff understands that the proposed CCB is in the early stages of planning and may not pursue each business type listed above that were included as proposed uses in the zoning information letter application. The proposed CCB would be subject to the Site Plan Review process per Zoning Code Section 37-30.310, Table 37-30.130. Further, note that if two or more tenants are proposed, the site may be classified as an Industrial Complex as defined by Zoning Code Section 37-10.330, and be subject to a parking ratio of 1 space per 500 sq.ft. of gross floor area, plus 1 space per 300 sq.ft. of gross floor area of auxiliary office per Zoning Code Section 37-50.360 Table 37-50.100.

#### Analysis of Sensitive Uses.

The CCB must not be within a 600-foot radius of a day care, preschool, private/charter school or school per State Law requirements. The CCB must not also be within 1,000-foot radius of a school (including college or university), private/charter school, preschool, day care, park, church (or other house of worship), library, youth center, alcohol use, card room, retail firearm sales, smoke shop/hookah lounge, or CCB Dispensary as described in S.M.C. Section 5-07.27. Per available records, City staff has determined that the proposed CCB is located within a 600-foot radius or 1,000-foot radius of sensitive uses (measured from parcel to parcel), however, if measured from building to building, the distances are as follows:

1. 737 Sanborn Place, on-site alcohol sales (adjacent to site) – Taqueria El Oaxaqueno <sup>oper</sup>
2. 1020 Terven Avenue, off-sale alcohol sales (264 feet away) – 7-Eleven
3. 970 Work Street, off-sale alcohol sales (350 feet away) – AM PM
4. 655 South Sanborn Road, on-site alcohol sales (654 feet away) – Los Grullenses Taqueria

Note the issuance of a "Zoning Information Letter" does not mean the written evidence of permission given by the City of Salinas or any of its officials to operate a CCB nor does it not mean "permit" within the meaning of the Permit Streamlining Act, nor does it constitute an entitlement under the Zoning or Building Codes, and a regulatory permit for the purpose of regulating a CCB does not constitute a permit that runs with the land on which the CCB is established.

Zoning information may be accessed via the Internet at the following link (look for Chapter 37 Zoning at the bottom left side column):

<http://library.municode.com/index.aspx?clientId=16597&stateId=5&stateName=California>

Information regarding Building Permits, Code Enforcement, and Certificates of Occupancy may be obtained from Permit and Inspection Services, located at 65 West Alisal Street, Salinas, CA 93901 (phone 831-758-7251).

Should you need additional information from the Community Development Department, please contact me at 831-920-6543.





### Legend

- ☐ City of Salinas Boundary  
☐ City of Salinas Parcels



The City of Salinas has made every reasonable effort to provide accurate and timely information. The City of Salinas does not, however, assume any responsibility, implied or otherwise, and makes no representation, warrant, guarantee, or claim regarding accuracy, omissions, or the reliance on second party data. Users are advised to seek independent verification before relying on this information.

0.3	0	0.14	0.3 miles
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WGS\_1984\_Web\_Mercator\_Auxiliary\_Sphere  
THIS MAP IS NOT TO BE USED FOR NAVIGATION





G.I. SIDING ROOF  
ORIGINALLY OPEN SIDING  
& DIRT FLOOR  
ENCLOSED SINCE 1967  
NEW CAMP FLOOR

20

15

G.I. SIDE OVER WOOD FRAME

STORAGE

1962

G.I. ROOF  
DIRT FLOOR  
W/ H/

EXISTING WALL

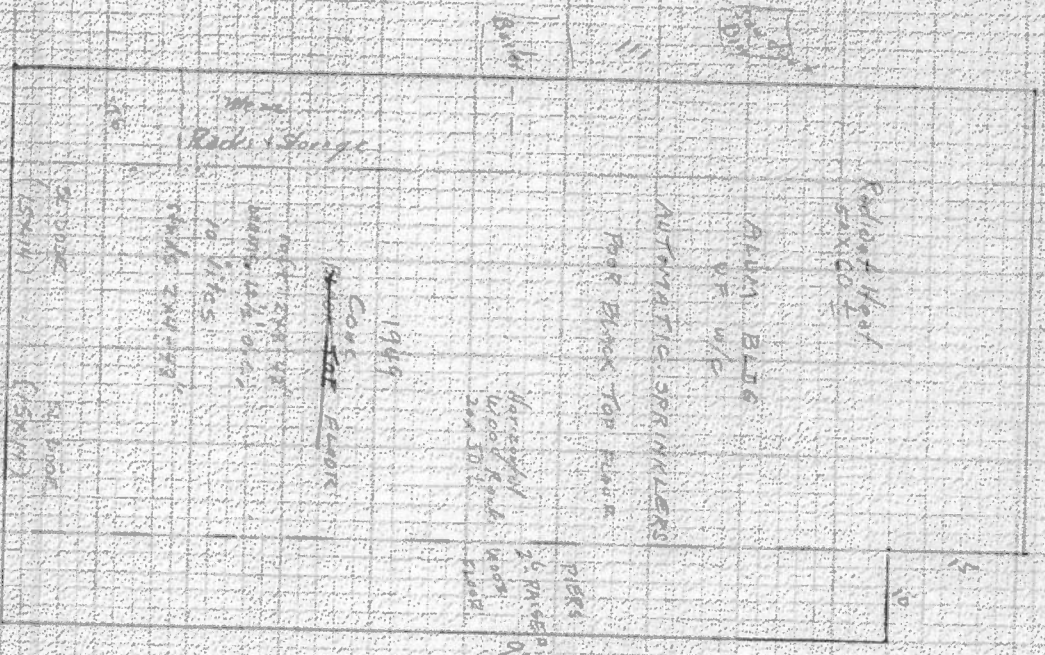
STORAGE SHED HERE



[illegible]



From  
 EX 10 - 16 OC  
 24" x 16" OC  
 w/c



50 x 11  
 10 x 96  
 5550  
 960  
 6510



0628 11 AMP SH 11 PM

DESCRIPTION OF BUILDING

ROOM AND FINISH DETAIL

INTERIOR F

CLASS & SHAPE	CONSTRUCTION	STRUCTURAL	EXTERIOR	FRONT	LIGHTING	AIR CONDITION	ROOMS	FLOORS	FLOOR FINISH	TRIM	INTERIOR F
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ARCHITECTURE	Light	Sub-Standard	Home F.L.R.G.	Unfinished	Recessed	Tronsum	K.T.	Conduit	Forced	Screeny	ROOMS
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USE TYPE	Special	Reinforced	Reinforced	Recessed	Tronsum	Tronsum	Forced	Screeny	Forced	Screeny	FLOORS
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Apartment	Concrete	Plaster	Plaster	Plaster	Plaster	Plaster	Plaster	Plaster	Plaster	Plaster	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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Roof	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	Reinforced	1 2 3
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COMPUTATION

DS

154618

204678

17666

62975

17666

4500

3745

1280

11411

320

11411

320

11411

320

SPECIAL FEATURES

Refrigeration

Auto-in-Bed

Auto-in-Bed

Auto-in-Bed

Auto-in-Bed

Auto-in-Bed

Auto-in-Bed

Auto-in-Bed

Auto-in-Bed

Auto-in-Bed

Auto-in-Bed

Auto-in-Bed

Auto-in-Bed

Auto-in-Bed

Auto-in-Bed

812

107

107

107

107

107

107

107

107

107

107

107

107

107

107

107



1951

3 SLIDING DOORS

4

5.1 BLDG

3 RAISED WOOD FLOOR

204 FT X 100

SHED 100 FT

CANOE TIERS

W/10

W/ INTERIOR

KT WIRING

III NO PUMPINGS



[illegible]







# DESCRIPTION OF BUILDING

CLASS & SHAPE	CONSTRUCTION	STRUCTURAL	EXTERIOR	FRONT	LIGHTING	AIR CONDITION	ROOM AND FINISH DETAIL
ARCHITECTURE	Light	Frame	Unfinished	Roof	Wiring	Heating	FLOORS
SHOP	Special	Reinforced	Stucco	Recessed	Coat of arms	Forced	FLOOR FINISH
USE TYPE	Foundation	Plaster	Stucco	Recessed	Coat of arms	Forced	TRIM
Apartment	Concrete	Plaster	Stucco	Recessed	Coat of arms	Forced	INTERIOR F.
Garage	Concrete	Plaster	Stucco	Recessed	Coat of arms	Forced	
Hotel	Concrete	Plaster	Stucco	Recessed	Coat of arms	Forced	
Market	Concrete	Plaster	Stucco	Recessed	Coat of arms	Forced	
Office	Concrete	Plaster	Stucco	Recessed	Coat of arms	Forced	
Store	Concrete	Plaster	Stucco	Recessed	Coat of arms	Forced	
Health	Concrete	Plaster	Stucco	Recessed	Coat of arms	Forced	

## CONSTRUCTION RECORD

NO.	FOR	YEAR	APPROX.	NORMAL % GOOD	RATING (E.G., A, F, P)	FINISH	FIXTURES	SHOWER
1	1949	1949	15	DR 40	75			
2	1949	1949	15	DR 40	75			
3	1949	1949	15	DR 40	75			
4	1949	1949	15	DR 40	75			
5	1949	1949	15	DR 40	75			
6	1949	1949	15	DR 40	75			
7	1949	1949	15	DR 40	75			
8	1949	1949	15	DR 40	75			
9	1949	1949	15	DR 40	75			
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11	1949	1949	15	DR 40	75			
12	1949	1949	15	DR 40	75			
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96	1949	1949	15	DR 40	75			
97	1949	1949	15	DR 40	75			
98	1949	1949	15	DR 40	75			
99	1949	1949	15	DR 40	75			
100	1949	1949	15	DR 40	75			

## COMPUTATION

Appraised Date		Unit	Area	Unit Cost	Cost	Unit Cost	Cost	Unit Cost	Cost	Unit Cost	Cost	Unit Cost	Cost	Unit Cost	Cost	Unit Cost	Cost	Unit Cost	Cost
SHOP			6510	2.00	13020														
SPRINKLER SYSTEM			6510		7400														
Under Foot			360																
Head Reduct 3000"																			
Woodcut Bin																			
Partitions			1736																
McQuinn's			540																
Live thru doors			2																
TOTAL					20420		20420		21357		64565								
NORMAL % GOOD					15315		14906		812		19729		47						
R.C.L.N.D.					4288		4024		252		4930		30346						
PREPARED BY																			



28x30 1849  
1/2 16 x 23 184  
2024

C.I. SIDE  
CONC.  
ADDED SINCE 1957

LEAN TO DIRT FLOOR  
ORIGINALLY CONC FLOOR  
SINCE 1957

LOW MEET  
LUMBER STORAGE

6x8  
WOOD  
UPRIGHTS

LUMBER STORAGE

C.I. LEAN TO ROOF

CONC. FLOOR

wood truss

WA 12'

raft 2x8-30"

brons 15' o.c.

walls 2x4-24"

wood siding

ALL OPEN FRONT

(2) ME

36x16

17x16

5x16  
11 x 21

80  
231

3-11

1  
K.P. Ply  
INEXPENSIVE  
OFFICE

C.I. EXTERIOR  
PINE PLY WALLS

CONC. FLOOR

(ADDED SINCE 1957)

MEET ABOVE FOR STORAGE

6' STEEL FENCE ENTIRE 100 FT OF LOT

3

1

11

### **3. CRIMINAL HISTORY**

Attached please find the Live Scan Requests/Receipts for the application principals Sal Alvarez and Jose Alvarez.





#### **4. PROPOSED BUSINESS LOCATION**

##### **Proposed Location:**

The proposed location for the Sanborn Distribution facility is 743 Sanborn Place, Salinas, CA 93901 (APN 003-561-015-000). The principals of this application own the parcel. Attached to Section 17 please find the grant deed of the subject property showing proof of ownership.

##### **Zoning Designation:**

743 Sanborn Place is located in the IG-GW-5-AR (Industrial – General – Sanborn Road at U.S. 101 Gateway Overlay – Airport Overlay) Zoning District.

##### **Sensitive Uses:**

The following sensitive uses have been determined to be located within the 1,000 foot radius of alcohol sales:

- Taqueria El Oaxaqueño – 737 Sanborn Place (adjacent to the proposed site) on-site alcohol sales
- 7-Eleven – 1020 Terven Avenue (264 feet away) off-sale alcohol sales
- AM PM – 970 Work Street (350 feet away) off-sale alcohol sales
- Los Grullenses Taqueria – 655 Sanborn Place (654 feet away) on-site alcohol sales

743 is not located within a 1,000 foot radius of any schools, parks, libraries, daycare centers or churches. The closest school is: Monterey County Home Charter School, 901 Blanco Circle, Salinas 93901.

It is the applicants' understanding that the intent of Municipal Code Section 5-07.27(b) with regard to proximity limitations regarding alcohol-related use is that the proximity limitation is to ensure that the public does not patronize both the Commercial Cannabis Business and the alcohol-related use in a manner that would jeopardize public safety or constitute a public nuisance. In this instance, that intent is certainly met. The proposed distribution facility will be secure and not accessible by the public. No sales of cannabis will occur on site and it is not possible that patrons of any of the commercial establishments listed above will leave that establishment to obtain commercial cannabis from the distribution facility.

**5**

## **5. SITE PLAN AND PHOTOS**

Attached please find the site plans and floor plan for the proposed distribution facility to be located at 743 Sanborn Place, Salinas.

Please note that the included site plans represent the current layout of the property. Substantial building improvements will be made to each building following receipt of building permits issued by the City of Salinas.

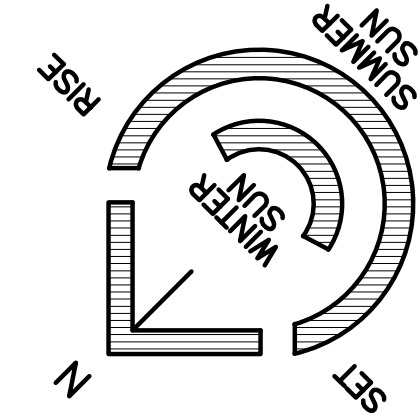
The floor plans and site maps will be updated and submitted prior to the hearing.

- Building A was the proposed retail site of Sanborn Retail LLC (no longer contemplated).
- Building B is the proposed manufacturing site of Sanborn Manufacturing LLC.
- Building C is the proposed distribution site of Sanborn Distribution LLC.









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(831) 920-8814

PROJECT:

SANBORN PL.  
PROPERTY

743 SANBORN PL.  
SALINAS, CA 93901

APN: 003-561-015-000

PROJECT NO:

OWNER:

JOE ALVAREZ  
743 SANBORN PL.  
SALINAS, CA 93901  
831-444-2965

SHEET TITLE:  
EXISTING SITE PLAN

SCALE: 1/16"=1'-0"

DRAWN BY: TOM STEWMAN

PRINT DATE: APRIL 3, 2019

PLANNING PERMIT SUBMITTAL DATE: -

BUILDING PERMIT SUBMITTAL DATE: -

DATE ISSUED FOR CONSTRUCTION: -

REVISIONS:

- 1. -
- 2. -
- 3. -
- 4. -
- 5. -
- 6. -

FILE:

VIEW:

Use of these drawings and specifications is restricted to the original project site and for the specific project described herein. Any other use, without the written consent of the architect, is prohibited. Visual contact with these drawings and specifications shall constitute prima facie evidence of the acceptance of these restrictions.

SHEET NUMBER:

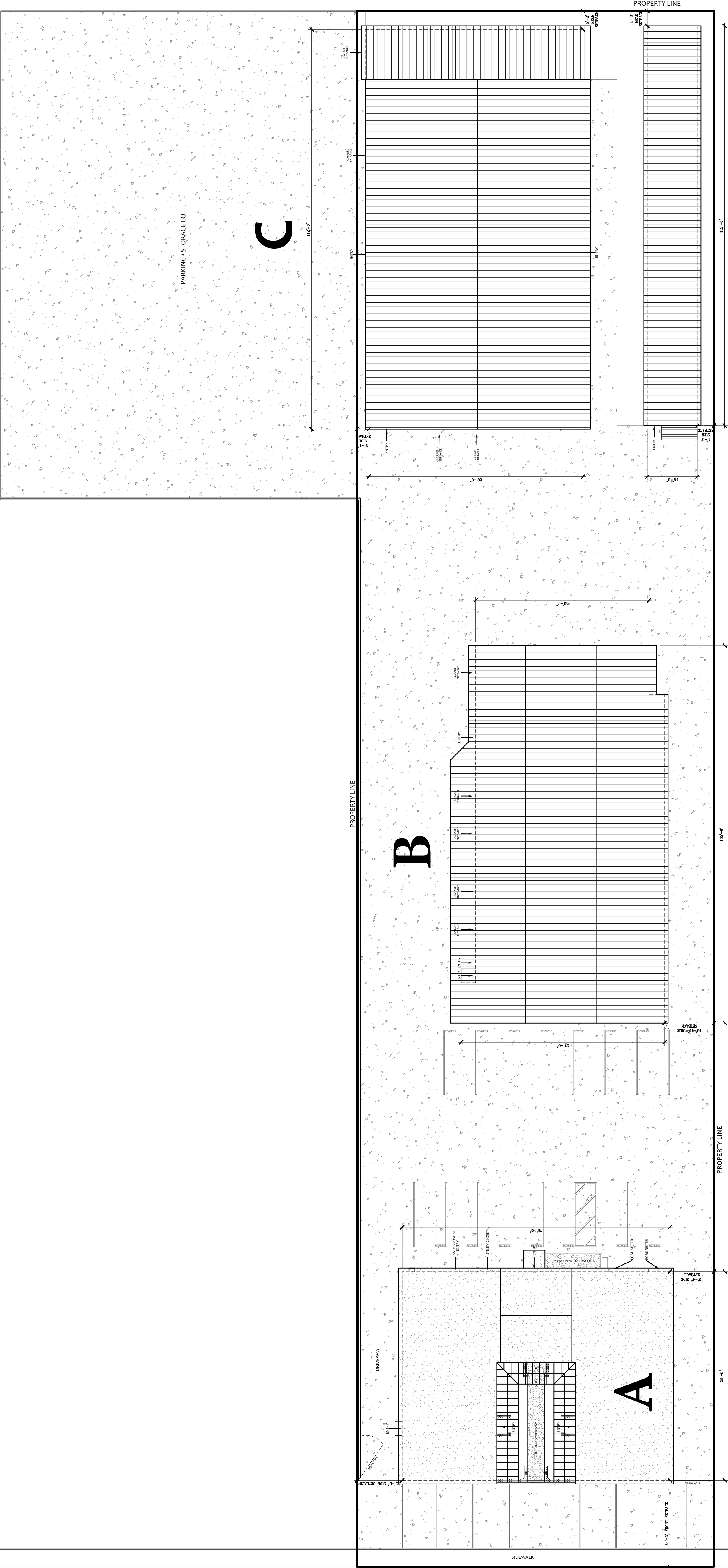
A-1.0

SHEET 2 OF 2 SHEETS

1042 GRAVANAVE • PACIFIC GROVE, CALIFORNIA 93950  
TEL: 831-920-8814 FAX: 831-920-8814

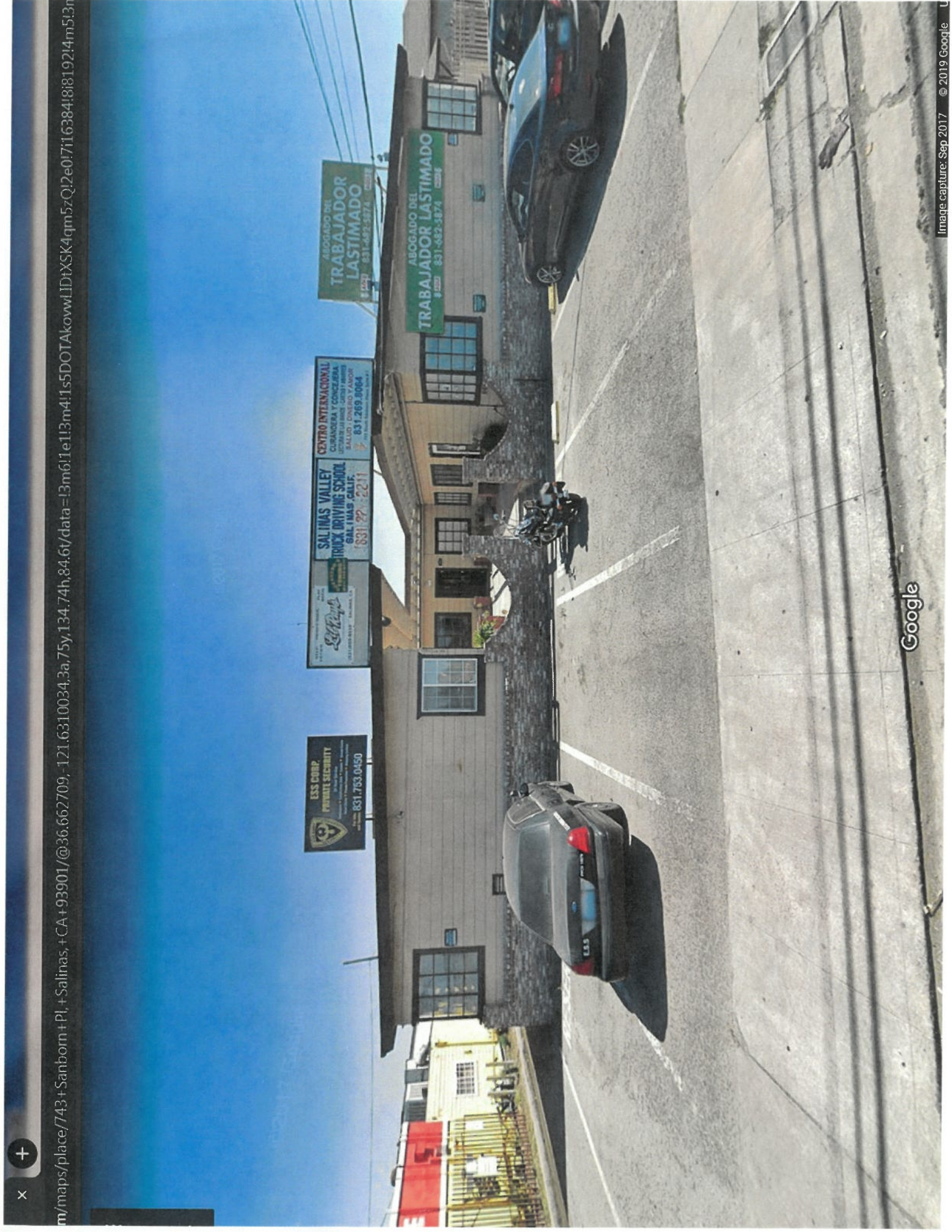
## EXISTING SITE PLAN

ARCHITECTURAL SCALE: 1/16"=1'-0"



SANBORN PL.



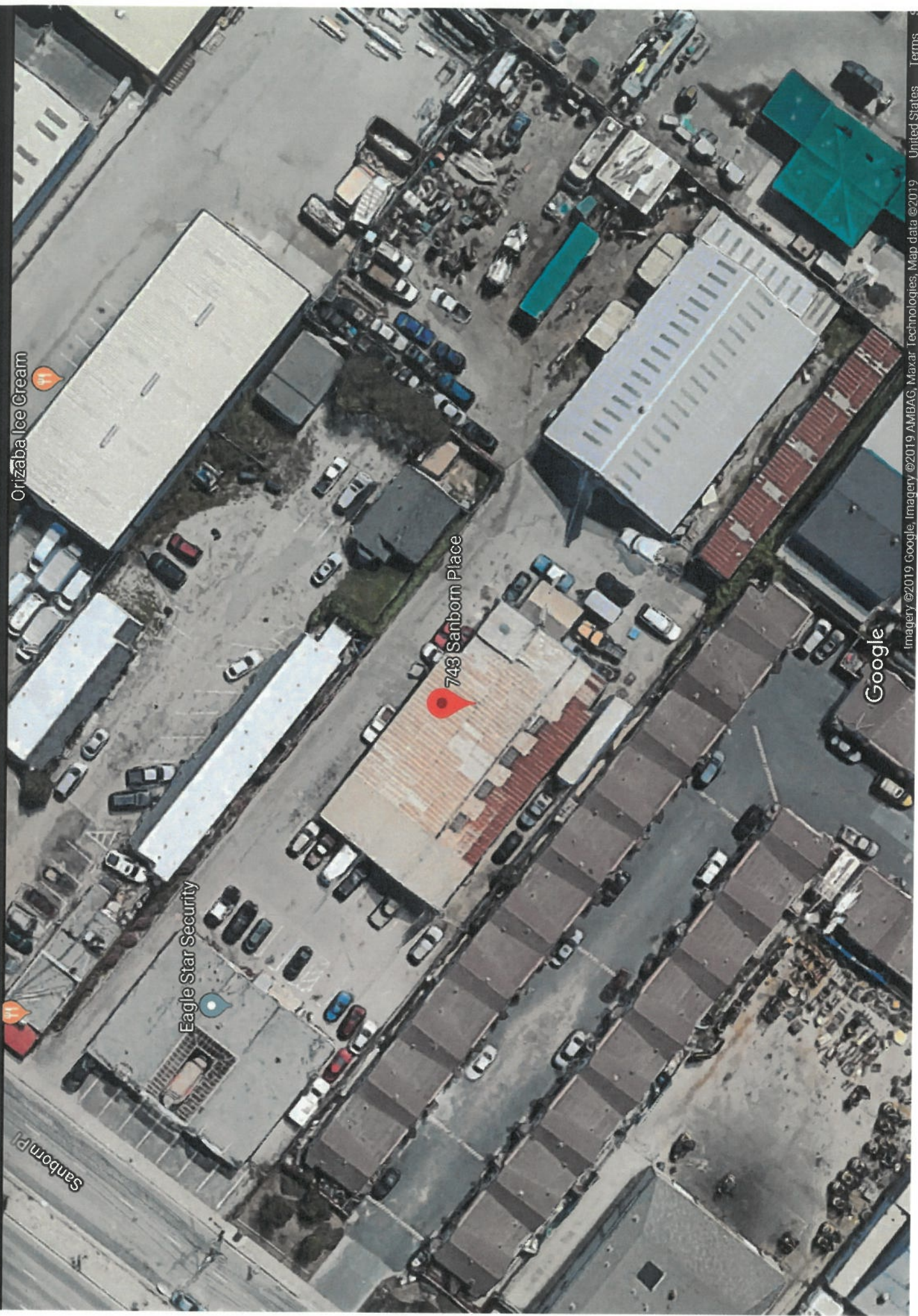


Google



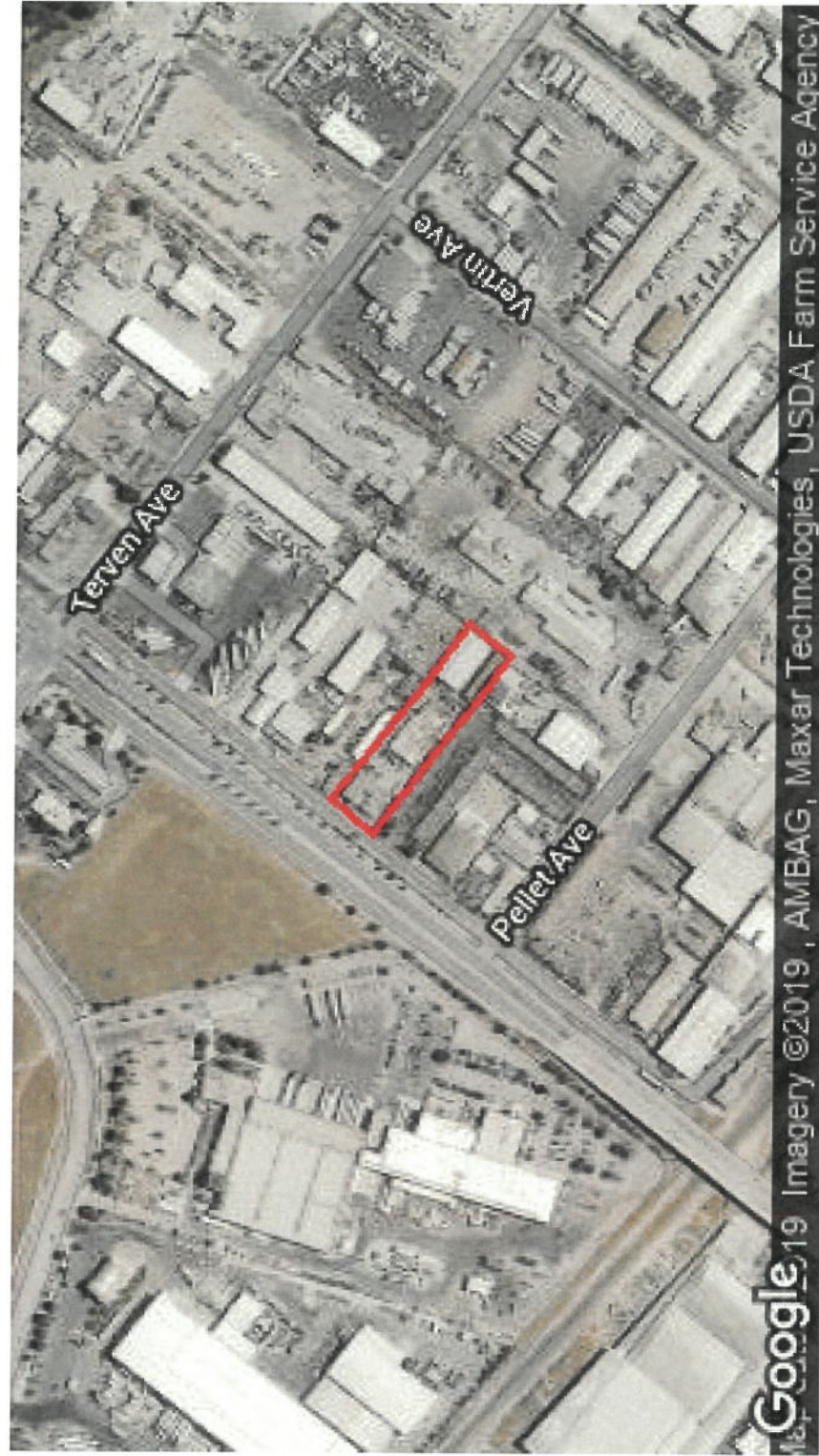


maps/place/743+Sanborn+Pl,+Salinas,+CA+93901/@36.6622848,-121.630323,111m/data=!3m1!1e3!4m5!3m4!1s0x808df88070b4b0b5:0x92eba56980d22bd8!8m2!3d36.662265



Google





6

## **6. APPLICANT'S BUSINESS ORGANIZATION STATUS**

Attached please find the Articles of Organization and Operating Agreement for Sanborn Distribution LLC a duly formed limited liability company.

**OPERATING AGREEMENT  
FOR  
Sanborn Distribution LLC**

A. This operating agreement is entered into as of October 7, 2019 by Jose Alvarez, and Sal Alvarez (referred to individually as a “Member” and collectively as the “Members”).

B. The Members have formed a limited liability company under the California Revised Uniform Limited Liability Company Act. The Articles of Organization of the Company filed with the California Secretary of State on October 7, 2018 are hereby adopted and approved by the Members.

C. The Members enter into this Agreement to provide for the governance of the Company and the conduct of its business, and to specify their relative rights and obligations.

Now therefore, the Members agree as follows:

**ARTICLE I: DEFINITIONS**

Capitalized terms used in this Agreement have the meanings specified in this Article or elsewhere in this Agreement and when not so defined shall have the meanings set forth in Corporations Code §17701.02.

1.1. “Act” means the California Revised Uniform Limited Liability Company Act (Corporations Code §§17701.01-17713.13), including amendments from time to time.

1.2. “Adjusted Capital Contribution” is defined in Article IV, Section 4.6(a).

1.3. “Adjusted Capital Account Deficit” is defined in Article IV, Section 4.3(a).

1.4. “Affiliate” of a Member or Manager means any Person directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Member or Manager. The term “control” (including the terms “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through membership, ownership of voting securities, by contract, or otherwise.

1.5. “Agreement” means this operating agreement, as originally executed and as amended from time to time.

1.6. “Articles of Organization” is defined in Corporations Code §17701.02(b) as applied to this Company.

1.7. “Available Cash” means all net revenues from the Company’s operations, including net proceeds from all sales, refinancings, and other dispositions of Company property that the



Manager, in the Manager's sole discretion, deems in excess of the amount reasonably necessary for the operating requirements of the Company, including debt reduction and Reserves.

1.8. "Book Adjustments" means, for any item of Company property for a given fiscal year, adjustments with respect to Book Value for depreciation, cost recovery, or other amortization deduction or gain or loss computed in accordance with Treasury Regulation §1.704-1(b)(2)(iv)(g), including Book Depreciation.

1.9. "Book Depreciation" means, for any item of Company property for a given fiscal year, a percentage of depreciation or other cost recovery deduction allowable for federal income tax purposes for that item during that fiscal year equal to the result (expressed as a percentage) obtained by dividing (1) the Gross Asset Value of that item at the beginning of the fiscal year (or the acquisition date during the fiscal year) by (2) the federal adjusted tax basis of the item at the beginning of the fiscal year (or the acquisition date during the fiscal year). If the adjusted tax basis of an item is zero, the Manager may determine Book Depreciation, provided that he or she does so in a reasonable and consistent manner.

1.10. "Capital Account" means, with respect to any Member, the account reflecting the capital interest of the Member in the Company, consisting of the Member's initial Capital Contribution maintained and adjusted in accordance with Article III, Section 3.5.

1.11. "Capital Contribution" means, with respect to any Member, the amount of money and the fair market value of any property contributed to the Company (net of liabilities secured by the contributed property that the Company is considered to assume or take "subject to" under Internal Revenue Code §752) in consideration of a Percentage Interest held by that Member. A Capital Contribution shall not be deemed a loan.

1.12. "Capital Event" means a sale or disposition of any of the Company's capital assets, the receipt of insurance and other proceeds on account of an involuntary conversion of Company property, the receipt of proceeds from a refinancing of Company property, or a similar event with respect to Company property or assets.

1.13. "Company" means the company named in Article II, Section 2.2 of this Agreement.

1.14. "Company Minimum Gain" is defined in Article IV, Section 4.3(b).

1.15. "Confidential Information" is defined in Article X, Section 10.2.

1.16. "Corporations Code" means the California Corporations Code.

1.17. "Electronic transmission by the Company" and "electronic transmission to the Company" have the meanings set forth in Corporations Code §17701.02(i)(1)-(2).

1.18. "Encumber" means the act of creating or purporting to create an Encumbrance, whether or not perfected under applicable law.

1.19. "Encumbrance" means, with respect to any Membership Interest, or any part of it, a mortgage, pledge, security interest, lien, proxy coupled with an interest (other than as contemplated in this Agreement), option, or preferential right to purchase.

1.20. "Gross Asset Value" means, for any item of property of the Company, the item's adjusted basis for federal income tax purposes, except that:

(a) The initial Gross Asset Value of any item of property contributed by a Member to the Company shall be the fair market value of that property, as mutually agreed by the contributing Member and the Company;

(b) The Gross Asset Value of any item of Company property shall be adjusted as of the following times: (1) the acquisition of an interest or additional interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution; (2) the distribution of money or other property (other than a de minimis amount) by the Company to a Member as consideration for a Transferable Interest in the Company; and (3) the liquidation of the Company within the meaning of Treasury Regulation §1.704-1(b)(2)(ii)(g); provided, however, that adjustments under clauses (1) and (2) above shall be made only if the Members have determined that the Company must revalue its assets in accordance with Treasury Regulation §1.704-1(b)(2)(iv)(f);

(c) The Gross Asset Value of any Company asset distributed to any Member shall be the book value of that asset on the date of distribution; and

(d) The Gross Asset Value of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted tax basis of those assets under Internal Revenue Code §734(b) or §743(b), subject to the limitations imposed by Internal Revenue Code §755 and only to the extent that those adjustments are taken into account in determining Capital Accounts under Treasury Regulation §1.704-1(b)(2)(iv)(m), and if the Gross Asset Value of an asset has been determined or adjusted under paragraph (a), (b), or (d) of this Section 1.20, that Gross Asset Value shall thereafter be adjusted by the Book Adjustments, if any, taken into account for the asset for purposes of computing Profits and Losses.

1.21. "Initial Members" means those Persons whose names are set forth in the first sentence of this Agreement.

1.22. "Involuntary Transfer" means, with respect to any Membership Interest, or any part of it, any Transfer or Encumbrance, whether by operation of law, under court order, foreclosure of a security interest, execution of a judgment or other legal process, or otherwise, including a purported transfer to or from a trustee in bankruptcy, receiver, or assignee for the benefit of creditors.

1.23. "IRC" means the Internal Revenue Code of 1986, as amended, and any successor provision.

1.24. "Losses." See Article IV, Section 4.2.

1.25. "Majority of Members" means a Member or Members whose Percentage Interests represent more than 50 percent of the Percentage Interests of all the Members.

1.26. "Manager" means the Person named in Article II, Section 2.9, or the Person who from time to time succeeds any Person as a Manager and who, in either case, is serving at the relevant time as a Manager.

1.27. "Member" means an Initial Member or a Person who otherwise acquires a Membership Interest, as permitted under this Agreement, and who has not ceased to be a Member under Article VIII or for any other reason.

1.28. "Member Nonrecourse Debt" is defined in Article IV, Section 4.3(c).

1.29. "Member Nonrecourse Debt Minimum Gain" is defined in Article IV, Section 4.3(d).

1.30. "Member Nonrecourse Deductions" is defined in Article IV, Section 4.3(e).

1.31. "Membership Interest" means a Member's entire interest and rights in the Company, collectively, including the Member's Transferable Interest, any right to Vote or participate in management, and any right to information concerning the business and affairs of the Company.

1.32. "Nonrecourse Deductions" is defined in Article IV, Section 4.3(f).

1.33. "Nonrecourse Liability" is defined in Article IV, Section 4.3(g).

1.34. "Notice" means a notice in writing required or permitted under this Agreement. A notice shall be deemed given or sent when deposited, as certified mail or for overnight delivery, postage and fees prepaid, in the United States mails; when delivered to Federal Express, United Parcel Service, DHL WorldWide Express, or Airborne Express, for overnight delivery, charges prepaid or charged to the sender's account; when personally delivered to the recipient; when transmitted by electronic transmission by or to the Company (see §1.17); or when delivered to the home or office of a recipient in the care of a person whom the deliverer has reason to believe shall promptly communicate the notice to the recipient.

Addresses for the purpose of giving notice are as follows:

Jose Alvarez: 8065 San Miguel Canyon Road, Salinas, CA 93907

Sal Alvarez: 8065 San Miguel Canyon Road, Salinas, CA 93907

Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that the notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger, or overnight delivery service.

Any party may change its address, electronic mail address, or fax number by giving the Manager Notice of the change.

1.35. "Partnership Representative" means the Person designated as under Article VI, Section 6.6.

1.36. "Percent of the Members" means the specified total of Percentage Interests of all the Members.

1.37. "Percentage Interest" means a fraction, expressed as a percentage, the numerator of which is the total of a Member's Capital Account and the denominator of which is the total of all Capital Accounts of all Members.

1.38. "Person" means an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company, or other entity, whether domestic or foreign.

1.39. "Profits" and "Losses" are defined in Article IV, Section 4.2.

1.40. "Proxy" means a written authorization signed or an electronic transmission authorized by a Member or the Member's attorney-in-fact giving another Person the power to exercise the voting rights of that Member. A Proxy may not be transmitted orally.

1.41. "Regulations," "Reg," or "Treasury Reg" means the income tax regulations promulgated by the United States Department of the Treasury and published in the Federal Register for the purpose of interpreting and applying the provisions of the Code, as those Regulations may be amended from time to time, including corresponding provisions of applicable successor regulations.

1.42. "Reserves" means the aggregate of reserve accounts that the Manager, in the Manager's sole discretion, deems reasonably necessary to meet accrued or contingent liabilities of the Company, reasonably anticipated operating expenses, and working capital requirements.

1.43. "Successor in Interest" means a Transferee, a successor of a Person by merger or otherwise by operation of law, or a transferee of all or substantially all of the business or assets of a Person.

1.44. "Tax Item" means each item of income, gain, loss, deduction, or credit of the Company.

1.45. "Transfer" means any sale, assignment, gift, Involuntary Transfer, Encumbrance, or other disposition of a Membership Interest or any part of a Membership Interest, directly or indirectly, other than an Encumbrance that is expressly permitted under this Agreement.

1.46. "Transferable Interest" means the right, as originally associated with a Person's capacity as a Member, to receive distributions from the Company in accordance with the terms of this Agreement, whether or not the Person remains a Member or continues to own any part of the right.



1.47 “Transferee” means a Person who has acquired a Member’s Transferable Interest in the Company, by way of a Transfer in accordance with the terms of this Agreement, but who has not become a Member.

1.48 “Transferring Member” means a Member who by means of a Transfer has transferred a Transferable Interest in the Company to a Transferee.

1.49 “Triggering Event” is defined in Article VIII, Section 8.4.

1.50. “Vote” means a written consent or approval, a ballot cast at a meeting, or a voice vote.

1.51. “Voting Interest” means, with respect to a Member, the right to Vote or participate in management and any right to information concerning the business and affairs of the Company provided under the Act, except as limited by the provisions of this Agreement. A Member’s Voting Interest shall be directly proportional to that Member’s Percentage Interest.

1.52. “Writing” includes any form of recorded message capable of comprehension by ordinary visual means, and when used to describe communications between the Company and its Members, “writing” shall include electronic transmissions by and to the Company as defined in Corporations Code §17701.02(i).

1.53. “Written” or “in writing” includes facsimile and other electronic communication authorized by the Corporations Code.

## **ARTICLE II: ARTICLES OF ORGANIZATION**

2.1. The Articles of Organization were filed with the California Secretary of State on October 7, 2018.

2.2. The name of the Company is Sanborn Distribution LLC. The business of the Company may be conducted under that name, or, in compliance with applicable laws, any other name that the Manager deems appropriate.

2.3. The principal executive office of the Company shall be at 8065 San Miguel Canyon Road, Salinas, CA 93907, or any other place or places determined by the Manager from time to time.

2.4. The initial agent for service of process on the Company shall be Sal Alvarez, whose street address is 743 South Sanborn Road, Salinas, CA 93901. The Manager may from time to time change the Company’s agent for service of process. If the agent ceases to act as such for any reason, the Manager shall promptly designate a replacement agent and notify the Secretary of State of the change.

2.5. The Company shall engage in the business of providing management and administration related services to cooling and warehouse based businesses.

2.6. The Members intend the Company to be a limited liability company under the Act, classified as a partnership for federal and state income taxes, to the maximum extent possible. The rights and liabilities of the Members and Manager shall be determined under the Act and this Agreement. To the extent that the rights or obligations of any Member or Manager are different because of any provision of this Agreement than those rights and obligations would be in the absence of that provision, this Agreement shall control to the extent permitted by the Act. Neither the Manager nor any Member shall take any action inconsistent with the express intent of the parties to this Agreement.

2.7. The term of existence of the Company shall commence on the date that the Articles of Organization are filed with the California Secretary of State, and shall continue until terminated by the provisions of this Agreement or as provided by law.

2.8. The names and addresses of the Initial Members are as set forth in Exhibit A.

2.9. The Members shall be the Managers of the Company.

### **ARTICLE III: CAPITAL AND CAPITAL CONTRIBUTIONS**

3.1. Each Member shall contribute capital to the Company in the form of money or property, as more particularly specified in Exhibit A, which shall thereafter be deemed the Member's initial Capital Contribution. The initial Fair Market Value of each item of contributed property (net of liabilities secured by that property), which the Company is considered to assume or to take "subject to" under Internal Revenue Code §752, is also set forth in Exhibit A, together with the description and amount of these liabilities. If a Member fails to make the initial Capital Contributions specified in this Section 3.1 within 30 days after the effective date of this Agreement, that Member's entire Membership Interest shall terminate, and that Member shall indemnify and hold the Company and the other Members harmless from any loss, cost, or expense, including reasonable attorney fees caused by the failure to make the initial Capital Contribution.

3.2. The Manager may determine from time to time that further Capital Contributions in addition to the Members' initial Capital Contributions are needed to enable the Company to conduct its business. On making such a determination, the Manager shall give notice to all Members in writing at least 90 days before the date on which the additional Capital Contribution is due. The Notice shall set forth the amount of additional Capital Contribution needed, the purpose for which it is needed, and the date by which the Members shall contribute. Each Member shall be required to make an additional Capital Contribution in an amount that bears the same proportion to the total additional Capital Contribution that the Member's Capital Account balance bears to the total Capital Account balances of all Members. No Member may voluntarily make any additional Capital Contribution.

3.3. If a Member fails to make an additional Capital Contribution required under Section 3.2 of this Agreement within 30 days after it is required to be made (a "Defaulting Member"), the Manager shall within 5 days after that failure notify each other Member (a "Nondefaulting

Member”) in writing of the total amount of Defaulting Member Capital Contributions not made (the Additional Capital Shortfall), and shall specify a number of days within which each Nondefaulting Member may make an additional Capital Contribution, which shall not be less than an amount bearing the same ratio to the amount of Additional Capital Shortfall as the Nondefaulting Member’s Capital Account balance bears to the total Capital Accounts of all Nondefaulting Members. If the total amount of Additional Capital Shortfall is not so contributed, the Manager may use any reasonable method to provide Members the opportunity to make additional Capital Contributions, until the Additional Capital Shortfall is as fully contributed as possible. Following the Nondefaulting Members’ making of those additional Capital Contributions, each Member’s Percentage Interest shall be adjusted to reflect the ratio that the Member’s Capital Account bears to the total Capital Accounts of all Members.

3.4. If a Member fails for 30 days to make an additional Capital Contribution required under Section 3.2 (a “Defaulting Member”):

(a) The Defaulting Member shall indemnify and hold the Company and the other Members harmless from any loss, cost, or expense, including reasonable attorney fees caused by the failure to make the additional Capital Contribution. In this Agreement, those additional Capital Contributions that are not made by a Defaulting Member are referred to as Additional Capital Shortfall. A Member who makes the required additional Capital Contributions (“Nondefaulting Member”) shall have the right, but not the obligation, to advance an amount bearing the same ratio to the total amount of the Additional Capital Shortfall as a Nondefaulting Member’s Capital Account bears to the total Capital Accounts of all Nondefaulting Members. A Member advancing an additional Capital Contribution for a Defaulting Member under this Section 3.4(a) shall (1) be paid interest by the Defaulting Member on the amount of the advance at an annual rate, from the date of the advance until paid, equal to the floating rate of one (1) percent over the applicable federal rate (“AFR”), or the highest rate permitted by applicable law, whichever rate is lower, and (2) receive all distributions that the Defaulting Member would otherwise be entitled to receive under the provisions of this Agreement as though the advances by the Nondefaulting Member were Capital Contributions made by the Nondefaulting Member, which distributions shall be applied first to attorney fees, costs, and expenses, if any; then to accrued and unpaid interest; and, finally, in reduction of the principal amount of the advance. The Defaulting Member grants any Nondefaulting Members who make advances to the Company in accordance with this Section 3.4(a) a security interest in the Defaulting Member’s Membership Interest to secure the Defaulting Member’s obligations under this Section 3.4(a). The Defaulting Member shall, within 5 days of written notice, execute any documents or instruments reasonably necessary to enable Nondefaulting Members who make advances under this Section to perfect the foregoing security interests. Each Member irrevocably appoints each other Member, and any one of them acting alone, as his, her, or its attorney-in-fact for the limited purpose of executing, on behalf of the Member, if the Member becomes a Defaulting Member, any of the foregoing documents or instruments.

(b) If the Defaulting Member fails to pay all sums due and owing to any Members who make advances under Section 3.4(a), for a period of 180 days after the advance, each Member who has made advances under Section 3.4(a) may foreclose on any security interest granted under this Section 3.4 by causing the principal amount of the advance to be transferred from the Defaulting

Member's Capital Account and added to the Capital Account of the Member who has made the advances, with a corresponding adjustment in that Member's and the Defaulting Member's Percentage Interests. Accrued and unpaid interest and other amounts owed to Members who have made those advances (the Noncapital Costs) shall also be paid out of the Defaulting Member's Capital Account, and if the Capital Account is not sufficient to fully pay Noncapital Costs, the available balance shall be shared pro rata in accordance with the amounts of the Nondefaulting Members' respective advances. The Defaulting Member's Percentage Interest shall be further adjusted (but not below zero) following application to Noncapital Costs. All Members agree that the foregoing constitutes and shall constitute a disposition of collateral in a commercially reasonable manner within the meaning of Commercial Code §9610. Reduction of a Defaulting Member's Capital Account to satisfy that member's repayment obligations under this Section 3.4(b) shall be deemed a return of capital to that Member to the extent of the reduction.

(c) On the occurrence of, and for the duration of, a Default by any Member, the Defaulting Member shall not have any right to vote the Defaulting Member's Membership Interest or otherwise participate in the management or control of the business and affairs of the Company, and any and all provisions of this Agreement relating to management and control shall be implemented without including the Membership Interest of the Defaulting Member. A Defaulting Member's death, disability, or inability to make a required contribution does not relieve that Defaulting Member of its contribution obligations. On satisfaction of a Defaulting Member's obligations (whether by enforcement of a remedy or otherwise) under Section 3.4(b), that Member shall be restored to full membership status to the extent of any remaining Percentage Interest.

3.5. An individual Capital Account for each Member shall be maintained in accordance with the requirements of Treasury Regulation §1.704-1(b)(2)(iv) and adjusted in accordance with the following provisions:

(a) A Member's Capital Account shall be increased by that Member's Capital Contributions, that Member's share of Profits, and any items in the nature of income or gain that are specially allocated to that Member under Article IV.

(b) A Member's Capital Account shall be increased by the amount of any Company liabilities assumed by that Member subject to and in accordance with the provisions of Treasury Regulation §1.704-1(b)(2)(iv)(c).

(c) A Member's Capital Account shall be decreased by (a) the amount of cash distributed to that Member; (b) the Fair Market Value of any property of the Company so distributed, net of liabilities secured by the distributed property that the distributee Member is considered to assume or to be subject to under Internal Revenue Code §752; and (c) the amount of any items in the nature of expenses or losses that are specially allocated to that Member under Article IV.

(d) A Member's Capital Account shall be reduced by the Member's share of any expenditures of the Company described in Internal Revenue Code §705(a)(2)(B) or that are treated as IRC section 705(a)(2)(B) expenditures under Treasury Regulation §1.704-1(b)(2)(iv)(i) (including

syndication expenses and losses nondeductible under Internal Revenue Code §267(a)(1) or §707(b)).

(e) If any Transferable Interest (or portion thereof) is Transferred, the transferee of the Transferable Interest or portion shall succeed to the transferor's Capital Account corresponding to the interest or portion.

(f) The principal amount of a promissory note that is not readily traded on an established securities market and that is contributed to the Company by the maker of the note shall not be included in the Capital Account of any Person until the Company makes a taxable disposition of the note or until (and to the extent) principal payments are made on the note, all in accordance with Treasury Regulation §1.704-1(b)(2)(iv)(d)(2).

(g) Each Member's Capital Account shall be increased or decreased as necessary to reflect a revaluation of the Company's property assets in accordance with the requirements of Treasury Regulation §§1.704-1(b)(2)(iv)(f) and 1.704-1(b)(2)(iv)(g), including the special rules under Treasury Regulation §1.701-1(b)(4), as applicable. The provisions of this Agreement respecting the maintenance of Capital Accounts are intended to comply with Treasury Regulation §1.704-1(b) and shall be interpreted and applied in a manner consistent with those Regulations.

3.6. A Member shall not be entitled to withdraw any part of the Member's Capital Contribution or to receive any distributions, whether of money or property, from the Company except as provided in this Agreement.

3.7. No interest shall be paid on Capital Contributions or on the balance of a Member's Capital Account.

3.8. A Member shall not be bound by, or be personally liable for, the expenses, liabilities, or obligations of the Company except as otherwise provided in the Act or in this Agreement.

3.9. Except as otherwise expressly provided in this Agreement, no Member shall have priority over any other Member with respect to the return of a Capital Contribution or distributions or allocations of income, gain, losses, deductions, credits, or items thereof.

#### **ARTICLE IV: ALLOCATIONS AND DISTRIBUTIONS**

4.1. The Profits and Losses of the Company and all items of Company income, gain, loss, deduction, or credit shall be allocated, for Company book purposes and for tax purposes, to each Member in accordance with that Member's Percentage Interest.

4.2 As used in this Agreement, "Profits and Losses" means, for each fiscal year or other period specified in this Agreement, an amount equal to the Company's taxable income or loss for that year or period, determined in accordance with Internal Revenue Code §703(a), including all Tax Items required to be stated separately under Internal Revenue Code §703(a)(1), with the following adjustments:



(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses shall be added to taxable income or loss;

(b) Any expenditures of the Company described in Internal Revenue Code §705(a)(2)(B) or treated as Internal Revenue Code §705(a)(2)(B) expenditures under Treasury Regulation §1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Profits or Losses shall be subtracted from taxable income or shall increase that loss. (c) Notwithstanding the foregoing provisions of this Section 4.2, any items of income, gain, loss, or deduction that are specially allocated shall not be taken into account in computing Profits or Losses under Section 4.1.

4.3. The following definitions shall apply for purposes of this Article IV.

(a) “Adjusted Capital Account Deficit” means, with respect to any Member, the deficit balance, if any, in the Member’s Capital Account as of the end of the relevant fiscal year of the Company, after the Member’s Capital Account has been adjusted as follows: (1) increased by the amount of the Member’s share of Company Minimum Gain and Member Nonrecourse Debt Minimum Gain, and (2) decreased by the amount of the items described in Treasury Regulation §1.704-1(b)(2)(ii)(d)(4)-(6).

This definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treasury Regulation §1.704-1(b)(2)(ii)(d) and shall be interpreted consistently with that Regulation.

(b) “Company Minimum Gain” has the meaning set forth in Treasury Regulation §1.704-2(d)(1).

(c) “Member Nonrecourse Debt” is defined in Treasury Regulation §1.704-2(b)(4).

(d) “Member Nonrecourse Debt Minimum Gain” for a fiscal year of the Company means the net increase in Minimum Gain attributable to Member Nonrecourse Debt, determined as set forth in Treasury Regulation §1.704-2(i)(2).

(e) “Member Nonrecourse Deductions” has the meaning set forth in Treasury Regulation §1.704-2(i)(2). For any Company fiscal year, the amount of Member Nonrecourse Deductions with respect to a Member Nonrecourse Debt equals the net increase during that fiscal year in Member Nonrecourse Debt Minimum Gain attributable to that Member Nonrecourse Debt during that fiscal year, reduced (but not below zero) by the amount of any distributions during that year to the Member bearing the economic risk of loss for Member Nonrecourse Debt if the distributions are both from the proceeds of the Member Nonrecourse Debt and are allocable to an increase in Member Nonrecourse Debt Minimum Gain attributable to the Member Nonrecourse Debt, all as determined according to the provisions of Treasury Regulation §1.704-2(i)(2). In determining Member Nonrecourse Deductions, the ordering rules of Treasury Regulation §1.704-2(j) shall be followed.

(f) “Nonrecourse Deductions” has the meaning set forth in Treasury Regulation §1.704-2(c). The amount of Nonrecourse Deductions for a Company fiscal year equals the net increase in the

amount of Company Minimum Gain during that fiscal year, reduced (but not below zero) by the aggregate amount of any distributions during that fiscal year of proceeds of a Nonrecourse Liability that are allocable to an increase in Company Minimum Gain.

(g) “Nonrecourse Liability” has the meaning set forth in Treasury Regulation §1.752-1(a)(2).

4.4. The following special allocations shall be made in the following order:

(a) Company Minimum Gain Chargeback. If there is a net decrease in Company Minimum Gain during a fiscal year, each Member shall be allocated, before any other allocation under this Section, items of Company income and gain for the fiscal year equal to that Member’s share of the net decrease in Company Minimum Gain as determined in accordance with Treasury Regulation §1.704-2(g)(2).

(b) Member Nonrecourse Debt Minimum Gain Chargeback. If there is a net decrease in Member Nonrecourse Debt Minimum Gain during a fiscal year (as defined in the Regulations), any Member with a share of the Member Nonrecourse Debt Minimum Gain attributable to that Member’s Nonrecourse Debt as of the beginning of the fiscal year should be allocated items of Company income and gain for that year (and, if necessary, subsequent years) equal to that Member’s share of the net decrease in Member Nonrecourse Debt Minimum Gain. A Member’s share of net decrease in Member Nonrecourse Debt Minimum Gain shall be determined under Treasury Regulation §1.704-2(g)(2). A Member shall not be subject to the foregoing chargeback to the extent permitted under Treasury Regulation §1.704-2(i)(4).

(c) Qualified Income Offset. If any Member unexpectedly receives an adjustment, allocation, or distribution described in Treasury Regulation §1.704-1(b)(2)(ii)(d)(4), (d)(5), or (d)(6), that Member shall be allocated items of Company income and gain (consisting of a prorata portion of each item of Company income, including gross income and gain for that fiscal year) in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of that Member as quickly as possible; provided that an allocation under this Section 4.4(c) shall be made only if and to the extent that the Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Agreement have been made as if this Section 4.4(c) were not in the Agreement.

(d) Gross Income Allocation. In the event any Member has a deficit Capital Account at the end of any Company fiscal year in excess of the sum of:

(1) The amount the Member is obligated to restore under any provision of this Agreement, and

(2) The amount the Member is deemed to be obligated to restore under Treasury Regulation §1.704-2(g)(1), (i)(5), each such Member shall be specially allocated items of Company income in the amount of the excess as quickly as possible; except that an allocation under this Section 4.4(d) shall be made only if and to the extent that the Member would have a deficit Capital Account in excess of that sum after all other allocations provided for in this Article 4 have been made as if Section 4.4(c) and this Section 4.4(d) were not in the Agreement.

(e) Member Nonrecourse Deductions. Any Member Nonrecourse Deductions for any Company fiscal year shall be specially allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which those Member Nonrecourse Deductions are attributable in accordance with Treasury Regulation §1.704-2(i)(1).

(f) Nonrecourse Deductions. Nonrecourse Deductions for any fiscal year shall be specially allocated in proportion to their respective allocations of Profits for that fiscal year.

(g) Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Company asset under Internal Revenue Code §734(b) or §743(b) is required under Treasury Regulation §1.704-1(b)(2)(iv)(m)(2) or §1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as the result of a distribution to a Member in complete liquidation of the Member's interest in the Company, the amount of the adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis), and the gain or loss shall be specially allocated to the Members in accordance with their interests in the Company in the event that Treasury Regulation §1.704-1(b)(2)(iv)(m)(2) applies, or to the Partner to whom the distribution was made in the event that Treasury Regulation §1.704-1(b)(2)(iv)(m)(4) applies.

4.5. Member Nonrecourse Deductions for any fiscal year of the Company shall be allocated to the Members in the same proportion as Profits are allocated under Section 4.1, provided that any Member Nonrecourse Deductions for any fiscal year or other period shall be allocated to the Member who bears (or is deemed to bear) the economic risk of loss with respect to the Member Nonrecourse Debt to which those Member Nonrecourse Deductions are attributable in accordance with Treasury Regulation §1.704-2(i)(2).

4.6. In any fiscal year of the Company, Profits in excess of Losses of the Company resulting from a Capital Event in that fiscal year shall be allocated to the Members in the following order:

(a) To Members whose Adjusted Capital Contributions are in excess of their Capital Accounts, in proportion to those excesses, until all of those excesses have been eliminated. "Adjusted Capital Contributions" means, with respect to each Member, the excess of that Member's contribution to the capital of the Company over all prior distributions to the Member that have resulted from Capital Events.

(b) Among the Members in the proportion that the Capital Contribution of each Member bears to the total Capital Contributions of all Members.

4.7. In any Company fiscal year, Losses in excess of Profits of the Company, resulting from a Capital Event in that fiscal year, shall be allocated to the Members with positive Capital Accounts, in proportion to their positive Capital Account balances, until no Member has a positive Capital Account. For this purpose, Capital Accounts shall be reduced by the adjustments set forth in Treasury Regulation §1.704-1(b)(2)(ii)(d)(4)-(6).

4.8. Any Unrealized Appreciation or Unrealized Depreciation in the values of Company property distributed in kind to all the Members shall be treated in accordance with applicable law.

4.9. Any item of income, gain, loss, or deduction with respect to any property (other than cash) that has been contributed by a Member to the capital of the Company, or that has been revalued under the provisions of Article III, Section 3.5(g), and that is required or permitted to be allocated to the Member for income tax purposes under Internal Revenue Code §704(c) so as to take into account the variation between the tax basis of the property and its Fair Market Value at the time of its contribution, shall be allocated solely for income tax purposes in the manner required or permitted under Internal Revenue Code §704(c) using the “traditional” method described in Treasury Regulation §1.704-3(b), except that any other method allowable under applicable Regulations may be used for any contribution of property with respect to which there is agreement among the contributing Member and the Manager (and, if the Manager and the contributing Member are Affiliates, a Majority of Members who are not Affiliates of the Manager).

4.10. In the case of a Transfer of a Transferable Interest during any fiscal year of the Company, the Transferring Member and Transferee shall each be allocated Profits or Losses based on the number of days each of them held the Transferable Interest during that fiscal year. If the Transferring Member and Transferee agree to a different proration and advise the Manager of the agreed proration before the date of the Transfer, Profits or Losses from a Capital Event during that fiscal year shall be allocated to the holder of the Transferable Interest on the day the Capital Event occurred. If a Transferee makes a subsequent Transfer, the Transferee shall be considered a “Transferring Member” with respect to the subsequent Transferee for purposes of these allocations.

4.11. (a) The Gross Asset Value of all Company property shall be adjusted at the following times: (1) on the acquisition of an interest or additional interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution; (2) on the distribution of money or other property (other than a de minimis amount) by the Company to a Member as consideration for a Transferable Interest in the Company; and (3) on the liquidation of the Company within the meaning of Treasury Regulation §1.704-1(b)(2)(ii)(g), provided, however, that adjustments under clauses (1) and (2) above shall be made only in the event of a revaluation of Company property under Article III, Section 3.5(g) in accordance with Treasury Regulation §1.704-1(b)(2)(iv)(f).

(b) The Gross Asset Value of Company property shall be increased or decreased to reflect adjustments to the adjusted tax basis of the property under Internal Revenue Code §732, §733, or §743, subject to the limitations imposed by Internal Revenue Code §755 and Treasury Regulation §1.704-1(b)(2)(iv)(m).

(c) If the Gross Asset Value of an item of property has been determined or adjusted under Article I, Section 1.24, or subsection (a) or (b) of this Section 4.11, the Gross Asset Value shall be adjusted by the Book Depreciation, if any, taken into account with respect to that property for purposes of computing Profits and Losses.

4.12. It is the intent of the Members that each Member's allocated share of Company Tax Items be determined in accordance with this Agreement to the fullest extent permitted by Internal Revenue Code §704(b)-(c). Notwithstanding anything to the contrary in this Agreement, if the Company is advised that, as a result of the adoption of new or amended regulations under Internal Revenue Code §704(b)-(c), or the issuance of authorized interpretations, the allocations provided in this Agreement are unlikely to be respected for federal income tax purposes, the Manager is granted the power to amend the allocation provisions of this Agreement, on advice of accountants and legal counsel, to the minimum extent necessary for the allocation provisions to be respected for federal income tax purposes.

4.13. All Available Cash, other than revenues or proceeds from a Capital Event or the dissolution of the Company, shall be distributed among the Members in the same manner as Profits. The parties intend that Available Cash shall be distributed as soon as practicable following the Manager's determination that cash is available for distribution. The parties acknowledge that no assurances can be given about when or whether cash shall be available for distributions to the Members.

4.14. All Available Cash resulting from a Capital Event (as distinguished from normal business operations or the dissolution of the Company) shall be distributed to the Members in accordance with their respective Percentage Interests as soon as practicable following the Manager's determination that cash is available for distribution.

4.15. If the proceeds from a sale or other disposition of an item of Company property consist of property other than cash, the value of that property shall be as determined by the Manager. If noncash proceeds are subsequently reduced to cash, that cash shall be taken into account by the Manager in determining Available Cash and the Manager shall determine whether the cash has resulted from operations or from a Capital Event.

4.16. Notwithstanding any other provisions of this Agreement to the contrary, when there is a distribution in connection with a liquidation of the Company, or when any Member's interest is liquidated, all items of income and loss first shall be allocated to the Members' Capital Accounts under this Article IV, and other credits and deductions to the Members' Capital Accounts shall be made before the final distribution is made. The final distribution to the Members shall be made as provided in Article IX, Section 9.2(d) of this Agreement. The provisions of this Section 4.16 and Article IX, Section 9.2(d), shall be construed in accordance with the requirements of Treasury Regulation §1.704-1(b)(2)(ii)(b)(2).

## **ARTICLE V: MANAGEMENT**

5.1. The business of the Company shall be managed by all the Members. A Member shall be a Manager only during the time the Member is a Member of the Company. All decisions concerning the management of the Company's business shall be made by the Vote of a Majority of Members.



5.2. Each manager shall serve until the earlier of (1) the Manager's resignation, retirement, death, or disability; (2) the Manager's removal by the Members; and (3) the expiration of the Manager's term as Manager, if a term has been designated by a Majority of Members. A new Manager shall be appointed by a Majority of Members on the occurrence of any of the foregoing events.

5.3. Each Manager shall be appointed by a Majority of Members for (a) a term expiring with the appointment of a successor, or (b) a term expiring at a definite time specified by a Majority of Members in connection with the appointment. A Manager who is not also a Member may be removed with or without cause at any time by action of a Majority of Members. A Manager who is a Member may be removed only on the Vote of all other Members.

5.4. The Manager shall have the powers and duties described in Section 5.8 of this Agreement and any other powers and duties that may be prescribed in this Agreement or by the Members. Notwithstanding the foregoing, the Manager shall not take any of the following actions on behalf of the Company unless a Majority of Members has consented to the taking of that action.

- (a) Any act that would make it impossible to carry on the ordinary business of the Company;
- (b) Any confession of a judgment against the Company;
- (c) The dissolution of the Company;
- (d) The disposition of all or a substantial part of the Company's assets not in the ordinary course of business;
- (e) The incurring of any debt not in the ordinary course of business;
- (f) A change in the nature of the principal business of the Company;
- (g) The incurring of any contractual obligation or the making of any capital expenditure with a total cost of more than \$1,000.00
- (h) The filing of a petition in bankruptcy or entering into an arrangement among the Company's creditors; and
- (i) The entering into, on behalf of the Company, of any transaction constituting a "reorganization" within the meaning of Corporations Code §17711.01.

5.5. Actions of the Managers shall be taken at meetings or as otherwise provided in this Section 5.5 by a majority of the Managers. No regular meetings of the Managers need be held. Any two Managers may call a meeting of the Managers by giving Notice of the time and place of the meeting at least 48 hours before the time of the holding of the meeting. The Notice need not specify the purpose of the meeting, nor the location if the meeting is to be held at the principal executive office of the Company.

A majority of Managers shall constitute a quorum for the transaction of business at any meeting of the Managers.

The transactions of the Managers at any meeting, however called or noticed, or wherever held, shall be as valid as though transacted at a meeting duly held after call and notice if a quorum is present and if, either before or after the meeting, each Manager not present signs a written waiver of notice or a consent to the holding of the meeting or an approval of the minutes of the meeting.

Any action required or permitted to be taken by the Managers under this Agreement may be taken without a meeting if a majority of the Managers individually or collectively consent in writing to the action.

Managers may participate in the meeting through the use of a teleconference, videoconference, or similar communications equipment, provided that all Managers participating in the meeting can hear one another.

The Managers shall keep or cause to be kept with the books and records of the Company full and accurate minutes of all meetings, notices, and waivers of notices of meetings, and all written consents to actions of the Managers.

5.6. It is acknowledged that the Manager has other business interests to which the Manager devotes part of the Manager's time. The Manager shall devote as much time to the conduct of the business of the Company as the Manager, in the Manager's own good faith and discretion, deems necessary.

5.7. The Manager shall be entitled to compensation for the Manager's services as determined by the Members, and to reimbursement for all expenses reasonably incurred by the Manager in the performance of the Manager's duties.

5.8. The Company shall have a President, who shall be a Manager. The President shall be the chief executive officer of the Company and shall have general supervision of the business and affairs of the Company, shall preside at all meetings of Members and of Managers, and shall have any other powers and duties usually vested in a chief executive officer. A Majority of the Members may provide for additional officers of the Company, may alter the powers and duties of the President, and shall establish the powers and duties of all other officers and the compensation of all Company officers.

5.9. The Manager shall cause all assets of the Company, whether real or personal, to be held in the name of the Company.

5.10. All funds of the Company shall be deposited in one or more accounts with one or more recognized financial institutions in the name of the Company, at locations determined by the Manager. Withdrawal from those accounts shall require only the signature of the Manager or any other person or persons as the Manager may designate.

## **ARTICLE VI: ACCOUNTS AND ACCOUNTING**

6.1. Complete books of account of the Company's business, in which each Company transaction shall be fully and accurately entered, shall be kept at the Company's principal executive office and at other locations that the Manager shall determine from time to time, and shall be open to inspection and copying on reasonable Notice by any Member or the Member's authorized representatives during normal business hours. The costs of inspection and copying shall be borne by the Member.

6.2. Financial books and records of the Company shall be kept on the cash method of accounting, which shall be the method of accounting followed by the Company for federal income tax purposes. The financial statements of the Company shall be appropriate and adequate for the Company's business and for carrying out the provisions of this Agreement. The fiscal year of the Company shall be January 1 through December 31.

6.3. At all times during the term of existence of the Company, and beyond that term if the Manager deems it necessary, the Manager shall keep or cause to be kept the books of account referred to in Section 6.2, together with:

- (a) A current list of the full name and last known business or residence address of each Member, together with the Capital Contribution and the share in Profits and Losses of each Member;
- (b) A current list of the full name and business or residence address of each Manager;
- (c) A copy of the Articles of Organization, as amended;
- (d) Copies of the Company's federal, state, and local income tax or information returns and reports, if any, for the six most recent taxable years;
- (e) An original executed copy or counterparts of this Agreement, as amended;
- (f) Any powers of attorney under which the Articles of Organization or any amendments to said articles were executed;
- (g) Financial statements of the Company for the six most recent fiscal years; and
- (h) The books and Records of the Company as they relate to the Company's internal affairs for the current and past four fiscal years.

If the Manager deems that any of the foregoing items shall be kept beyond the term of existence of the Company, the repository of those items shall be as designated by the Manager.

6.4. At the end of each fiscal year, the books of the Company shall be closed and examined, statements reflecting the financial condition of the Company and its Profits or Losses shall be prepared, and a report about those matters shall be issued by the Company's certified public

accountants. Copies of the financial statements shall be given to all Members. In addition, all Members shall receive, not less frequently than at the end of each calendar quarter, copies of such financial statements regarding the previous calendar quarter as may be prepared in the ordinary course of business by the Manager or accountants selected by the Manager. The Manager shall cause an annual report to be sent to each Member within 120 days after the end of the fiscal year of the Company. The annual report may be sent by electronic transmission by the Company and shall include:

(a) A balance sheet and income statement, and a statement of cash flows of the Company as of the close of the fiscal year; and

(b) A statement showing the Capital Account of each Member as of the close of the fiscal year and the distributions, if any, made to each Member during the fiscal year. Members representing at least 30 percent of the Members, by number, may request interim balance sheets and income statements, and may, at their own discretion and expense, obtain an audit of the Company books by certified public accountants selected by them; provided, however, that not more than one such audit shall be made during any fiscal year of the Company.

6.5. Within 90 days after the end of each taxable year of the Company, the Manager shall send to each of the Members all information necessary for the Members to complete their federal and state income tax or information returns and a copy of the Company's federal, state, and local income tax or information returns for that year.

6.6. Sal Alvarez shall act as Partnership Representative of the Company under Internal Revenue Code §6231(a)(7).

6.7. The Partnership Representative is authorized to do the following:

(a) Keep the Members informed of administrative and judicial proceedings for the adjustment of Company items (as defined in Internal Revenue Code §6231(a)(3)) at the Company level, as required under Internal Revenue Code §6223(g) and the implementing Regulations;

(b) Enter into settlement agreements under Internal Revenue Code §6224(c)(3) and applicable Regulations with the Internal Revenue Service or the Secretary of the Treasury (the Secretary) with respect to any tax audit or judicial review, in which agreement the Partnership Representative may expressly state that the agreement shall bind the other Members;

(c) On receipt of a notice of a final Company administrative adjustment, to file a petition for readjustment of the Company items with the Tax Court, the District Court of the United States for the district in which the Company's principal place of business is located, or the United States Court of Federal Claims, all as contemplated under Internal Revenue Code §6226(a) and applicable Regulations;

(d) File requests for administrative adjustment of Company items on Company tax returns under Internal Revenue Code §6227(b) and applicable Regulations; and, to the extent those requests are not allowed in full, file a petition for adjustment with the Tax Court, the District

Court of the United States for the district in which the Company's principal place of business is located, or the United States Court of Federal Claims, all as contemplated under Internal Revenue Code §6228(a); and

(e) Take any other action on behalf of the Members or the Company in connection with any administrative or judicial tax proceeding to the extent permitted by law or regulations, including retaining tax advisers (at the expense of the Company) to whom the Partnership Representative may delegate such rights and duties as deemed necessary and appropriate.

## **ARTICLE VII: MEMBERSHIP—MEETINGS, VOTING, INDEMNITY**

7.1. There shall be only one class of membership and no Member shall have any rights or preferences in addition to or different from those possessed by any other Member, except as specifically provided in Article IV. Members shall have the right and power to appoint, remove, and replace Managers and officers of the Company and the right to Vote on all other matters with respect to which this Agreement or the Act requires or permits Member action. Each Member shall Vote in proportion to the Member's Percentage Interest as of the governing record date, determined in accordance with Section 7.2. If a Member has transferred all or part of the Member's Transferable Interest to a person who has not been admitted as a Member, the Transferring Member shall Vote in proportion to the Percentage Interest that the Transferring Member would have had if the transfer had not been made.

Without limiting the foregoing, all of the following acts shall require the unanimous Vote of the Members:

(a) The Transfer of a Membership Interest and the admission of the Transferee as a Member of the Company;

(b) Any amendment of the articles of organization or this Agreement; and

(c) A compromise of the obligation of a Member to make a Capital Contribution under Article III.

7.2. The record date for determining the Members entitled to receive Notice of any meeting, to Vote, to receive any distribution, or to exercise any right in respect of any other lawful action, shall be the date set by the Manager or by a Majority of Members; provided that the record date shall not be more than 60, or less than 10 calendar days before the date of the meeting and not more than 60 calendar days before any other action. In the absence of any action setting a record date, the record date shall be determined in accordance with Corporations Code §17704.07(p).

7.3. The Company may, but is not required to, issue certificates evidencing Membership Interests (Membership Interest Certificates) to Members of the Company. Once Membership Interest Certificates have been issued, they shall continue to be issued as necessary to reflect current Membership Interests held by Members. Membership Interest Certificates shall be in a form approved by the Manager, shall be manually signed by the Manager, and shall bear conspicuous legends evidencing the restrictions on Transfer and the purchase rights of the



Company and Members set forth in Article VIII. All issuances, reissuances, exchanges, and other transactions in Membership Interests involving Members shall be recorded in a permanent ledger as part of the books and records of the Company.

7.4. Meetings of the Members may be called at any time by the Manager, or by Members representing more than 10 percent of the Interests of the Members, for the purpose of addressing any matters on which the Members may Vote. If a meeting of the Members is called by the Members, Notice of the call shall be delivered to the Manager. Meetings may be held at the principal executive office of the Company or at any other location designated by the Manager. Following the call of a meeting, the Manager shall give Notice of the meeting not less than 10, nor more than 60, calendar days before the meeting date to all Members entitled to Vote at the meeting. The Notice shall state the place, date, and hour of the meeting, the means of electronic transmission by and to the Company or electronic video communication, if any, and the general nature of business to be transacted. No other business may be transacted at the meeting. A quorum at any meeting of Members shall consist of a Majority of Members, represented in person or by Proxy. The Members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of a sufficient number of Members to leave less than a quorum, if the action taken, other than adjournment, is approved by the requisite Percentage of Members as specified in this Agreement or the Act.

7.5. A meeting of Members at which a quorum is present may be adjourned to another time or place and any business that might have been transacted at the original meeting may be transacted at the adjourned meeting. If a quorum is not present at an original meeting, that meeting may be adjourned by the Vote of a majority of Voting Interests represented either in person or by Proxy. Notice of the adjourned meeting need not be given to Members entitled to Notice if the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken, unless (a) the adjournment is for more than 45 days, or (b) after the adjournment, a new record date is fixed for the adjourned meeting. In the situations described in clauses (a) and (b), Notice of the adjourned meeting shall be given to each Member of record entitled to Vote at the adjourned meeting.

7.6. The transactions of any meeting of Members, however called and noticed, and wherever held, shall be as valid as though consummated at a meeting duly held after regular call and notice, if (a) a quorum is present at that meeting, either in person or by Proxy, and (b) either before or after the meeting, each of the persons entitled to Vote, not present in person or by Proxy, signs either a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. Attendance of a Member at a meeting shall constitute waiver of notice, unless that Member objects, at the beginning of the meeting, to the transaction of any business on the ground that the meeting was not lawfully called or convened. Attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be described in the notice of the meeting and not so included, if the objection is expressly made at the meeting.

7.7. At all meetings of Members, a Member may Vote in person or by Proxy. The Proxy shall be filed with the Manager before or at the time of the meeting, and may be filed by facsimile

transmission to the Manager at the principal executive office of the Company or any other address given by the Manager to the Members for those purposes.

7.8. A meeting of the Members may be conducted, in whole or in part, by electronic transmission by and to the Company or by electronic video communication if (1) the Company implements reasonable measures to provide Members (in person or by Proxy) a reasonable opportunity to participate in the meeting and to vote on matters submitted to the Members, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with those proceedings, and if (2) any Member Votes or takes other action at the meeting by means of electronic transmission to the Company or electronic video communication, a record of that vote or action is maintained by the Company.

7.9. Any action that may be taken at any meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by Members having not less than the minimum number of Votes that would be necessary to authorize or take that action at a meeting at which all Members entitled to Vote were present and voted. If the Members are requested to consent to a matter without a meeting, each Member shall be given notice of the matter to be voted on in the manner described in Section 7.4. Any action taken without a meeting shall be effective when the required minimum number of Votes have been received. Prompt Notice of the action taken shall be given to all Members who have not consented to the action.

7.10. No Member acting solely in the capacity of a Member is an agent of the Company, nor can any Member acting solely in the capacity of a Member bind the Company or execute any instrument on behalf of the Company. Accordingly, each Member shall indemnify, defend, and hold harmless each other Member and the Company from and against any and all loss, cost, expense, liability, or damage arising from or out of any claim based on any action by the Member in contravention of the first sentence of this Section 7.10.

## **ARTICLE VIII: TRANSFERS OF MEMBERSHIP INTERESTS**

8.1. A Member may not dissociate from the Company without the written consents of all remaining Members. Dissociation shall not release a Member from any obligations and liabilities under this Agreement accrued or incurred before the effective date of dissociation. A dissociating Member shall have only the rights of a holder of a Transferable Interest in the Company in respect of the Member's Membership Interest in the Company. Unless all remaining Members consent to the dissociation, the dissociating Member shall not be entitled to a distribution of its Transferable Interest until the dissolution and liquidation of the Company. For purposes of this Section 8.1, the term "Transferable Interest" shall not mean or include any right to share in the income, gains, losses, deductions, credits, or similar items of the Company attributable to any period following dissociation, or any right to information concerning the business and affairs of the Company, except as provided in Corporations Code §17704.10.

8.2. Except as expressly provided in this Agreement, a Member shall not Transfer any part of the Member's Membership Interest in the Company, whether now owned or later acquired, unless (a) the other Members unanimously approve the transferee's admission to the Company as

a Member on that Transfer and (b) the Membership Interest to be Transferred, when added to the total of all other Membership Interests Transferred in the preceding 12 months, shall not cause the termination of the Company under the Code. No Member may Encumber or permit or suffer any Encumbrance of all or any part of the Member's Membership Interest in the Company unless the Encumbrance has been approved in writing by the Manager. Approval may be granted or withheld in the Manager's sole discretion. Any Transfer or Encumbrance of a Membership Interest without that approval shall be void. Notwithstanding any other provision of this Agreement to the contrary, a Member who is a natural person may Transfer all or any portion of his or her Membership Interest to any revocable trust created for the benefit of the Member, or any combination between or among the Member, the Member's spouse or domestic partner, and the Member's issue, provided that the Member retains a beneficial interest in the trust and all of the Voting Interest included in the Membership Interest. A Transfer of a Member's beneficial interest in the trust, or failure to retain the Voting Interest, shall be deemed a Transfer of a Membership Interest.

8.3. If a Member wishes to Transfer any or all of the Member's Membership Interest in the Company under a Bona Fide Offer (as defined below), the Member shall give Notice to all other Members at least 30 days in advance of the proposed sale or Transfer, indicating the terms of the Bona Fide Offer and the identity of the offeror. The Company and the other Members shall have the option to purchase the Membership Interest proposed to be transferred at the price and on the terms provided in this Agreement. If the price for the Membership Interest is other than cash, the fair value in dollars of the price shall be as established in good faith by the Company. For purposes of this Agreement, "Bona Fide Offer" means an offer in writing setting forth all relevant terms and conditions of purchase from an offeror who is ready, willing, and able to consummate the purchase and who is not an Affiliate of the selling Member. For 30 days after the Notice is given, the Company shall have the right to purchase the Membership Interest offered, on the terms stated in the Notice, for the lesser of (a) the price stated in the Notice (or the price plus the dollar value of noncash consideration, as the case may be) and (b) the price determined under the appraisal procedures set forth in Section 8.8.

If the Company does not exercise the right to purchase all of the Membership Interest, then, with respect to the portion of the Membership Interest that the Company does not elect to purchase, that right shall be given to the other Members for an additional 30-day period, beginning on the day that the Company's right to purchase expires. Each of the other Members shall have the right to purchase, on the same terms, a part of the interest of the offering Member in the proportion that the Member's Percentage Interest bears to the total Percentage Interests of all of the Members who choose to participate in the purchase; provided, however, that the Company and the participating Members may not, in the aggregate, purchase less than the entire interest to be sold by the offering Member.

If the Company and the other Members do not exercise their rights to purchase all of the Membership Interest, the offering Member may, within 90 days from the date the Notice is given and on the terms and conditions stated in the Notice, sell or exchange that Membership Interest to the offeror named in the Notice. Unless the requirements of Section 8.2 are met, the offeror under this Section 8.3 shall become a Transferee, and shall be entitled to receive only the share

of Profits or other compensation and the return of Capital Contribution to which the transferring Member would have been entitled.

8.4. On the happening of any of the following events (Triggering Events), the Company and the other Members shall have the option to purchase the Membership Interest of a Member (Selling Member) at the price and on the terms provided in Section 8.8 of this Agreement:

(a) The death, incapacity, bankruptcy, or dissociation of a Member, or the winding up and dissolution of a corporate Member, or the merger or other corporate reorganization of a corporate Member as a result of which the corporate Member does not survive as an entity.

(b) The failure of a Member to make the Member's Capital Contribution under the provisions of Article III of this Agreement.

(c) The occurrence of any other event that is, or that would cause, a Transfer in contravention of this Agreement.

Each Member agrees to promptly give Notice of a Triggering Event to all other Members.

8.5. Notwithstanding any other provisions of this Agreement:

(a) If, in connection with the divorce or dissolution of the marriage of a Member, any court issues a decree or order that transfers, confirms, or awards a Membership Interest, or any portion of it, to that Member's spouse (an "Award"), then, notwithstanding that the transfer would constitute an unpermitted Transfer under this Agreement, that Member shall have the right to purchase from his or her former spouse the Membership Interest, or portion of it, that was so transferred, and the former spouse shall sell the Membership Interest or portion of it to that Member at the price set forth below in Section 8.8 of this Agreement. If the Member has failed to consummate the purchase within 180 days after the court Award (the Expiration Date), the Company and the other Members shall have the option to purchase from the former spouse the Membership Interest or portion of it under Section 8.6 of this Agreement, provided that the option period shall commence on the later of (1) the day following the Expiration Date, or (2) the date of actual notice of the Award.

(b) If, by reason of the death of a spouse of a Member, any portion of a Membership Interest is transferred to a Transferee other than (1) that Member or (2) a trust created for the benefit of that Member (or for the benefit of that Member and any combination between or among the Member and the Member's issue) in which the Member is the sole Trustee and the Member, as Trustee or individually possesses all of the Voting Interest included in that Membership Interest, then the Member shall have the right to purchase the Membership Interest or portion of it from the estate or other successor of his or her deceased spouse or Transferee of the deceased spouse, and the estate, successor, or Transferee shall sell the Membership Interest or portion of it at the price set forth in Section 8.8 of this Agreement. If the Member has failed to consummate the purchase within 180 days after the date of death (the Expiration Date), the Company and the other Members shall have the option to purchase from the estate or other successor of the deceased spouse the Membership Interest or portion of it under Section 8.6 of this Agreement, provided

that the option period shall commence on the later of (1) the day following the Expiration Date, or (2) the date of actual notice of the death.

8.6. On the receipt of Notice by the Manager and the other Members as contemplated by Sections 8.1, 8.3, and 8.5, and on receipt of actual notice of any Triggering Event as determined in good faith by the Manager (the date of the receipt is hereinafter referred to as the "Option Date"), the Manager shall promptly cause a Notice of the occurrence of a Triggering Event to be sent to all Members, and the Company shall have the option, for a period ending 30 calendar days following the determination of the purchase price as provided in Section 8.8, to purchase the Membership Interest in the Company to which the option relates, at the price and on the terms set forth in Section 8.8 of this Agreement, and the other Members, pro rata in accordance with their prior Membership Interests in the Company, shall then have the option, for a period of 30 days thereafter, to purchase the Membership Interest in the Company not purchased by the Company, on the same terms and conditions as apply to the Company. If all other Members do not elect to purchase the entire remaining Membership Interest in the Company, then the Members electing to purchase shall have the right, pro rata in accordance with their prior Membership Interests in the Company, to purchase the additional Membership Interest in the Company available for purchase. The transferee of the Membership Interest in the Company that is not purchased shall hold the Membership Interest in the Company subject to all of the provisions of this Agreement.

8.7. Neither the Member whose interest is subject to purchase under this Article, nor that Member's Affiliate, shall participate in any Vote or discussion of any matter pertaining to the disposition of the Member's Membership Interest in the Company under this Agreement.

8.8. The purchase price of the Membership Interest that is the subject of an option under Section 8.6. shall be the Fair Option Price of the interest as determined under this Section 8.8. The term "Fair Option Price" means the cash price that a willing buyer would pay to a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts on the Option Date. Each of the selling and purchasing parties shall use his, her, or its best efforts to mutually agree on the Fair Option Price. If the parties are unable to so agree within 30 days of the Option Date, the selling party shall appoint, within 40 days of the Option Date, one appraiser, and the purchasing party shall appoint within 40 days of the Option Date, one appraiser. The two appraisers shall within a period of 5 additional days, agree on and appoint an additional appraiser. The three appraisers shall, within 60 days after the appointment of the third appraiser, determine the Fair Option Price of the Membership Interest in writing and submit their report to all the parties.

The Fair Option Price shall be determined by disregarding the appraiser's valuation that diverges the most from each of the other two appraisers' valuations, and the arithmetic mean of the remaining two appraisers' valuations shall be the Fair Option Price. Each purchasing party shall pay for the services of the appraiser selected by it, plus one-half of the fee charged by the third appraiser, and one-half of all other costs relating to the determination of Fair Option Price. The Fair Option Price as so determined shall be payable in cash.



8.9. Except as expressly permitted under Section 8.2, a prospective transferee (other than an existing Member) of a Membership Interest may be admitted as a Member with respect to the Membership Interest (Substituted Member) only (a) on the unanimous Vote of the other Members in favor of the prospective transferee's admission as a Member, and (b) on the prospective transferee's executing a counterpart of this Agreement as a party to it. Any prospective transferee of a Membership Interest shall be deemed a Transferee, and, therefore, the owner of only a Transferable Interest until the prospective transferee has been admitted as a Substituted Member. Except as otherwise permitted in the Act, any such Transferee shall be entitled only to receive allocations and distributions under this Agreement with respect to the Membership Interest and shall have no right to Vote or exercise any rights of a Member until the Transferee has been admitted as a Substituted Member. Until the Transferee becomes a Substituted Member, the Transferring Member shall continue to be a Member and have the power to exercise any rights and powers of a Member under this Agreement, including the right to Vote in proportion to the Percentage Interest that the Transferring Member would have had if the transfer had not been made.

8.10. Any person admitted to the Company as a Substituted Member shall be subject to all the provisions of this Agreement that apply to the Member from whom the Membership Interest was transferred, except that the transferring Member shall not be released from liabilities as a Member solely as a result of the transfer, both with respect to obligations to the Company and to third parties incurred before the transfer.

8.11. The initial sale of Membership Interests in the Company to the Initial Members has not been qualified or registered under the securities laws of any state, including California, or registered under the Securities Act of 1933, in reliance on exemptions from the registration provisions of those laws. Notwithstanding any other provision of this Agreement, Membership Interests may not be Transferred unless registered or qualified under applicable state and federal securities laws unless, in the opinion of legal counsel satisfactory to the Company, qualification or registration is not required. A Member who desires to transfer a Membership Interest shall be responsible for all legal fees incurred in connection with that opinion.

## **ARTICLE IX: DISSOLUTION AND WINDING UP**

9.1. The Company shall be dissolved on the first to occur of the following events:

- (a) The written agreement of a Majority of Members to dissolve the Company.
- (b) The sale or other disposition of substantially all of the Company's assets.
- (c) Entry of a decree of judicial dissolution under Corporations Code §17707.03.

9.2. On the dissolution of the Company, the Company shall engage in no further business other than that necessary to wind up the business and affairs of the Company. The Manager or, if there is no Manager, the Members, shall wind up the affairs of the Company. The Manager or Members winding up the affairs of the Company shall give Notice of the commencement of winding up by mail to all known creditors and claimants against the Company whose addresses

appear in the records of the Company. After paying or adequately providing for the payment of all known debts of the Company (except debts owing to Members), the remaining assets of the Company shall be distributed or applied in the following order:

- (a) To pay the expenses of liquidation;
- (b) To the establishment of reasonable reserves for contingent liabilities or obligations of the Company. On the determination that reserves are no longer necessary, they shall be distributed as provided in this Section 9.2;
- (c) To repay outstanding loans to Members. If there are insufficient funds to pay those loans in full, each Member shall be repaid in the ratio that the Member's loan, together with accrued and unpaid interest, bears to the total of all loans from Members, including all accrued and unpaid interest. Repayment shall first be credited to unpaid principal and the remainder shall be credited to accrued and unpaid interest; and
- (d) Among the Members with Positive Capital Account Balances as provided in Article IV, Section 4.16.

9.3. Each Member shall look solely to the assets of the Company for the return of the Member's investment, and if Company property remaining after the payment or discharge of the Company's debts and liabilities is insufficient to return the investment of each Member, the Member shall have no recourse against any other Members for indemnification, contribution, or reimbursement, except as specifically provided in this Agreement.

## **ARTICLE X: NONCOMPETITION AND CONFIDENTIALITY**

10.1. Each Member covenants with the Company and each other Member that on the Transfer of the Member's Membership Interest, whether voluntary, involuntary, by operation of law, or by reason of any provision of this Agreement, the Member shall not, directly or indirectly, through an Affiliate or otherwise, in the following geographic area: City of Hollister or elsewhere where the Company conducts its business, for a period of one year following the date of the Transfer

- (a) Engage in any business in any way similar to or competitive with the business of the Company;
- (b) Enter into any agreement or understanding, written or oral, relating to the services of any employee of the Company;
- (c) Solicit the business of, enter into any agreement, written or oral, or otherwise deal with any customers of the Company, who were customers at the time of the Transfer; or
- (d) Use or disclose in any manner any Confidential Information.

10.2. “Confidential Information” means all trade secrets, “know-how,” customer lists, pricing policies, operational methods, programs, and other business information of the Company created, developed, produced, or otherwise arising before the date of the Transfer.

10.3. Each Member stipulates that a breach of the provisions of this Article X shall result in irreparable damage and injury to the Company for which no money damages could adequately compensate it. If the Member breaches the provisions of this Agreement, in addition to all other remedies to which the Company may be entitled, and notwithstanding the provisions of Article XI, Section 11.2, the Company shall be entitled to an injunction to enforce the provisions of this Agreement, to be issued by any court of competent jurisdiction, to enjoin and restrain the Member and each and every Person concerned or acting in concert with the Member from the continuance of that breach. Each Member expressly waives any claim or defense that an adequate remedy at law might exist for any such breach.

10.4. If any provision in this Article X is deemed to exceed the time or geographic limits or any other limitation imposed by applicable law in any jurisdiction, that provision shall be deemed reformed in that jurisdiction to the maximum extent permitted by applicable law.

## **ARTICLE XI: INDEMNIFICATION AND ARBITRATION**

11.1. The Company shall have the power to indemnify any Person who was or is a party, or who is threatened to be made a party, to any Proceeding by reason of the fact that the Person was or is a Member, Manager, officer, employee, or other agent of the Company, or was or is serving at the request of the Company as a director, officer, employee, or other Agent of another limited liability company, corporation, partnership, joint venture, trust, or other enterprise, against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by that Person in connection with the proceeding, if that Person acted in good faith and in a manner that the Person reasonably believed to be in the best interests of the Company, and, in the case of a criminal proceeding, the Person had no reasonable cause to believe that the Person’s conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or on a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Person did not act in good faith and in a manner that the Person reasonably believed to be in the best interests of the Company, or that the Person had reasonable cause to believe that the Person’s conduct was unlawful.

To the extent that an agent of the Company has been successful on the merits in defense of any Proceeding, or in defense of any claim, issue, or matter in any Proceeding, the agent shall be indemnified against expenses actually and reasonably incurred in connection with the Proceeding. In all other cases, indemnification shall be provided by the Company only if authorized in the specific case by a Majority of Members.

“Agent,” as used in this Section 11.1, shall include a trustee or other fiduciary of a plan, trust, or other entity or arrangement described in Corporations Code §207(f).

“Proceeding,” as used in this Section 11.1, means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative.

Expenses of each Person indemnified under this Agreement actually and reasonably incurred in connection with the defense or settlement of a proceeding may be paid by the Company in advance of the final disposition of the proceeding, as authorized by the Managers who are not seeking indemnification or, if there are none, by a Majority of the Members, on receipt of an undertaking by that Person to repay that amount unless it shall ultimately be determined that the Person is entitled to be indemnified by the Company. "Expenses," as used in this Section 11.1, includes, without limitation, attorney fees and expenses of establishing a right to indemnification, if any, under this Section 11.1.

11.2. Any action to enforce or interpret this Agreement, or to resolve disputes over this Agreement between the Company and a Member, or between or among the Members, shall be settled by arbitration in accordance with the rules of the American Arbitration Association. Arbitration shall be the exclusive dispute resolution process in the state of California, but arbitration shall be a nonexclusive process elsewhere. Any party may commence arbitration by sending a written demand for arbitration to the other parties. The demand shall set forth the nature of the matter to be resolved by arbitration. The Manager shall select the place of arbitration. The substantive law of the state of California shall be applied by the arbitrator to the resolution of the dispute. The parties shall share equally all initial costs of arbitration. The prevailing party shall be entitled to reimbursement of attorney fees, costs, and expenses incurred in connection with the arbitration. All decisions of the arbitrator shall be final, binding, and conclusive on all parties. Judgment may be entered on any such decision in accordance with applicable law in any court having jurisdiction of it. The arbitrator (if permitted under applicable law) or the court may issue a writ of execution to enforce the arbitrator's decision.

## **ARTICLE XII: ATTORNEY-IN-FACT AND AGENT**

12.1. Each Member, by execution of this Agreement, irrevocably constitutes and appoints each Manager and any of them acting alone as the Member's true and lawful attorney-in-fact and agent, with full power and authority in the Member's name, place, and stead to execute, acknowledge, and deliver, and to file or record in any appropriate public office: (a) any certificate or other instrument that may be necessary, desirable, or appropriate to qualify the Company as a limited liability company or to transact business as one in any jurisdiction in which the Company conducts business; (b) any certificate or amendment to the Company's articles of organization or to any certificate or other instrument that may be necessary, desirable, or appropriate to reflect an amendment approved by the Members in accordance with the provisions of this Agreement; (c) any certificates or instruments that may be necessary, desirable, or appropriate to reflect the dissolution and winding up of the Company; and (d) any certificates necessary to comply with the provisions of this Agreement. This power of attorney shall be deemed to be coupled with an interest and shall survive the Transfer of the Member's Transferable Interest. Notwithstanding the existence of this power of attorney, each Member agrees to join in the execution, acknowledgment, and delivery of the instruments referred to above if requested to do so by a Manager. This power of attorney is a limited power of attorney and does not authorize any Manager to act on behalf of a Member except as described in this Article XII.

### **ARTICLE XIII: GENERAL PROVISIONS**

13.1. This Agreement constitutes the whole and entire agreement of the parties with respect to its subject matter, and it shall not be modified or amended in any respect except by a written instrument executed by all the parties. This Agreement replaces and supersedes all prior written and oral agreements by and among the Members and Managers or any of them.

13.2. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Executed counterparts of this agreement may be delivered by facsimile transmission or by delivery of a scanned counterpart in portable document format (PDF) by e-mail, in either case with delivery confirmed. On such confirmed delivery, the signatures in the facsimile or PDF data file shall be deemed to have the same force and effect as if the manually signed counterpart had been delivered to the other party in person.

13.3. This Agreement shall be construed and enforced in accordance with the laws of the state of California. If any provision of this Agreement is determined by any court of competent jurisdiction or arbitrator to be invalid, illegal, or unenforceable to any extent, that provision shall, if possible, be construed as though more narrowly drawn, if a narrower construction would avoid that invalidity, illegality, or unenforceability or, if that is not possible, the provision shall, to the extent of that invalidity, illegality, or unenforceability, be severed, and the remaining provisions of this Agreement shall remain in effect.

13.4. This Agreement shall be binding on and inure to the benefit of the parties and their heirs, personal representatives, and permitted successors and assigns.

13.5. Whenever used in this Agreement, the singular shall include the plural and the plural shall include the singular, and the neuter gender shall include the male and female as well as a trust, firm, company, or corporation, all as the context and meaning of this Agreement may require.

13.6. The parties to this Agreement shall promptly execute and deliver any and all additional documents, instruments, notices, and other assurances, and shall do any and all other acts and things reasonably necessary in connection with the performance of their respective obligations under this Agreement and to carry out the intent of the parties.

13.7. Except as provided in this Agreement, no provision of this Agreement shall be construed to limit in any manner the Members in the carrying on of their own respective businesses or activities.

13.8. Except as provided in this Agreement, no provision of this Agreement shall be construed to establish a Member as the agent of any other Member.

13.9. Each Member represents and warrants to the other Members that the Member has the capacity and authority to enter into this Agreement.

13.10. The article, section, and subsection titles and headings in this Agreement are inserted as matters of convenience and for ease of reference only and shall be disregarded for all other purposes, including the construction or enforcement of this Agreement or any of its provisions.

13.11. This Agreement may be altered, amended, or repealed only by a writing signed by all of the Members.

13.12. Time is of the essence for every provision of this Agreement that specifies a time for performance.

13.13. This Agreement is made solely for the benefit of the parties to this Agreement and their respective permitted successors and assigns, and no other person or entity shall have or acquire any right by virtue of this Agreement.

IN WITNESS WHEREOF, the parties have executed or caused to be executed this Agreement on the day and year first above written.

Date: \_\_\_\_\_

\_\_\_\_\_  
Sal Alvarez

Date: \_\_\_\_\_

\_\_\_\_\_  
Jose Alvarez



## **EXHIBIT A**

### **Membership Interests and Capital Contributions**

Member	Address	Percentage Interest	Contribution*	Fair Market Value
Sal Alvarez	8065 San Miguel Canyon Rd, Salinas, CA 93907	10.00	\$10,000	\$10,000
Jose Alvarez	8065 San Miguel Canyon Rd, Salinas, CA 93907	90.00	\$90,000	\$90,000

\*All contributions were without liabilities or other encumbrances

**7**

## **7. NAMES OF OWNERS AND OFFICERS**

### **Sal Magana Alvarez**

DOB: October 22, 1969  
Birth Place: Puruandiro Mexico  
Address: 8065 San Miguel Canyon Road  
Prunedale, CA 93907  
Email: salalvarez@yahoo.com

### **Jose Magana Alvarez**

DOB: February 8, 1968  
Birth Place: Puruandiro Mexico  
Address: 8065 San Miguel Canyon Road  
Prunedale, CA 93907  
Email: a.aelectric58@yahoo.com

Please see Section 1 for more information and photos.

8

## **8. BUSINESS PLAN**

- 8A. DAY TO DAY OPERATIONS
- 8B. CONFORMING TO STATE AND LOCAL LAW | DIVERSION PREVENTION
- 8C. TRACK AND TRACE
- 8D. PROPOSED CONSTRUCTION AND TIMELINE FOR COMPLETION
- 8E. ESTIMATED BUDGET
- 8F. PROOF OF CAPITALIZATION
- 8G. PRO FORMA

**8A**



Responsible for inventory control and track and trace procedures from procurement to sale. All cannabis products brought into inventory will be continuously stored separately from verified inventory, until the following occurs:

- The cannabis batch passes the testing requirements pursuant to this division and is transported to a licensed retailer.
- The cannabis batch fails the testing requirements pursuant to this division and is destroyed or transported to a manufacturer for remediation as allowed by the Bureau or the Department of Public Health.
  - Sanborn Distribution shall arrange for a testing laboratory to obtain a representative sample of each cannabis batch at the premises. After obtaining the sample, the testing laboratory representative shall maintain custody of the sample and transport it to the testing laboratory.
  - Upon issuance of a certificate of analysis by the testing laboratory that the cannabis batch has passed the testing requirements pursuant to this division, the applicant shall conduct a quality assurance review before distribution to ensure the labeling and packaging of the cannabis and cannabis products conform to the requirements of this division.

From there, a combination of batch production record instruction, inventory management, and product shipping manifests ensure that an accurate traceable record of produced cannabis is maintained. The overall time frame from samples being taken to the return of analytical reports is expected to be approximately one week, in line with historical data provided by the testing laboratory (local third-party testing facility).

#### Products:

Sanborn Distribution intends to provide a variety of cannabis products to dispensaries and manufacturers locally in Monterey County and the surrounding area. Sanborn Distribution's proposed new distribution facility will focus on sourcing popular cannabis selections from local cultivators and manufacturers, and provide them to retail sites in the City of Salinas, Monterey County and throughout the state.

Sanborn Distribution will pride itself on providing the largest selection of Monterey County locally produced and manufactured cannabis products. These products will include:

- Cannabis flower
- Vapor cartridges
- Oral applicators
- Oral sprays
- Soft gel caps
- Concentrates (i.e. shatter, wax, crumble, rosin, etc.)
- Edibles
- Tinctures
- Salves
- Balms
- Lotions

- Bath bombs
- Cosmetics

Sanborn Distribution will offer a sufficient variety of cannabis products to potentially provide relief from many known ailments, and will keep abreast of ongoing research by industry/medical professionals to further refine product lines it distributes from a health standpoint and to obtain further varieties to address medical conditions for which its use is authorized under California law.

#### 3rd Party Testing:

Cannabis products are sampled and tested to ensure that data is obtained prior to further packaging, labeling, or sale of medicinal cannabis. Testing is performed to provide analysis for the following medicinal cannabis content and purity attributes:

- Impurities
- Mycotoxin
- Microbiology
- Heavy Metals
- Chemical Residue
- Pesticide Content

Pass/Fail criteria will comply with the State of California and Local Guidelines.

#### Content

- THC%
- THCA%
- CBD%
- CBDA%
- Other (will be identified on label if greater than 0.1%)

Our batch record and BioTrackTHC software application mandates the inclusion of the 3rd party laboratory results into our batch record keeping data and ultimately the product label. Only cannabis products that have passed all testing may be brought into inventory as products for sale. The content profile will be included on final package labeling.

After testing, cannabis and cannabis products fit for sale will be stored in inventory until transported for sale to the premises of a licensed retailer, micro-business, or manufacturer.

#### Quality Assurance Review:

Before lab-tested product can be brought into inventory and allowed for sale, the Inventory Manager must verify the product packaging and labeling meets the following criteria:

- Verify the product is not misbranded.
- A cannabis product is misbranded if it is any of the following:
  - Manufactured, packed, or held in this state in a manufacturing premises not duly licensed as provided in this division.

- Its labeling is false or misleading in any way.
  - Its labeling or packaging does not conform to requirements or any other labeling or packaging requirement established pursuant to this division.
- It is unlawful for any person to manufacture, sell, deliver, hold, or offer for sale a cannabis product that is misbranded.
- It is unlawful for any person to misbrand a cannabis product.
- It is unlawful for any person to receive in commerce a cannabis product that is misbranded or to deliver or offer for delivery any such cannabis product.
- Verify edibles are:
  - Not designed to be appealing to children or easily confused with commercially sold candy or foods that do not contain cannabis.
  - Produced and sold with a standardized concentration of cannabinoids not to exceed ten (10) milligrams tetrahydrocannabinol (THC) per serving.
  - Delineated or scored into standardized serving sizes if the cannabis product contains more than one serving and is an edible cannabis product in solid form.
  - Homogenized to ensure uniform disbursement of cannabinoids throughout the product.
  - Manufactured and sold under sanitation standards established by the State Department of Public Health, in consultation with the Bureau, that are similar to the standards for preparation, storage, handling, and sale of food products.
  - Provided to customers with sufficient information to enable the informed consumption of the product, including the potential effects of the cannabis product and directions as to how to consume the cannabis product, as necessary.
  - Cannabis, including concentrated cannabis, included in a cannabis product manufactured in compliance with law is not considered an adulterant under state law.
- Verify cannabis products have not been adulterated. A cannabis product is considered adulterated if any of the following are true:
  - It has been produced, prepared, packed, or held under unsanitary conditions in which it may have become contaminated with filth or in which it may have been rendered injurious.
  - It consists in whole or in part of any filthy, putrid, or decomposed substance.
  - It bears or contains any poisonous or deleterious substance that may render it injurious to users under the conditions of use suggested in the labeling or under conditions as are customary or usual.
  - It bears or contains a substance that is restricted or limited under this division or regulations promulgated pursuant to this division and the level of substance in the product exceeds the limits specified pursuant to this division or in regulation.
  - Its concentrations differ from, or its purity or quality is below, that which it is represented to possess.
  - The methods, facilities, or controls used for its manufacture, packing, or holding do not conform to, or are not operated or administered in conformity with, practices established by regulations adopted by the state to ensure that the cannabis product meets the requirements and has the concentrations it purports to have and meets the quality and purity characteristics that it purports or is represented to possess.
  - Its container is composed, in whole or in part, of any poisonous or deleterious substance that may render the contents injurious to health.

- It is an edible cannabis product and a substance has been mixed or packed with it after testing by a testing laboratory so as to reduce its quality or concentration or if any substance has been substituted, wholly or in part, for the edible cannabis product.

#### Security:

Security is a primary focus in all aspects of the operation of Sanborn Distribution. All operational procedures have been developed and outlined in conjunction with a separate comprehensive security plan. Conducting business in the cannabis industry is unique, and our experience and attention to detail is one of the key components to our success. Please see Section 10 for a detailed security plan.

#### Market Analysis Summary:

##### City of Salinas

Salinas has a population of over:	147,000
Population of Age 21 and Over:	102,363
Potential Marketplace:	+69% population

Over 102,000 people will be potential customers of the dispensaries we provide products to.

##### County of Monterey

Monterey County has a population of over:	396,000
Population of Age 21 and Over:	267,574
Potential Marketplace:	+67.6% population

Over 267,000 people will be potential customers of the dispensaries we provide products to.

*\*<https://suburbanstats.org/population/california/how-many-people-live-in-salinas>*

#### Strategy and Implementation Summary:

Sanborn Distribution will expand its distributed products base and sell to dispensaries in the City of Salinas, the surrounding Monterey County and throughout the state. It is Sanborn Distribution's goal is to become known as a top quality local cannabis provider and we will use that identity to advertise the new service to retail sites.

#### Competitive Edge:

The competitive edge of Sanborn Distribution is commitment to product quality, diversity, and great prices. The company's local roots and location assures excellent availability of product sourced from its pre-established network within the Monterey County Cannabis Community.

- The transaction date.
- The cultivator from which the product originates, including the associated unique identifier pursuant to Section 26069.
- The variety and quantity or weight of products shipped.
- The estimated times of departure and arrival.
- The variety and quantity or weight of products received.
- The actual time of departure and arrival.
- A categorization of the product.
- The license number and the unique identifier pursuant to Section 26069 issued by the licensing authority for all licensees involved in the shipping process, including, but not limited to, cultivators, manufacturers, distributors, and dispensaries.
- Upon receipt of the transport shipment the licensee receiving the shipment shall submit to the licensing authority a record verifying receipt of the shipment and details of the shipment.
- All shipments received shall be maintained electronically and shall be made available upon request of the City of Salinas or the Department of Consumer Affairs or any other law enforcement agency.

#### Taxes:

One of the main roles of the administrative staff is to ensure all required excise taxes are recouped from our customers, as required by the State Bureau of Cannabis Control. The requirements will be met as follows:

- Sanborn Distribution shall collect the cannabis excise tax from the cannabis retailer on or before 90 days after the sale or transfer of cannabis or cannabis product to the cannabis retailer, or at the time of retail sale by the cannabis retailer, whichever is earlier. The applicant shall report and remit the cannabis excise tax to the department pursuant to Section 34015. A cannabis retailer shall be responsible for collecting the cannabis excise tax from the purchaser and remitting the cannabis excise tax to the Sanborn Distribution in accordance with rules and procedures established under law and any regulations adopted by the department.
- Sanborn Distribution shall provide an invoice, receipt, or other similar document to the cannabis retailer that identifies the licensee receiving the product, the distributor from which the product originates, including the associated unique identifier, the amount of cannabis excise tax, and any other information deemed necessary by the department.
- The applicant shall provide to the cultivator or shall provide to the manufacturer, an invoice, receipt, or other similar document that identifies the licensee receiving the product, the cultivator from which the product originates, including the associated unique identifier, the amount of cultivation tax, and any other information deemed necessary by the department.



**8B**

## **8B. CONFORMING TO STATE AND LOCAL LAW**

Sanborn Distribution's legal compliance with state and local laws is discussed in detail throughout the various sections of this application. The applicants will comply with all City of Salinas regulations applicable to and surrounding commercial cannabis businesses as well as the State of California regulations applicable to commercial cannabis including but not limited to SB 94 and AB 133.

### **DIVERSION PREVENTION**

#### Overview

Sanborn Distribution will implement diversion prevention measures and adhere to strict protocols in compliance with all regulations and requirements set forth by the City of Salinas and State of California. Further, Sanborn Distribution will only work with cannabis businesses that are licensed by the State of California.

#### Diversion Prevention: Track and Trace

In order to prevent diversion of cannabis products, Sanborn Distribution will implement track and trace, seed to sale tracking product through BioTrackTHC software platform. This system will constantly monitor, track and update our product supply chain status. Please see Section 8C for a detailed description of BioTrackTHC.

#### Diversion Prevention: Employees

Any personnel found to have committed any act of theft of theft by diversion of cannabis products at the property or during transportation of products will be immediately terminated and the incident will be reported to the Salinas Police Department within twenty-four (24) hours. Any and all incidents will also be logged in the BioTrackTHC software program.

#### Diversion Prevention: Visitors and Vendors

All visitors and vendors will be escorted by a designated employee for the duration of their time on the property.

#### Diversion Prevention: Trespassers

The property will be secured with video surveillance surrounding all property lines and entrances/exits. In addition, there will be an on-site security personnel twenty-four (24) hours a day. All cannabis products ready for transport from the premises will be kept in a secured vault located in a secured location on the property.

#### Diversion Prevention: Storage

Cannabis products that are ready for distribution shall be housed within the vault located in a secure location on the property. The location where the vault is housed will be secured by extensive, multi-angled, and night-vision capable video surveillance and will be accessible to a limited number of select high ranking Sanborn Distribution employees.

#### Diversion Prevention: Video Surveillance

Sanborn Distribution will employ internal and external video surveillance of the entire parcel and specifically in areas of ingress and egress as well as packaging areas. Video surveillance will cover external and internal areas at all times throughout day and night. Surveillance footage will be recorded and stored for inspection by the Salinas Police Department or other appropriate authorities for a minimum period of ninety (90) days.

#### Diversion Prevention: Transportation

All products will be transferred from our facility to transport vehicles under strict protocol mandating employee and transporter dual verification at the time of loading/transfer. All transfer of product will be recorded on our video surveillance system.

#### Youth Restrictions

No one under the age of eighteen (18) will be permitted onsite for any reason at any time. Through our diversion prevention program that includes robust track and trace measures and strict chain of custody procedures, diversion is highly unlikely.

**8C**

## **8C. TRACK AND TRACE**

Sanborn Distribution will use the BioTrackTHC software platform to track and trace all cannabis and cannabis products that enter and leave the facility. The administrative staff shall keep records of all transactions made during its operations, and shall account for all cannabis and funds collected and distributed, including the names of suppliers and customers, dates of pickups and deliveries, an inventory of all products involved in each transaction, and the amounts and methods of payment for each transaction. Sanborn Distribution records will be made available to the Chief of Police or his/her designee within 24 hours upon request. All records will be kept indefinitely.

### **Inventory Procedures/Track and Trace**

Tracking cannabis from seed-to-sale requires cannabis specific platform software to maintain compliance with all cannabis regulations. Sanborn Distribution will use BioTrackTHC Software Platform. Please see the attached BioTrackTHC Software information.

BioTrackTHC is a fully integrated Point of Sale (POS), Inventory Control, and Management system. This software has been specifically designed to serve the cannabis industry.

The use of this system allows this facility to track the chain of custody and real-time whereabouts of the cannabis products from the point that it is received by a vendor until it is sold, destroyed, or returned to the vendor. This also allows for proper reconciliation of all financials, proof of tax compliance, and prevention of diversion.

BioTrackTHC supports:

- Tracking of every product in every form
- Packaging
- Labeling
- Sales
- Adjustments
- Conducting audits
- Disposal of unusable cannabis
- Maintaining records indefinitely
- Managing Purchases and Amounts
- Employee records, time clock, and transaction history

The procurement, display, pricing and management of all inventory carried by Sanborn Distribution falls under the supervision of the General Manager and the Inventory Manager.

All inventory is kept inside the locked safe, or in a secured cabinet or refrigerated unit and falls under the responsibility of the Inventory Manager and is recorded and tracked by the BioTrackTHC Inventory management functionality. If it is determined that there is a significant discrepancy found in the inventory, the applicants will notify City of Salinas Police Department immediately.



All items available for purchase have a separate SKU and are packaged per the specific requirements of their inventory category. The applicants will ensure that all cannabis and cannabis products at the facility are manufactured, transported, distributed, and tested by licensed and permitted facilities that maintain operations in full conformance with state and local regulations.

Inventory will be sourced from permitted and legal providers as allowed by the existing State guidelines regarding medicinal cannabis products. All aspects of inventory intake will be tracked by the BioTrackTHC inventory control functionality including vendor/distributor contact information, quantity purchased, price paid, lab test results, and any other relevant information regarding the process of dispensing any given item. After any product is received into the facility, it is kept in locked storage until it is fully prepared for distribution.



## **Support Document for Medical Cannabis Applicants: California**

### MEDICINAL CANNABIS TRACK AND TRACE RECORDKEEPING & REPORTING





### **BioTrackTHC Overview**

BioTrackTHC has developed, deployed, and supported Cannabis-specific inventory tracking and management software solutions over the last six (6) years for private sector Cannabis businesses, and over the last two (2) years for government agencies, and is therefore one of the oldest and most experienced companies in this unique space. BioTrackTHC provides two (2) actively utilized seed to sale Cannabis tracking and management Commercial off the Shelf (COTS) solutions; one for government agencies and one for government-licensed Cannabis businesses. Over 2,000 medical and recreational Cannabis production and retail dispensary facilities across 25 U.S. states, including the District of Columbia and in other countries such as Canada, Jamaica, Australia and South America.

The Washington State Liquor and Cannabis Board, the New Mexico Department of Health, the Illinois State Department of Agriculture and the City of Arcata in Humboldt County, California. The New York State Department of Health are currently implementing BioTrackTHC's System, and are scheduled for 2016 Q3 deployments. The Hawaii State Department of Health has also recently announced its intent to award its medical Cannabis tracking system contract to BioTrackTHC, and is scheduled to begin in 2016 Q4 as well. Additionally, the Commonwealth of Puerto Rico has selected the BioTrackTHC Government Traceability system as their intended solution following a competitive bid process. These additional contracts increase the Company's seed to sale Cannabis government contract count to seven (7), more than the number of Cannabis government contracts awarded to all other companies combined. The voluntary adoption of BioTrackTHC by so many government agencies as well as Cannabis facilities is a testament to the quality of both BioTrackTHC's technology and people.

Developed under the auspices of a university business incubation program, BioTrackTHC's technology was originally created as a prescription drug and methamphetamine precursor tracking system to assist state governments and law enforcement in preventing drug diversion and promoting public safety. The Company even went so far as to submit its technology to a SAS No. 70 audit (now SSAE 16) to certify the System's compliance with the stringent standards for the electronic prescribing of all legal classes of medication—including Schedule II drugs—as required by the DEA (Drug Enforcement Administration).

The Company quickly received interest in the technology from Cannabis producer and dispensary owners in Colorado who desired an end-to-end Cannabis inventory tracking and patient record-keeping System for both compliance and business optimization purposes. They had been utilizing a variety of disparate tools—nursery management for producer operations, spreadsheets for inventory, a generic web-based point-of-sale system for retail transactions, and paper charts for patient record-keeping. BioTrackTHC took its thoroughly vetted medical system as a foundation and modified it for Cannabis workflows, collaborating with, and obtaining direct input from dozens of Cannabis facility operators. As would be the case throughout its history, BioTrackTHC worked closely with these new customers and smoothly transitioned them from their disparate systems into a unified architecture that facilitated a continuity of business logic. These medical Cannabis businesses became the first known facilities across the country to digitally track Cannabis from seed to sale.

BioTrackTHC was awarded the contract for the State of Washington's Seed to Sale Inventory Traceability System in the Fall of 2013, out of 22 total bidders, and delivered on the contract within budget and on schedule; in fact, the System was completed in less than 100 days. Today, it is, by far, the largest of all government systems currently tracking Cannabis.

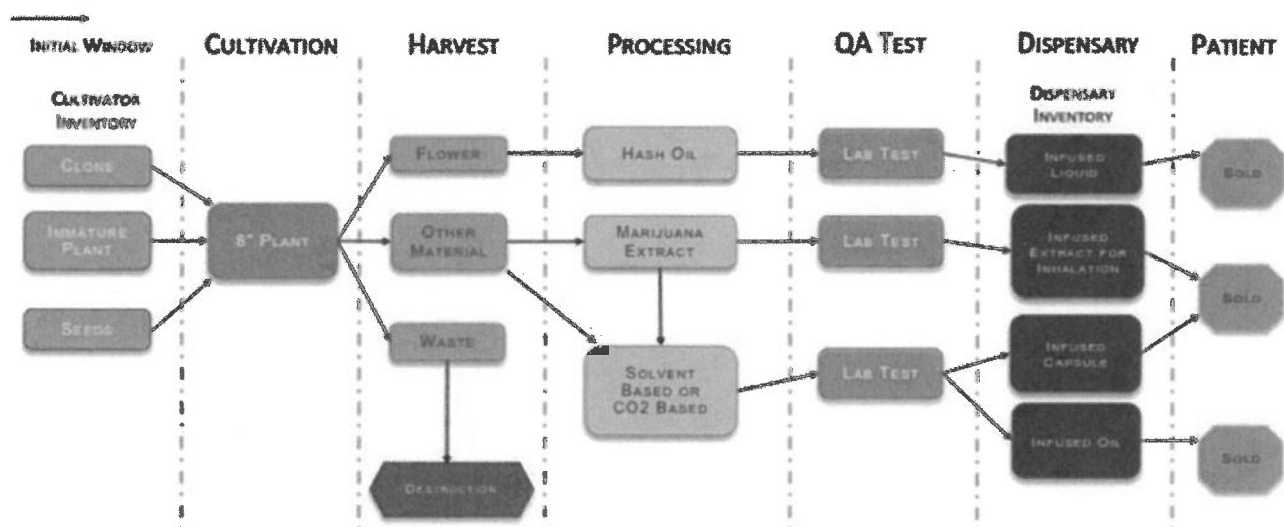


The delivered System features a simple user interface in spite of the unique and complex nature of Cannabis production and tracking, and includes a robust alerts and reporting system that enables the agency to meaningfully monitor Cannabis activity and sales. Its workflows are tailored to the State of Washington's specific regulations and informed by BioTrackTHC's deep operational knowledge of the industry. Its internal controls prevent users from operating against the law; yet, the System remains flexible enough to allow for future innovations and changes in regulations. For example, System rules ensure that only product for which a licensed testing facility has submitted passing results may be placed on a state-recognized transportation manifest; product that has failed testing or that has not undergone independent testing cannot make its way to a consumer-facing retailer's shelves.

BioTrackTHC's Washington State system is now thoroughly battle-tested, having successfully tracked over 11.5 million registered plants since implementation over two years ago. It is currently tracking over \$75 million in Cannabis industry transactions per month, and is on pace to track \$1 billion in Cannabis industry transactions over the next year.

The private sector version of the BioTrackTHC System is now deployed in over 2,000 authorized Cannabis facilities with over 25,000 unique users across North and South America, and abroad. The Company has demonstrated remarkable capacity to scale rapidly in response to rising demand without compromising quality of deployment, customization, or on-going support. Over the past five years, the Company has completed over 1,400 individually tailored implementations of the business system in addition to the implementation of the Cannabis state tracking systems in the states of Washington, New Mexico, and Illinois, with none a detriment to the other. Evidence of the preservation of BioTrackTHC's high quality of expertise, product, and service is reflected in the fact that the Company has retained more than 95% of its private sector client-base in spite of the significant increase in stress on the Company's infrastructure due to the increased demand for its solutions.

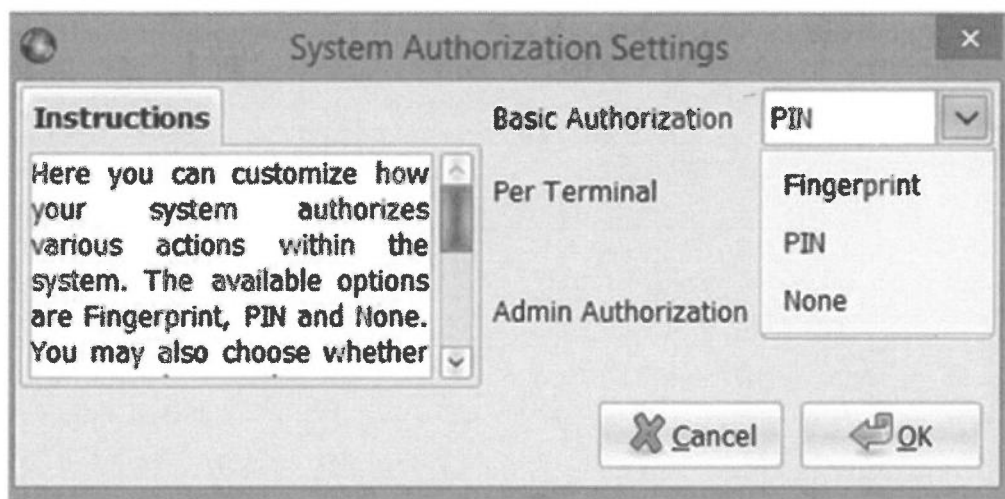
As a company with five (5) years of hands-on technical support and fulfillment of customization requests to meet user-specific business logics, the BioTrackTHC team has accumulated detailed, specialized knowledge and insight into the unique challenges and corner cases specific to Cannabis program management. Time and again, general medicine technology and generic agricultural tracking experience have proven insufficient to properly address the unique needs of the Cannabis industry. No two implementations of the software are alike; customers choose their own business logic, hardware environment, operating system, and oftentimes must migrate data from their hodgepodge of supplanted systems (paper records, excel spreadsheets, competing Cannabis systems, etc.). To add further complexity to these implementations, BioTrackTHC must develop and broadly apply custom configurations for every government. As stated earlier, BioTrackTHC's private sector solution is currently deployed in 25 U.S. states, including the District of Columbia and in other countries such as Canada, Jamaica, Australia and South America.



### Diversion Prevention:

By requiring the use of a PIN code or a biometric finger print scan to perform various actions in the system, there will always be a forensic report to ensure accountability from the users. Without having the permission setting to perform an action, a manager must be available to overwrite that specific instance. The forensic report will show a log of the time, date, and action of a specific individual as it pertains to inventory items. Additionally, when conducting an audit, the system will allow a setting for "blind" audit. The user will have the ability to enable or disable that feature. By hiding the original amount, it will ensure that person conducting the audit makes sure they do not try to divert product out of the facility.

Additionally, the system allows for vertical integration of peripheral hardware (i.e. scales, barcode scanners, biometric readers, card readers (both magnetic and smart-chip technology), point-of-sale terminals). By doing so, the system is able to prevent user entry error, which prevents the loss of products, plants, and derivative materials.







**Instructions**

Here you can run an inventory audit on all of your current inventory.

To select an Item, simply click on the item to the right, or scan the barcode on the item.

Once selected, please weigh the item. If your item is contained within multiple containers, you may weigh each in turn by clicking the consolidate button.

Additionally, if you are using a container, you may select it to the right. For the purpose of the inventory audit, the container weight will be saved for your next audit of that particular item.

After weighing the item, click Save and Continue.

**Always zero the scale before use**

Gram Mode ☐ Ounce Mode ☐ Manual Mode ☐ Zero Scale

**Bulk Inventory**

Print Barcode  Print Sheet  Edibles

Item	Original	New	Difference
15mg Cookie	136.00	135.00	-1.00
4249 2499 5634 9489	39.00	39.00	0.00
7764 8509 1927 7900	97.00	96.00	-1.00
Canna Punch 100mg	21.00	20.00	-1.00
1909 6048 7417 1985	21.00	20.00	-1.00
Cheeba Chews	567.00	564.00	-3.00
8436 1133 6161 0581	50.00	50.00	0.00
0609 8708 0533 7022	466.00	466.00	0.00
6720 9757 9324 5534	51.00	48.00	-3.00
Choc Bar 100mg			
5059 1556 8595 7072	100.00		
Cookies			
8201 0447 4786 0152	39.00		

Item: Choc Bar 100mg

Inventory ID: 5059 1556 8595 7072

New Count: 100.00

Consolidate  Reset  Zero

Container: None

Container Weight:

Notes:

Accounted For  Save Later  Remaining

**Customers Inventory Reports Timeclock Messages**

Running Transaction and General Reports

Select your report below:

**View Report**

Start: 01/26/2016 12:00:00 AM   
End: 01/26/2017 11:59:59 PM   
Location:   
Store:   
Product:   
Category:   
Inventory ID:   
Action:   
Sort:   
Line Item:   
Inventory Type:

**Inventory Forensics Report**

Location	Previous Quantity	New Quantity	Difference	Date	User	Action
Jankness Center Grow	1.00	1.00	0.00	12/09/2016 08:32 AM	flaks	Inventory Conversion
Jankness Center Grow	1000.00	0.00	-1000.00	07/01/2016 04:39 PM	flaks	Inventory Conversion
Jankness Center Grow	1000.00	1000.00	0.00	07/01/2016 04:27 PM	flaks	New Inventory From Plant Curing
Jankness Center Grow	1.00	0.00	-1.00	09/22/2016 02:13 PM	flaks	Inventory Combination
Jankness Center Grow	1.00	1.00	0.00	09/22/2016 02:13 PM	flaks	Inventory Combination
Jankness Center Grow	1.00	1.00	0.00	03/01/2016 04:01 PM	flaks	Inventory Conversion
Jankness Center Grow	10.00	0.00	-10.00	12/09/2016 07:51 AM	flaks	Inventory Combination
Jankness Center Grow	10.00	10.00	0.00	12/09/2016 07:51 AM	flaks	Inventory Combination
Jankness Center Grow	10.00	10.00	0.00	12/21/2016 05:00 PM	flaks	Plant Byproduct Conversion
Jankness Center Grow	1.00	0.00	-1.00	09/22/2016 02:13 PM	flaks	Inventory Combination
Jankness Center Grow	1.00	1.00	0.00	09/22/2016 02:13 PM	flaks	Inventory Combination




## **Transportation of Cannabis:**

### **Transportation Manifest**

The BiotrackTHC system (through the integrated transportation manifest module), records a wealth of information pertaining to a transport event. The following information is recorded (including, but not limited to):

- Sender License Holder Information
  - o License/permit number
  - o Address
  - o Phone
  - o Date of transport
  - o Time of transport beginning and end (from location to location)
  - o Employee(s) transporting and related employee info (date of birth, name, age, ID# etc.)
  - o Transporting Employee(s) signature of acceptance
  - o Transport Vehicle (make, model, VIN, color etc.)
  - o Turn by Turn directions from and to location (pinged by google maps and in free-form to allow for edits of travel route per the license holder's preference)
- Recipient License Holder Information
  - o License/Permit numbers
  - o Address
  - o Phone
  - o A section to show how many items of the total sent were received
- Items Listed for Transport
  - o Item identifier
  - o Total units being transported
  - o Total units received by recipient



Washington Marijuana Transportation Manifest ID 6592644133314264				Page 1 of 1
Date:	Oct 28, 2014	Licensee's License #:	413463	Barcode
Licensee's Name:	STONE SUPPLY	Vehicle ID #:	1001100202	 6592644133314264
Licensee's Address:	6841 NE ELFENDAH PASS RD BELFAIR, WA 985289734	Vehicle Color / Make / Model / License Plate:	1925 rust ford f150 buds pu	
		Transporter's Name:	Bud Jones	
Licensee's Phone:	3607310115	Transporter's Date of Birth:	01/01/1950	
Transporter ID:	1001	Transporter's Signature:		
<b>Stop #1 of 1 (1 Items)</b>				
Destination Licensee Name:	BioTrackTHC Processor 2	Approx. Departure Date/Time:	Oct 29, 2014, 10:46 AM	
Destination License #:	9960004	Approx. Arrival Date/Time:	Oct 29, 2014, 11:58 AM	
Destination Licensee Address:	3000 Pacific Ave SE Olympia, WA 98501			
Destination Licensee Phone:	8007974711			
* These directions are for planning purposes only. You may find that the suggested route takes you outside the State of Washington; per RCW 69.50.342 you must plan your route so that you remain within the State of Washington at all times.				
<b>Travel Route:</b>				
Head northeast on NE Elfendahl Pass Rd toward NE Bear Creek Dewatto Rd. Turn right onto NE Bear Creek Dewatto Rd. Turn left onto NE Old Belfair Hwy. Continue onto W Belfair Valley Rd/W Belfair Valley Rd. Continue onto W Belfair Valley Rd. Turn right onto W Sam Christopherson Ave. Continue onto WA-16. Take the ramp onto WA-16. Take the Sprague Ave exit. Keep left, follow signs for I-5 S/Portland. Keep left and merge onto I-5 S. Take exit 107 for Pacific Ave. Turn right onto Pacific Ave SE				
Instructions: If the quantity received is less than the quantity shipped, check the box in the appropriate field below and indicate the actual quantity received.				
<b>Stop 1, Items 1-1 of 1</b>		Manifest ID 6592644133314264		
#	Batch / Lot ID	Item Description	Shipped	Received
1	6033553180000004	Flower Lot	226.8	<input checked="" type="checkbox"/>
2				
3				

Additionally, each transportation manifest is assigned its own unique identifier for easy reference during a traffic stop or for regulator/law enforcement reference to the oversight agency. The manifest is created digitally within the system and is available to the sender and recipient in PDF format for printing of hard copies.

### Cultivation:

BioTrackTHC automatically assigns a globally unique and non-repeatable 16-digit barcode number to every plant. Furthermore, the system auto-generates a globally unique and non-repeatable 16-digit barcode number at every stage where dried Cannabis must be separately identifiable from the original plant due to processing and packaging. These serial numbers, once generated are assigned, cannot be changed.



BioTrackTHC enables businesses to collect, store, and retrieve all data and activity related to inventory records, patient records, recall reports, sales/transaction records, product disposal records, and all scanned documents can be accessed at any time (real time), either in-system or through the report creation tool. Though system actions can be adjusted or voided, at no time is any data ever fully deleted as BioTrackTHC maintains a log of every action, including adjustments and voids, so that the entire history of the system may be reconstructed. The availability and report ability of the system data enables the said entity to produce any information necessary for the Department during an inspection or at the Department's request.

Additionally, the system can adjust inventory and always require a reason for removal when utilizing the inventory adjustment feature, also it has an auditing feature that can be used to track loss of product due to diversion or theft.

BioTrackTHC's inventory control system ensures that every aspect of the plant is tracked from seed-to-sale. The system maintains the capability to convert lots into packages, accept marijuana from patients and caregivers who hold valid registry identification cards, and track the disposal of unusable marijuana. Additionally, the software system develops and documents patient records that include all of the necessary information to remain compliant.

BioTrackTHC's wholesaling and grow house management tools allow for robust information collection. Examples of the information collected include, but are not limited to; name of originating marijuana establishment, batch number, original plant(s) that batch is derived from, if it was a cutting (clone) or seed, dates planted, yield reports, date of harvest, and all pesticides, herbicides, and fertilizers used to grow the plants. Instantaneously, upon generation of a wholesale, all of the information including name, strain, quantity, registry identification card, name of establishment, and even associated tax is available on wholesale reports which can be run for any specified time period.

BioTrackTHC's grow-house management tools allow for complete tracking of any plant or plant material product as well as its disposal, while keeping record of the disposal explanations. The system will also keep record of the agent who disposed of it, and the number of failed or unusable marijuana plants

#### **Nutrients and Additives Documentation Process**

The cultivation software can assign unique identifiers to any nutrient or additive that is in the software. The user then may simply scan the particular barcode of the additive or nutrient and apply to the notes of the particular plant or group of plant. Additionally, there are various reports that assist in tracking who and when added what particular nutrients.



**Growhouse Inventory Reports Timeclock Messages**

Running Transaction and General Reports

Select your report below:

Plant Additives

Export Print

View Report Customize

Start Time: 01/26/2016 12:00:00 AM

End Time: 01/26/2017 11:59:59 PM

Run Type: Create Date

Select Plants based on Create or Harvest Date

Plant Group:

Plant ID:

Location:

**Plant Additives**

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Plant ID	4582298833004942		Plant Group	No Group	
Strain	Bubba White		Phase		
Location	Dankness Center Grow				
No	Additive	Data			
Plant ID	7039102127323981		Plant Group	No Group	
Strain	White Widow		Phase	Pre-Flowering	
Location	Dankness Center Grow				
	Additive		Timestamp		
	vwg mix wk 3 203		Tue Jan 24 14:18:25 2017		
Plant ID	1360259054336747		Plant Group	dp1125	
Strain	Durban Poison		Phase	Germination	
Location	Dankness Center Grow				
No	Additive	Data			
Plant ID	1793575898502994		Plant Group	No Group	
Strain	Golden Goat		Phase	Pre-Flowering	
Location	Dankness Center Grow				
No	Additive	Data			

## Harvesting:

Prior to the harvesting process, the user has the ability to setup their batching options. These settings allow the user to determine which bi-products to collect at either the "Harvest" (Wet Weight) or "Cure" (Dry Weight). The user also has the ability for multiple collection points. This feature gives the user to "top" the plants and continue to let the plant grow in order to maximize yield.

**Growhouse Batch Options**

**Instructions**

These options control the order in which you harvest and cure your plants.

In addition, it allows you to determine which derivatives are collected and in what order. You may check or uncheck the items, as necessary.

You may also select the default action of:

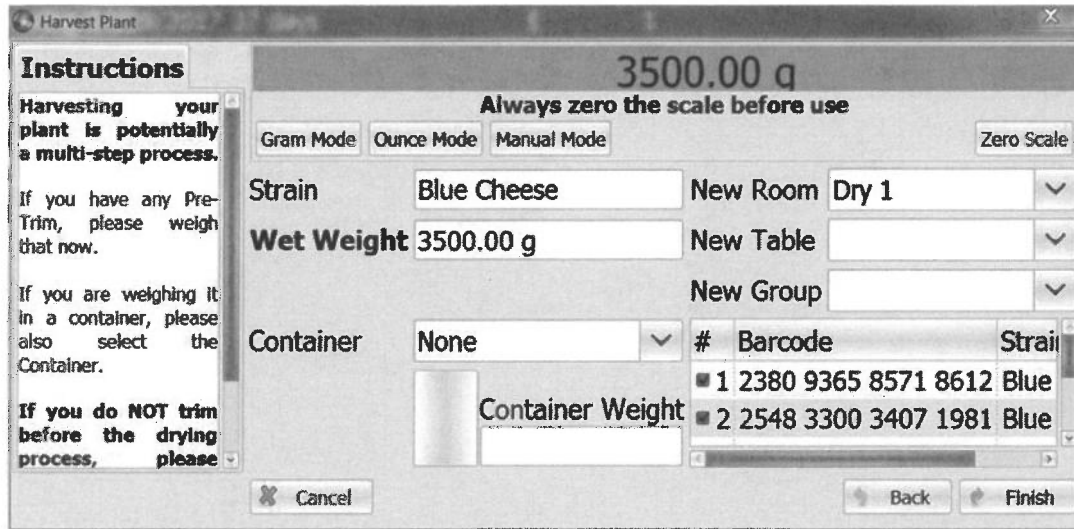
**Harvest Cure**

Active	Order	Harvest Type	Default Action
<input type="checkbox"/> No	1	Trim	Batch Later
<input checked="" type="checkbox"/> Yes	2	Bud	
<input type="checkbox"/> No	3	Stems	Discard As Waste
<input type="checkbox"/> No	4	Sugar Leaf	Batch Later
<input type="checkbox"/> No	5	Shake	Batch Later
<input type="checkbox"/> No	6	Kief	Batch Later

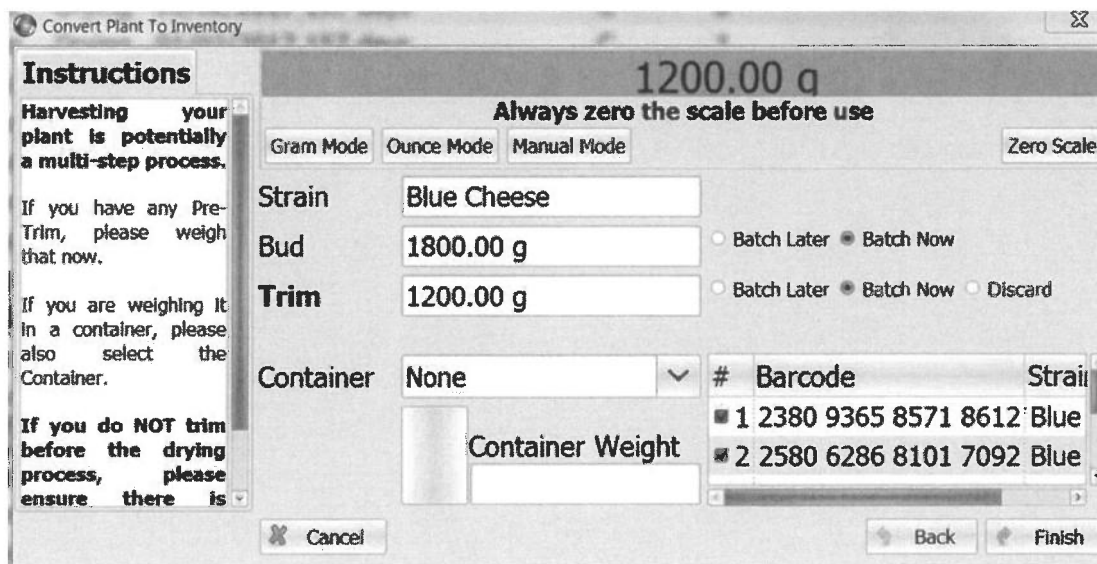
Collection Points 1

Cancel OK

To initiate a harvest, the user will select the plants or "select all" to cut down an entire room. The Harvest Product screen will populate where the user can either use the integrated scale or manually input the total wet weight. BioTrack will allow the user to select the new room. It is common practice to setup a "Drying Room" within the system to store plants that are in the drying phase.



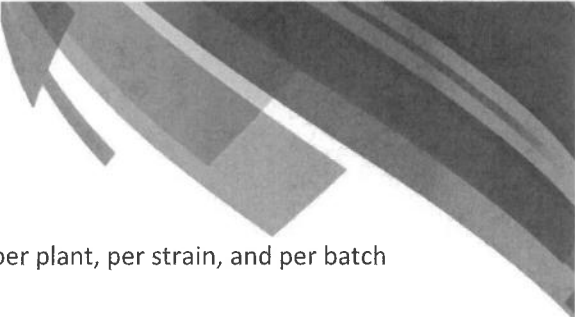
Once the initial wet weights have been collected, the user will select harvest batch again. Biotrack will recognize the other plants you harvested together so it will allow you to only select one plant in the batch. The harvest plant screen populates to collect the “Dry Weights”. Once the Bi-products are entered into the system, the system will generate a 16-digit non-repeatable identifier for each Bi-product and insert it directly into Bulk Inventory.



### Drying:

Within the BioTrackTHC system, a user has the ability to create multiple Grow House rooms. It is common practice to create a few “Drying Rooms” for plants to be transferred after collecting the wet weights. Within the drying room, the user has the ability to track the amount of days each batch of plants have been drying. Within



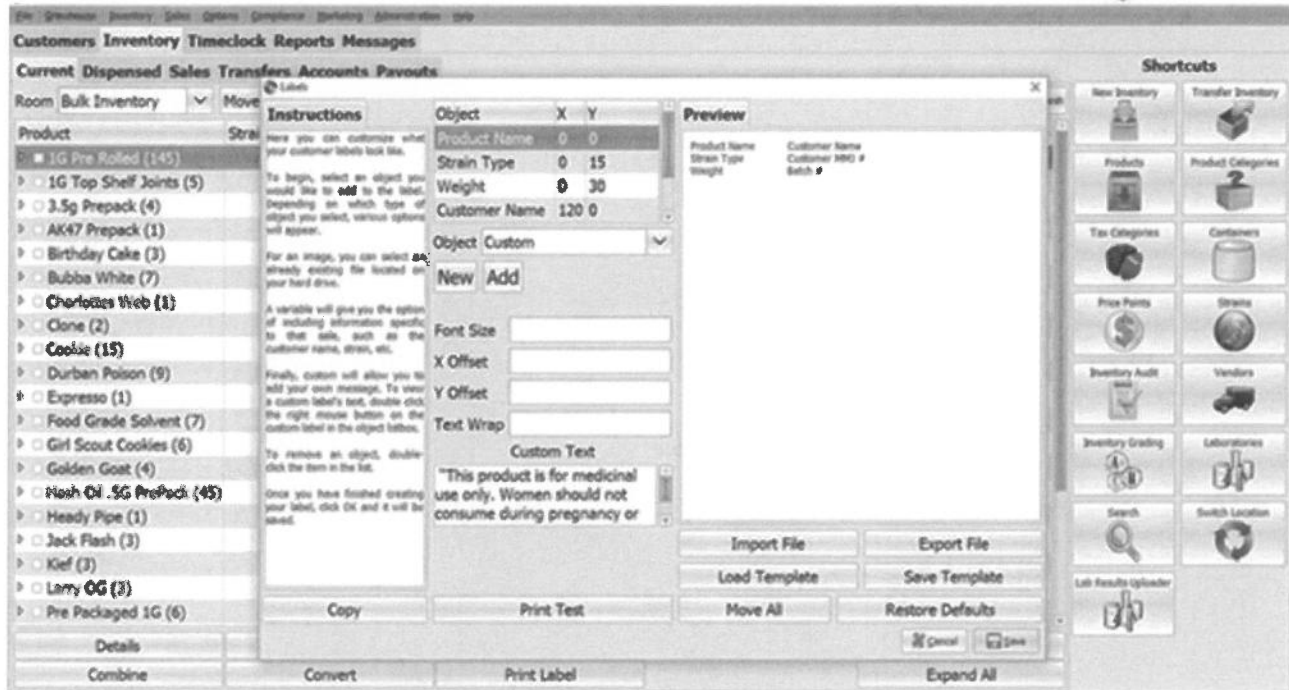
[illegible]

BioTrackTHC's label creation tool enables licensed producers to create custom container-client labels with any fields necessary to comply with applicable law. All aforementioned required fields can be added as variables. In addition to this a user can add custom disclaimers and warnings. The system will automatically print the container-client specific label upon completion of the sale. Reports are retained within the system and can be accessed indefinitely. In addition to storing information, the system also has the ability to create custom labels for cultivation, manufacturing and testing results.

The BioTrackTHC label creation tool generates transaction specific information including all aforementioned criteria.



BIOTRACKTHC™



**BioTrackTHC**  
111 S Central Ave  
Phoenix, AZ 85004  
(480)888-5512  
BioTrackTHC.com

Lic# m9837465

MMJ Origin DISP# mJ8767

Customer Identification # RX-029183

"ARIZONA DEPARTMENT OF HEALTH SERVICES' WARNING: Marijuana use can be addictive and can impair an individual's ability to drive a motor vehicle or operate heavy machinery. Marijuana smoke contains carcinogens and can lead to an increased risk for cancer, tachycardia, hypertension, heart attack, and lung infection. KEEP OUT OF REACH OF CHILDREN"

**AK-47**

Batch 6069107703659390

Harvest Date: 03/22/2013

Useable Weight: 14.000 g

Additives: Plant Pesticide ,

Miracle Grow , Bloom bat

Guano, Organic Worm castings



**BioTrackTHC**  
3025 Limited lane  
olympia wa 98502  
(800)797-4711  
UBI # 900000001

"This product has intoxicating effects and may be habit forming" This product may be unlawful outside of Washington state"  
**KEEP OUT OF REACH OF CHILDREN**

**AK-47 1G PrePack**

Lot # 9000001780001219

Useable Weight: 1.000 g

Harvest Date: 05/25/2013

Potency Analysis:

THCA 11.20, CBD 5%,

THC 19.8%, Total 35%

Additives:



### Storage Requirements:

Customers Inventory Messages Timeclock Reports			
Current Dispensed Sales Transfers Accounts Payouts			
Room	Bulk Inventory <input type="button" value="Move Items"/>		
Product	Bulk Inventory	Strain	Category
▶ 15	Back Room		Edibles
▶ 19	End Products		Concentrates
▶ 50	QA	(1)	Concentrates
▶ A	Quarantine		Literature
▶ Ag	Safe		Flower
▶ Ag	Agent Orange 1G (2)		Pre-Rolls
▶ Ag	Agent Orange 1G Pre-roll (2)		Pre-Rolls
▶ B	Bic Lighters (1)		Accessories

Product in need of quarantine can be separated from bulk and placed in the designated area. Inventory destruction can be initiated through the system requiring documentation of destruction purpose and/or approved method as well as the employee performing the action. Although the inventory can be adjusted or voided, at no time is any data ever fully deleted as BioTrackTHC maintains a log of every action, including adjustments and voids, so that the entire history of the system may be reconstructed. The availability and report ability of the system data enables the said entity to produce any information necessary for the Department during an inspection or at the Department's request.

### Processing/ Extractions:

BioTrackTHC's conversion tool allows Processing/Manufacturing facilities to convert batches from one product to another while maintaining the original batch ID. The conversion tool allows multiple conversions. For example: Trim to Oil, Oil to Capsules by doing two simple conversions. During the conversion, there is an option to collect waste or to "auto waste" the product. Furthermore, upon completing a conversion, the system will provide you with options on how you would like to barcode the specific batch or if you would like to "Pass through QA results ie. converting flower to pre-rolls.



**Inventory Conversion**

**Instructions**  
Finally, please select the product you are converting this inventory to. If the product you are converting to is weighable (e.g. hash oil), you will need to weigh that now. If it is not (e.g. a joint), you can simply enter the quantity produced.  
When you are done, simply click Finish to complete the process.

Gram Mode Ounce Mode Manual Mode

179.00 g  
Always zero the scale before use

# Barcode Product Quantity Grade

Product Trim Barcode 9203 4770 0832 4265

Current Quantity 1000.00 g New Product Bulk Oil

Conversion Quantity 1000.00 g New Grade

New Product Quantity 179.00 g Container None

Back Finish

Container Weight

New Cost Per Unit

Original Cost Per Unit

Print

Default Prepack

Auto-Print

Auto-Waste

Serialize

Pass Through QA Results

Close

Running Transaction and General Reports

Select your report below:

Inventory Conversions

Export Print

View Report Customize

Start: 06-05-2017 12:00:06 AM

End: 06-09-2017 11:59:59 PM

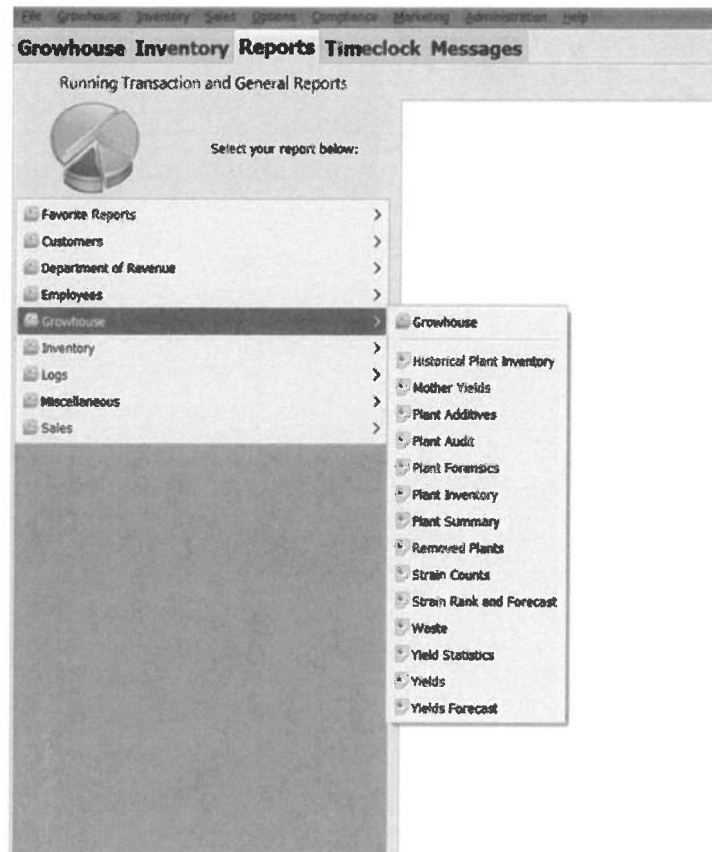
Location:

Inventory New Quantity	New Product	New Strain	New Inventory ID	New Inventory Quantity	Conversion Waste	User
00	Blue Cheese	Blue Cheese	8771 7348 7069 1668	28.00	0.00	tjones
00	Bulk Oil	Sour Diesel	5404 5548 7674 0353	35.00	189.00	tjones
00	Death Star 1 g Wax PP	Death Star	5642 5662 2787 3620	1.06	0.00	tjones
00	Bulk Oil	Bulk Trim	4440 8866 9611 2536	50.00	405.00	tjones
00	Agent Orange 1G PP	Agent Orange	8364 9320 2421 4606	1.06	0.00	tjones
00	Bulk Oil	Blue Cheese	7619 0093 2968 2867	130.00	0.00	tjones
00	Trainwreck	Trainwreck	6240 9697 9534 8590	500.00	0.00	tjones
00	Trainwreck	Trainwreck	7207 6883 2084 1315	500.00	0.00	tjones
00	Trainwreck	Trainwreck	6711 8601 1561 1727	500.00	0.00	tjones
00	Trainwreck	Trainwreck	3907 3959 0278 3873	500.00	0.00	tjones
00	Bulk Oil	Blue Cheese	5529 5218 4086 4435	179.00	821.00	tjones

## Record Keeping and Reporting:

### Record Keeping

BioTrackTHC's reporting module can generate daily reports for an establishment's inventory, acquisitions, harvests, sales, disbursements, and disposals. These records are kept indefinitely. Whether the establishment is harvesting or receiving product from another establishment, the system can keep full record of who is providing the Cannabis and/or Cannabis infused products. The system will keep record of the following, and much more; dates of transfers and transactions, batch numbers, quantity, product weight, usable amount in each infused product, and the agent's registration card number. These records can be pulled up for any time period in the reporting module.



Customers Inventory Reports Timeclock Messages									
Running Transaction and General Reports									
Select your report below:									
Yields									
Est Date	Cure Date	Strain	Wet Weight	Bud Weight	Total % Loss	Avg % Loss	Group	Trim	
1/2016 02:32 PM	09/22/2016 02:33 PM	Birthday Cake	1000.00	500.00	50.00	16.03	bc922	75.00	
1/2016 12:26 PM	02/15/2016 12:28 PM	Birthday Cake	666.67	600.00	10.00	16.03	bc215	60.00	
1/2016 12:46 PM	02/04/2016 12:47 PM	Birthday Cake	25.00	450.00	0.00	16.03	bc 24	47.50	
1/2016 01:45 PM	02/10/2016 01:47 PM	Birthday Cake	400.00	360.00	10.00	16.03	bc210	38.00	
1/2016 02:32 PM	09/22/2016 02:33 PM	Birthday Cake	1000.00	500.00	50.00	16.03	bc922	75.00	
1/2016 03:22 PM	02/03/2016 03:25 PM	Birthday Cake	500.00	440.00	12.00	16.03	BC 23	38.00	
1/2016 11:24 AM	01/28/2016 11:26 AM	Birthday Cake	500.00	450.00	10.00	16.03	bc 128	47.50	
1/2016 12:46 PM	02/04/2016 12:47 PM	Birthday Cake	25.00	450.00	0.00	16.03	bc 24	47.50	
1/2016 10:48 AM	07/26/2016 10:49 AM	Birthday Cake	666.67	500.00	25.00	16.03	BC726	63.33	
1/2016 12:46 PM	02/04/2016 12:47 PM	Birthday Cake	25.00	450.00	0.00	16.03	bc 24	47.50	
1/2016 11:24 AM	01/28/2016 11:26 AM	Birthday Cake	500.00	450.00	10.00	16.03	bc 128	47.50	
1/2016 11:28 AM	09/02/2016 11:30 AM	Birthday Cake	666.67	333.33	50.00	16.03		66.66	
1/2016 10:48 AM	07/26/2016 10:49 AM	Birthday Cake	666.67	500.00	25.00	16.03	BC726	63.33	
1/2016 11:28 AM	08/02/2016 11:30 AM	Birthday Cake	666.67	333.33	50.00	16.03		66.66	
1/2016 12:46 PM	02/04/2016 12:47 PM	Birthday Cake	25.00	450.00	0.00	16.03	bc 24	47.50	
1/2016 11:28 AM	08/02/2016 11:30 AM	Birthday Cake	666.67	333.33	50.00	16.03		66.66	
1/2016 11:17 AM	02/22/2016 11:18 AM	Birthday Cake	500.00	450.00	10.00	16.03	bc222	46.25	
1/2016 12:26 PM	02/15/2016 12:28 PM	Birthday Cake	666.67	600.00	10.00	16.03	bc215	60.00	
1/2016 02:30 PM	02/08/2016 02:34 PM	Birthday Cake	400.00	360.00	10.00	16.03	bc 28	58.00	
1/2016 03:22 PM	02/03/2016 03:25 PM	Birthday Cake	500.00	440.00	12.00	16.03	BC 23	38.00	
1/2016 11:17 AM	02/22/2016 11:18 AM	Birthday Cake	500.00	450.00	10.00	16.03	bc222	46.25	
1/2016 03:47 PM	12/05/2016 03:48 PM	Birthday Cake	500.00	300.00	40.00	16.03	bc125	33.33	
1/2016 11:24 AM	01/28/2016 11:26 AM	Birthday Cake	500.00	450.00	10.00	16.03	bc 128	47.50	

The system comes preloaded with over 140 industry-specific reports developed over years of feedback and experience from cannabis business operators in both the medicinal and adult-use (recreational) cannabis



markets. License holders have the ability to create their own customized reports specific to their workflow or standard operating procedures. If the license holder prefers, the BioTrackTHC™ team can build the custom reports for them at an additional charge. The reporting functionality from the system allows the license holder to pull reports regarding supply chain, employee actions, quality control, destruction, transportation, and various other events that take place within the processes of the cannabis industry.

## Quality and Safety

### Quality Control and Testing

As a cultivator it will be required to test the medical Cannabis for a variety of items. The software will allow the user populate any labs they will be working with into the system. Once added into the program, the user will be able to apply various test results to specific batches. Furthermore, all test results will be able to be printed on the labels of the products created.

A screenshot of the BioTrackTHC software interface showing the "Labs" management window. The window is titled "Labs" and has a close button (X). It contains an "Instructions" section with text: "To create a new laboratory, simply type the name of the lab to the right. Laboratories allow you to track inventory that is transferred from or to from labs for testing. Simply enter the lab's information to the right and click Save to finish." Below this is a form with fields for "Existing Labs" (a dropdown menu), "Name", "Address 1", "Address 2", "City", "State", "Zip", "Phone", "Fax", "Email", "Website", "License Number", and "Contact". There is also a "Notes" section with a text area. At the bottom of the form are buttons for "New", "Save", "Delete", and "Close". The background of the software shows a table with columns for "Metric ID", "Strain", "Batch", and "Time", with rows of data including "Bubbl", "Durt", and "Char".





## Adverse Events and Recall Procedures:

In the event of a recall, specified users can quickly pull reports of all products and transactions associated with a specific plant(s), batch or strain. Within the system the licensed entity will be able to quickly and easily find the remaining product, the locations (i.e. patients) delivered to as well as all sources and derivatives of the product. Once the affected individuals have been identified, because the individual contact preferences have already been logged, timely communication is accessible. BioTrackTHC also provides a method of sending SMS(text) message or email blast messages, which can even be targeted to just the patients who've purchased a specific product within a given time period, (all at no cost or SMS usage rates to the patients).

All recalled products should be safely destroyed and logged in the BioTrackTHC™ system. Upon destruction of the product, any and all information pertaining to its destruction including but not limited to method of destruction, witness documentation and an electronic PIN or biometric fingerprint scan signature from the person in charge. This will be considered the alternative end to the product life cycle, and true seed-to-sale traceability and reconciliation can be visibly achieved

**8D**

#### **8D. PROPOSED CONSTRUCTION AND TIMELINE FOR COMPLETION**

It is anticipated that the proposed property improvements will take between eight (8) and twelve (12) months to complete.

The floor plans and site maps will be updated and submitted prior to the hearing.

**8E**

## 8E. ESTIMATED BUDGET

Below please find a rough estimate of estimated operational costs.

### ESTIMATED BUDGET AND START UP COSTS

ITEM	COST
Location Improvements and Buildout (one time fee)	\$350,000.00
Technology	\$7,600.00
Marketing	\$20,000.00
Inventory	\$45,000.00
Wages/Benefits	\$750,000.00
Property Taxes	\$14,000.00
Maintenance	\$4,800.00
Office Supplies	\$30,000.00
Office Furniture	\$5,000.00
Utilities	\$60,000.00
Various Insurances	\$150,000.00
Advertising and Promotions	\$20,000.00
BioTrack Software Platform	\$3,600.00
Surveillance System	\$10,000.00
Quickbooks	\$900.00
Payroll System	\$25,000.00
CPA	\$40,000.00
Attorney	\$30,000.00
Consulting	\$20,000.00
Community Outreach	\$50,000.00
Manufacturing Equipment (one time fee)	N/A
Vehicle (one time fee)	\$30,000.00
<b>TOTAL:</b>	<b>\$1,665,900.00</b>

**8F**



**8F. PROOF OF CAPITALIZATION**

Please see attached.

Alvarez Brothers, LLC  
Balance Sheet  
As of 9/6/19

**Assets**

**Current Assets**

Cash in Bank	650,000	
Cash deposits	300,000	
Construction in Progress	110,000	
Accounts Receivable	55,000	
Other Assets	<u>5,900,000</u>	
Total Current Assets		<u>7,015,000</u>

**Fixed Assets**

Equipment	650,000	
Tools and Heavy Equipment	1,500,000	
Buildings	7,722,850	
Land	5,400,000	
Vehicles	60,000	

14,682,850

Total Fixed Assets

**Other Assets**

Other Assets  
Total Other Assets

**Total Assets** 21,697,850

**Liabilities**

**Current Liabilities**

Accounts Payable	15,000	
Other Current Laibilities	<u>950,000</u>	
Total Current Liabilities		965,000

**Long Term Liabilities**

Equipment	180,000	
Other Long Term Liabilities	3,000,000	
Santa Cruz County Bank/USDA B&I	4,200,000	
Total Long Term Liabilities	<u>7,380,000</u>	

**Total Liabilities** 8,345,000

**Equity** 13,352,850  
**Total Net Worth** 13,352,850

**Total Liabilities & Equity** 21,697,850

**8G**

## 8G. PRO FORMA

### ESTIMATED ANNUAL REVENUE PROJECTIONS

ITEM	TOTAL
<u>Revenue</u>	
Flower/Pre-rolls	\$1,500,000.00
Edibles	\$450,000.00
Concentrates	\$400,000.00
Vapor Pens	\$500,000.00
Beverages	\$120,000.00
Tinctures	\$75,000.00
Topicals	\$50,000.00
Capsules	\$30,000.00
Gear	\$20,000.00
<b>Total:</b>	<b>\$3,145,000.00</b>
<u>Expenses</u>	
Wages/Benefits	\$750,000.00
Property Taxes	\$14,000.00
Maintenance	\$4,800.00
Utilities	\$60,000.00
Various Insurances	\$150,000.00
Advertising and Promotions	\$20,000.00
Office Supplies	\$30,000.00
Bio Track POS Software	\$3,600.00
Surveillance System	\$10,000.00
QuickBooks	\$900.00
Payroll System	\$25,000.00
CPA	\$40,000.00
Attorney	\$30,000.00
Consulting	\$20,000.00
Community Outreach	\$50,000.00
City of Salinas Annual Fee	\$15,000.00
Cannabis Tax	10% Gross Receipt
<b>Total:</b>	<b>\$1,223,300.00</b>
<b>Anticipated Revenue 2020:</b>	<b>\$1,455,727.00</b>
<b>Anticipated Revenue 2021:</b>	<b>\$1,732,315.00</b>
<b>Anticipated Revenue 2022:</b>	<b>\$2,061,455.00</b>

9

## **9. NEIGHBORHOOD COMPATIBILITY**

### Community Relations

Our mission at Sanborn Distribution includes ensuring we operate in a way that benefits our neighbors as well as ourselves and our associates thereby committing success to the local community. Our success goes hand in hand with the success of everyone around us, and we strive to ensure our operation helps those around us to grow and increase economic success. We believe in being an asset to our immediate community, and so take pride in achieving trust and good relations with everyone who encounters our company. This includes:

- Understanding our neighbors and how we can manage our operations to positively impact their business while immediately addressing any concerns brought to our attention.
- Providing increased security that not only benefits our operation but helps ensure the safety of neighboring premises. This includes informing our neighboring businesses if any of our staff or security notices something out of the ordinary, as well as making exterior surveillance feed available in the event a neighboring business encounters a security incident unrelated to our operation.
- Taking all appropriate steps to ensure we mitigate any negative effects arising for our operation, including odor abatement, parking scarcity/congestion on the street and/or security concerns.
- Absolutely NO CONSUMPTION of any cannabis products will be allowed anywhere on or near the facility and this policy will be strictly monitored and enforced.
- Providing the contact information of the General Manager and Director of Security to all neighboring businesses to allow for clear and direct communication of any issue.
- Allowing for private tours and/or schedule of an open house to allow our neighbors who are over 21 years of age to see the interior of our operation and provide a spirit of transparency and dispel any concerns or misconceptions.
- The business sign will not exceed what is currently present and will not have cannabis related insignia present.

The proposed project site is an ideal location for the development of the proposed businesses as there is adequate infrastructure to serve the property, an existing building and parking to serve the use and the surrounding uses are compatible.

### Odor Management Plan

To address the concerns of odor management, Sanborn Distribution and its affiliates on site will implement the following:

At a minimum, one Honeywell F90A1050 Electronic Air Purifier (or equivalent) will be housed throughout the various sections of the facility. The F90A1050 is a surface mounted Honeywell industrial commercial electronic air cleaner. It cleans by removing particulates from the air passing through the electronic cells. This filter is certified to be 94% efficient at capturing 0.5 micron air borne particles that pass through the filter such as pollen, cat dander, dust, tobacco smoke, and mold spores.



In addition to the Electronic Air Purifier, the applicants will utilize the existing exhaust system already in place at the location. They will make sure that the system is up-to-date with the latest carbon filter technology. These steps should ensure that odors from cannabis are not detectable off site.

#### Noise Control

To reduce the possibility of noise pollution, the applicants will implement strict rules of conduct governing the behavior of staff, contractors and visitors at all times while on, approaching or departing the proposed facility location. These include but are not limited to:

- Restricted volume of car stereos and amplified portable sound systems (in vehicles or in person) while on the premises, including while entering and exiting the premises.
- Limited volume of in-house background music.
- Warnings of unnecessary honking, tire screeching, yelling, or any noise deemed disruptive, unnecessary or a nuisance.
- The on-site security guard will prohibit individuals from loitering around the entrance of the property and will ensure that no cannabis products are being used outside the proposed location.

#### Foot and Vehicle Traffic

The proposed facility location is easily accessible by public transportation (for employees; the facility is not open to the public) and is convenient for individuals driving to the facility. The entrance to the premises is on Sanborn Place, a one-way street that runs parallel to S. Sanborn Road. There is ample parking on site. Employees will park inside the facility to avoid impacting traffic on the front thoroughfare facing the entrance to the building. All traffic generated by the facility will be mitigated by the following:

- Security personnel will be stationed at the gate that enters the parking lot throughout the day to prevent loitering and assist in the flow of traffic in and out of the facility.
- Clearly visible identification of parking entry, exit and space delineations.

#### Nuisance and Crime Prevention

As detailed in the security plan in Section 10, Sanborn Distribution will employ Uretsky Security, a third party professional security company, to provide on-site twenty-four (24) hour security. In addition, Sanborn Distribution will employ Crime and Prevention through Environmental Design (CPTED) techniques. These techniques are sometimes referred to as “broken window” approach. By addressing minor issues quickly and thoroughly, the applicants will maintain and raise the community standards in the neighborhood.

Please see Section 10 for a detailed description of the security plan.

#### Aesthetic Compatibility

Sanborn Manufacturing will make the necessary improvements to improve the neighborhood aesthetics to improve the overall quality of the environment. There will not be signage that contains logos or information that identifies, advertises or lists the services or the products offered.

### Surrounding Businesses and Local Enterprise

Sanborn Distribution will provide new job opportunities within the City of Salinas and the surrounding area. Management will choose employees best suited for the positions in question, and will, to the extent of the law, give preference in hiring to residents of the City of Salinas or Monterey County. Employees will be provided fair living wages, paid vacation, and medical and dental insurance to all full time staff.

The surrounding businesses are:

- Taqueria El Oaxaqueño
- Eagle Star Security
- Orizaba Ice Cream
- Overhead Door Company of Salinas
- Estrellas Auto
- Specialty Auto Body
- Del Cas Auto Collision
- West Coast Sprinter & Auto
- 7-Eleven – 1020 Terven Avenue (264 feet away)
- AM PM – 970 Work Street (350 feet away)
- Los Grullenses Taqueria – 655 Sanborn Place (654 feet away)

In order to ensure public health and safety of the City of Salinas, the business will operate in a manner such that distribution of cannabis or cannabis products does not adversely affect the health, safety and welfare of nearby properties. The high level of standards identified throughout this application and in the business plan will ensure this business will not create hazards due to the use or storage of materials, processes, products, chemicals, or waste.

**10**



## **11. COMMUNITY BENEFITS**

The Sanborn Distribution principals have a long track record of supporting the local community through decades of contributions and they intend to continue that tradition through the facility's revenue stream. They are committed to being an asset to the local community and will maintain the premises of the property in a manner that will be eliminate potential nuisances, safety and security issues. As mentioned earlier the property is an ideal location for both distribution and manufacturing as there is adequate infrastructure and parking to maintain both businesses. The following are a few of the benefits the community will enjoy from Sanborn Distribution's operations:

### **Salinas' General Plan:**

Sanborn Distribution's operations support several overlapping policies serving the interests of Salinas and the adjacent communities. First, it advances access to safe, properly produced cannabis products authorized under state law and local ordinance. For the same reason, it therefore advances the policies set forth under Salinas' General Plan regarding the provision of needed goods and services to the residents of Salinas. Because Sanborn Distribution will tailor its operations to reduce its water consumption and carbon footprint and to the greatest extent practicable eliminate the generation of waste products, its operations serve the resource conservation goals promoted by those plans as well.

In addition to these general and specific issues, Sanborn Distribution's business approach and operations will serve numerous other goals stated in the Salinas General Plan and similar planning documents. The applicants will integrate its operations into the surrounding community in a sensitive and attractive manner by utilizing an existing structure, located in a neighborhood in need of revitalization, and provide a community ombudsperson to address any complaints or concerns.

The employment provided by Sanborn Distribution pays above living wage standards that will help provide economic stability to the neighborhood in which it is located and stimulus to the City of Salinas as a whole. The proposed use will thus simultaneously help prevent a decline in and about the commercial center where it is located while bringing economic benefits to Salinas. Because it believes in the concept of personal accountability and in "paying it forward", Sanborn Distribution will earmark a portion of its net income for reinvestment into the community.

### **Neighborhood and Local Enterprise:**

The presence of cannabis operations has proven to be a substantial force in strengthening local economies by bringing new and additional jobs, health services and security to areas where it was not present before. The development of local cannabis businesses aids to advancing community development and financial gain to the city and its constituents by creating jobs and tax revenue.

## **CONTRIBUTIONS TO THE COMMUNITY**

### **Taxes:**

The anticipated local tax revenues generated by Sanborn Distribution's operations will also contribute to the local government efforts to maintain and improve its public services such as parks and community

centers. The applicants will also offer a slate of additional programs and services to help boost the community through services to aid and support our citizens. These ancillary services will focus on health and drug education issues, including the proper and appropriate use of medicinal cannabis as well as on partnerships with local non-profits and community support organizations, price supports to seniors, the terminally ill, low income individuals and veterans, and an eviction defense program assisting persons who have lost their homes to foreclosure.

#### Employment Policies:

Sanborn Distribution will focus its hiring positions on the pool of residents of the City of Salinas. The facility will work with the California EDD and private placement job centers and search lists to accomplish this policy objective.

#### Charitable Donations:

As previously stated the applicants have a long history of charitable donations in City the Salinas and the greater Monterey County and takes pride in donating to worthy causes and giving back to the communities it serves and will continue their commitment to philanthropic causes. To name a few, the principals have committed to various philanthropic organizations that include but are not limited to:

- Rancho Cielo
- Salinas Police Foundation
- Monterey County Sheriff's Foundation

#### Community Involvement:

The applicants are involved with the Salinas Valley Leadership Group and actively donate to several political campaigns.

Additional contributions Sanborn Distribution pledges to give back to the City of Salinas and greater Monterey County include the following:

- Single source income jobs to promote the local economy and surrounding betterment of the City of Salinas.
- Increased tax revenue paid to the City of Salinas to allow additional social economic programs to benefit and improve the lives of the citizens of the City of Salinas.
- Green build out (environmentally-friendly fulfillment of needs) taking into account the environment, sustainability and longevity of the resources in the City of Salinas.
- The principals of Sanborn Distribution are committed to participating in community outreach programs and community services for various nonprofit organizations throughout the City of Salinas.
- Various community programs covering a plethora of topics from health and wellness to cannabis technological advances.
- Continual philanthropic funding through the Sanborn Distribution and the principals.
- A food drive during the holidays.



- Sanborn Distribution is dedicated to its commitment to give back to the City of Salinas. If a need arises that has not been addressed, the principals are willing to participate both financially and in time and energy to the cause.

#### Community Liaison

Joe and Sal Alvarez will be the designated community liaisons to which the City can provide notice or refer members of the public who may have any concerns or complaints regarding the operation of the business. The community liaisons will provide their name, address and email to the Police Department and to all residents and property owners located within 100-foot radius of the business.

#### Community Events

The principals will actively engage with local Salinas residents, business owners and officials to facilitate lasting and beneficial relationships and connections to aid in facilitating growth and prosperity within the city. In an effort to continue cannabis education in the local community the principals are committed to hosting a community education outreach program to educate the youth on the use of cannabis and the community at large on the medicinal benefits of cannabis. Depending on the interest within the community the patrons are committed to hosting this event quarterly.

The proposed outreach event will include a panel of educational experts and specialists in the field of medical cannabis use, at risk youth, substance abuse and commercial cannabis. The goal will be to educate the community so they can make the best decisions for themselves, their families and their health surrounding cannabis consumption/use.

#### Supporting Local Cannabis Businesses

The City of Salinas and the greater Monterey County is ripe with local cannabis businesses in the areas of cultivation and manufacturing. The principals not only own several cannabis cultivation sites locally they also participate with their community partners and are committed to supporting the local smaller farms as well as the large full scale operations for which they are a part of. Their support of other local business will aid their success and the success of the community at large.

#### Noise Management

The proposed businesses do not predict to conduct operations that would create an excess of noise to the community and neighboring businesses. Employees will be instructed to enter and exit the property and their vehicles in a respectful, peaceful manner and all employee parking is within the fenced property boundaries. The community liaison will address any noise concerns that are brought forward immediately.

#### Loitering

In an effort to prevent loitering and all other possible nuisances, the businesses will employ an on-site security guard to canvass the area and property throughout the day and night. This will deter any potential onlooking and or individuals loitering around the site. The community liaisons will address any loitering concerns that are brought forward immediately.

Overall, giving back to the community is critical in the foundation and mission of the Sanborn Distribution and Manufacturing team. Given the history and involvement in the community the founders have it serves them to give back and create positive change in the local community by creating job opportunities, enhancing the local neighborhood will positive development and securing the area by providing safety measures throughout the premises.

**12**

## **12. ENHANCED PRODUCT SAFETY**

**12A. LABELING REQUIREMENTS**

**12B. CONSUMER AND PRODUCT SAFETY**

**12A**

## 12A. LABELING REQUIREMENTS

### Packaging & Labeling:

The operators will follow all cannabis packaging and labeling requirements as set forth by the State. The cannabis product shall be placed into a tamper-proof package. As per California code stated earlier, labels and packages of our cannabis products shall meet the following requirements:

- Cannabis packages and labels shall not be made to be attractive to children.
- All cannabis product labels shall include the following information, prominently displayed and in a clear and legible font.
- Manufacture date and source.
- The statement "SCHEDULE I CONTROLLED SUBSTANCE."
- The statement "KEEP OUT OF REACH OF CHILDREN AND ANIMALS" in bold print.
- For medicinal products, the statement "FOR MEDICAL USE ONLY."
- The statement "THE INTOXICATING EFFECTS OF THIS PRODUCT MAY BE DELAYED BY UP TO TWO HOURS."
- The statement "THIS PRODUCT MAY IMPAIR THE ABILITY TO DRIVE OR OPERATE MACHINERY. PLEASE USE EXTREME CAUTION."
- For packages containing only dried flower, the net weight of cannabis in the package.
- A warning if nuts or other known allergens are used.
- List of pharmacologically active ingredients, including, but not limited to, tetrahydrocannabinol (THC), cannabidiol (CBD), and other cannabinoid content, the THC and other cannabinoid amount in milligrams per serving, servings per package, and the THC and other cannabinoid amount in milligrams for the package total.
- Clear indication, in bold type, that the product contains cannabis.
- Identification of the source and date of manufacturing and manufacture.
- Any other requirement set by the Bureau.
- Information associated with the unique identifier issued by the Department of Food and Agriculture pursuant to Section 11362.777 of the Health and Safety Code.
- Only generic food names may be used to describe edible cannabis products.

Please see attached State requirements that the applicants will follow.



The California Department of Public Health (CDPH) has released new resources to assist cannabis manufacturers and other businesses in understanding and evaluating compliance with packaging and labeling requirements.

#### Packaging and Labeling Checklists:

- Packaging Checklist for Cannabis and Cannabis Products – this checklist includes an explanation of child-resistant packaging requirements: <https://goo.gl/T2aq6B>
- Labeling Checklist for Cannabis Products: <https://goo.gl/dFLW7Q>
- Labeling Checklist for Cannabis Products with Small Containers: <https://goo.gl/D6fh89>

#### Common Packaging and Labeling Questions:

What are the labeling requirements for cannabis and pre-rolls that only contain cannabis?

Cannabis (flower and pre-rolls that only contain flower) must meet the basic requirements outlined in Business & Professions Code - Division 10, Chapter 12. CDPH has not specified any additional requirements for cannabis in the emergency regulations.

Can CDPH provide feedback on my label?

CDPH is not able to review manufacturer's labels for all of the cannabis products that are sold throughout the state of California.

Can I make the Universal Symbol white or another light color if my packaging is dark?

The Universal Symbol must be black. It cannot be modified, other than resizing, and the color cannot be changed from black. The symbol must be visible on your label. If your packaging is dark, you can use a lighter background color on your label where the symbol will be placed or you can outline the symbol using a contrasting color.

Which products require opaque packaging?

Only edible cannabis products are required to be in opaque packaging. Edibles are products similar to traditional food products, such as cakes, cookies, beverages and juices, tea and coffee, chocolates, gummies, gum and mints.

Additional FAQs on packaging and labeling are available on our website: [www.cdph.ca.gov/mcsb](http://www.cdph.ca.gov/mcsb).

#### About the Manufactured Cannabis Safety Branch

The California Department of Public Health's Manufactured Cannabis Safety Branch (MCSB) is one of three state cannabis authorities charged with licensing and regulating commercial cannabis activity in California. MCSB regulates all commercial cannabis manufacturing in the state and strives to protect public health by ensuring commercial cannabis

manufacturers operate safe, sanitary workplaces and produce products that are free of contaminants, meet product guidelines and are properly packaged and labeled.

For more information on CDPH's Manufactured Cannabis Safety Branch, visit [www.cdph.ca.gov/mcsb](http://www.cdph.ca.gov/mcsb). For questions, contact us: [mcsb@cdph.ca.gov](mailto:mcsb@cdph.ca.gov) or (855) 421-7887.

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# LABELING REQUIREMENTS

## MANUFACTURED CANNABIS PRODUCTS



Cannabis products must be properly labeled to ensure consumers are informed about what they are purchasing and to prevent unintended use. *Note: These guidelines are based on the CDPH Emergency Regulations and apply only to cannabis products. Cannabis (flower and pre-rolls that only contain flower) must meet the basic requirements specified in Division 10 of the Business & Professions Code.*

### PARTS OF A LABEL:

- **Primary panel** – the part of the package most likely to be displayed to the consumer at retail; typically the front or top
- **Informational panel** – any other portion of the label

### LABELING DOs:

- ✓ Display information clearly and legibly
- ✓ Make sure all labeling information is seen on the outer layer of packaging
- ✓ Use English and at least 6 point font
- ✓ Include both THC and CBD content on the primary panel

### LABELING DON'Ts:

- ✗ **California county names**—Cannot include the name of a California county anywhere on the label unless 100% of the cannabis in the product was grown there.
- ✗ **Cannot be attractive to children**—This includes using cartoons, images popularly used to advertise to children, imitating candy labeling, and using the words “candy” or “candies” anywhere on the label.
- ✗ **Cannot include false or misleading information**—This includes anything untrue or unproven, or information that leads consumers to have an inaccurate impression.
- ✗ **Cannot make unproven health claims**—Health-related statements, such as claims about a product’s ability to treat or cure disease, may not be made unless there is significant scientific agreement and the claims are supported by a totality of publicly-available peer-reviewed evidence. Anecdotal information and preliminary study results do not meet this criteria.  
*Note: Health-related statements are extensively regulated by the FDA, and cannabis businesses are not exempt from federal prosecution for misleading health statements.*
- ✗ **Modifications to Universal Symbol**—Cannot alter symbol or use a color other than black.

### CANNABIS PRODUCTS WITH SMALL CONTAINERS:

If your product packaging is small and you cannot fit all of the required labeling, you can use a supplemental label, such as a hang tag or peel-back label, to include some of the required labeling. More information about supplemental labels and a labeling checklist for cannabis products with small containers are available at [www.cdph.ca.gov/mcsb](http://www.cdph.ca.gov/mcsb)

## LABELING CHECKLIST—Manufactured Cannabis Products

### PRIMARY PANEL (Minimum 6 pt font)

- ☐ **Product identity**  
A generic or common name that describes the product. Examples include dark chocolate, fruit chew, vape cartridge, lotion, tincture, etc.
- ☐ **Universal symbol** [in black, at least 0.5"x0.5"]  
The California symbol that identifies products as containing cannabis. The symbol can be downloaded at [www.cdph.ca.gov/mcsb](http://www.cdph.ca.gov/mcsb).
- ☐ **Net weight or volume**  
The weight or volume of the cannabis product, not including the packaging.
- ☐ **THC and CBD per package** [in milligrams]  
The total amounts of  $\Delta$ 9-THC (THC) and cannabidiol (CBD) in the package. Other cannabinoids may be listed but are not required.

*Edible products must also have:*

- ☐ **"Cannabis-Infused"**  
These words must be listed above the product identity and in a text size larger than the one used for the product identity.
- ☐ **THC and CBD per serving** [in milligrams]  
The amount of  $\Delta$ 9-THC (THC) and cannabidiol (CBD) in each serving.

### INFORMATIONAL PANEL (Minimum 6 pt font)

- ☐ **Manufacturer name and contact**  
The name of the licensed manufacturer and their phone number or website. The name must match the legal or DBA name listed on the CDPH license.
- ☐ **Date of manufacture**
- ☐ **List of ingredients** [in descending order by weight or volume]
- ☐ **Instructions for use and any preparation needed**
- ☐ **UID number**  
The unique tracking number issued through Track-and-Trace.  
*Note: This requirement will begin when you receive your Track-and-Trace login. Do not create a placeholder UID number.*
- ☐ **Government warning statement for cannabis products** [in capital letters and bold font]
- ☐ **"FOR MEDICAL USE ONLY"** [for non-edible products with more than 1000mg THC]
- ☐ **Expiration, use-by or best-by date** [if any]
- ☐ **Batch number** [if any]

*Edible products must also have:*

- ☐ **Sodium, sugar, carbohydrates, and total fat** [in grams per serving]
- ☐ **Allergens** [if applicable]  
A list of any major food allergen in the product. The major food allergens are milk, egg, tree nuts, wheat, peanuts, soybeans, fish or crustacean shellfish. Use the specific food name when disclosing allergens (i.e. "almonds" instead of "tree nuts").
- ☐ **Artificial food colorings** [if applicable]

*Note: Edibles are products similar to traditional food products, such as cakes, cookies, beverages and juices, tea and coffee, chocolates, gummies, gum and mints.*

California Department of Public Health  
Manufactured Cannabis Safety Branch

[www.cdph.ca.gov/mcsb](http://www.cdph.ca.gov/mcsb)

[mcsb@cdph.ca.gov](mailto:mcsb@cdph.ca.gov)

[www.cannabis.ca.gov](http://www.cannabis.ca.gov)



# PACKAGING REQUIREMENTS

## CANNABIS AND CANNABIS PRODUCTS



The Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) included basic requirements for how cannabis and cannabis products must be packaged before sale. These requirements apply to all cannabis flower, pre-rolls and manufactured cannabis products. They do not apply to shipping or transport containers.

### DOs

- ☒ Package manufactured cannabis products prior to transfer to a distributor as finished product. Cannabis flower may be packaged by a cultivator, manufacturer or distributor.
- ☒ Protect the product from contamination.
- ☒ If a product has multiple layers of packaging, the packaging requirements can be fulfilled using any one of those layers.

### DON'Ts

- ☒ Cannot imitate packaging used for products typically marketed to children.
- ☒ Cannot imitate packaging used for non-cannabis food products.

### PACKAGING CHECKLIST

- ☐ **Tamper Evident** – A consumer knows if the package has been opened.  
*Ex: a plastic seal, a sticker across the lid that is ripped when opened, a jar with a lid that pops up after opening, etc.*
- ☐ **Child Resistant** – The packaging meets the standard for child-resistant under the federal Poison Prevention Packaging Act of 1970. See back of this handout for more information.
- ☐ **Resealable [For products with multiple uses]** – The package can be closed after each use.  
*Ex: a lid, adhesive closure, box top closure, etc.*
- ☐ **Opaque [For edibles only]** – The package is not transparent; consumers cannot see the product through the packaging.

## CHILD RESISTANT PACKAGING

Child-resistant packaging (CRP) is packaging that is designed to be difficult for children under five years of age to open. The standards for child-resistant packaging are listed in the federal Poison Prevention Packaging Act of 1970 (PPPA, 16 CFR §1700.1).

State law requires all cannabis and cannabis products to be in child-resistant packaging.

### Types of CRP:

- **Single Use (“Initial CRP”)** – the package is initially child resistant, but once opened, it is no longer child resistant.
- **Multiple Use (“Lifetime CRP”)** – the package maintains its child resistance throughout the life of the package. It can be opened and closed, and it remains child resistant.

### FAQs

#### *What type of CRP does my product need?*

Under the Emergency Regulations, only edibles must be packaged in lifetime CRP. Cannabis and all other cannabis products must be packaged in initial CRP.

#### *Is my package child resistant?*

Packaging receives certification after it passes testing and is proven to meet the PPPA standard. Ask your packaging supplier if the packaging you are considering has proof of certification.

#### *Why can't exit packages be used to satisfy CRP requirements?*

Exit packaging, used at the time of retail sale, is not required to be child-resistant and therefore cannot be used to satisfy the statutory requirement for child-resistant packaging.

### For More Information on CRP

The Consumer Product Safety Commission, which administers the PPPA, has additional information about what qualifies as child-resistant, the procedures for testing and certification, and a list of testing firms: <https://www.cpsc.gov/Regulations-Laws-Standards/Statutes/Poison-Prevention-Packaging-Act>.

California Department of Public Health  
Manufactured Cannabis Safety Branch

[www.cdph.ca.gov/mcsb](http://www.cdph.ca.gov/mcsb)  
[www.cannabis.ca.gov](http://www.cannabis.ca.gov)

[mcsb@cdph.ca.gov](mailto:mcsb@cdph.ca.gov)



The transition period in the licensing authorities' regulations allowing exceptions from specific regulatory provisions ends on June 30, 2018. Beginning July 1, 2018, cannabis goods must meet all statutory and regulatory requirements. Cannabis goods that do not meet all statutory and regulatory requirements must be destroyed in accordance with the rules pertaining to destruction.

#### LABORATORY TESTING REQUIREMENTS:

Beginning July 1, 2018, a licensee may only sell cannabis goods that have been tested and passed all testing requirements in effect at the time of testing.

-Untested cannabis goods cannot be sold by a retailer and must be destroyed. A retailer may not send cannabis goods to a distributor for testing.

-Untested cannabis goods manufactured or harvested before January 1, 2018, in possession of a distributor that are owned by the distributor must be destroyed.

-Untested cannabis goods manufactured or harvested before January 1, 2018, in the possession of a distributor owned by a manufacturer or cultivator may be returned to the licensee who owns the cannabis goods. If a cultivator or manufacturer chooses to sell the returned cannabis goods, the cannabis goods must be sent to a distributor for testing and must meet all of the testing requirements in effect at the time of testing before transported to a retailer for sale.

#### PACKAGING AND LABELING REQUIREMENTS:

Beginning July 1, 2018, all packaging and labeling must be performed prior to cannabis goods being transported to a retailer.

-A retailer shall not accept cannabis goods that are not properly packaged and labeled. A retailer shall not package or label cannabis goods, even if the cannabis goods were in inventory before July 1, 2018. However, for medicinal sales, retailers will place a sticker on cannabis goods stating, "FOR MEDICAL USE ONLY" upon sale to a qualified medicinal consumer, unless the statement is already printed on the package.

-A retailer may not send unpackaged cannabis goods to another licensee for packaging or labeling. Cannabis goods in possession of a retailer that do not meet packaging and labeling requirements must be destroyed.

-Exit packaging is not required to be child-resistant and can no longer be used to satisfy the child-resistant packaging requirements. All cannabis goods must be in child-resistant packaging prior to delivery to a retailer.

#### THC LIMITS FOR EDIBLE CANNABIS PRODUCTS:

Beginning July 1, 2018, edible cannabis goods may not exceed 10 milligrams of THC per serving and may not exceed 100 milligrams of THC per package.



#### THC LIMITS FOR NON-EDIBLE CANNABIS PRODUCTS:

Beginning July 1, 2018, non-edible cannabis products must meet package THC restrictions.

-Non-edible cannabis products shall not contain more than 1,000 milligrams of THC per package if intended for sale only in the adult-use market.

-Non-edible cannabis products shall not contain more than 2,000 milligrams of THC per package if intended for sale only in the medicinal market.

#### INGREDIENTS AND APPEARANCE OF CANNABIS PRODUCTS:

Beginning July 1, 2018, a retailer may only sell cannabis products that meet the requirements set by the California Department of Public Health for ingredients or appearance.

The requirements listed above can also be found in the transition period fact sheet located here on our website:  
[http://www.bcc.ca.gov/about\\_us/documents/transition\\_period\\_fact\\_sheet.pdf](http://www.bcc.ca.gov/about_us/documents/transition_period_fact_sheet.pdf)

For additional information about transition period requirements, or to subscribe to email alerts to hear about updates as they become available, please visit the Bureau's website at <http://www.bcc.ca.gov/>. For information on all three state licensing authorities, please visit the state's California Cannabis Portal at <https://cannabis.ca.gov/>. Follow the Bureau on Facebook, Twitter and Instagram for daily news and updates.

Those looking to get in touch with the Bureau of Cannabis Control can call our Call Center at (833) 768-5880, or send an email to [bcc@dca.ca.gov](mailto:bcc@dca.ca.gov).

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You may reply to this email by contacting [bcc@dca.ca.gov](mailto:bcc@dca.ca.gov)

**12B**

## **12B. CONSUMER AND PRODUCT SAFETY**

### Quality Control:

Sanborn Distribution believes that product safety starts with clean cultural control and sanitation practices and will employ a quality control manager, who will adhere to quality control standards implemented in the cannabis industry as well as other rules and regulations. The quality control manager will be highly experienced and a trained professional who has experience overseeing quality control standards and protocols in California's agricultural production systems. The applicants will maintain compliance with all regulating bodies at the City of Salinas and State of California levels.

### Product Recall:

In the event the cannabis products sold and/or produced by the applicants has been suspected of causing any adverse reaction or harm to patients/retail customers, in place will be a Product Recall Policy designed for quick and thorough response.

### Internal Immediate Response Recall Procedure - Cannabis

All employees and managers will be trained in initial adverse effect reporting and recall procedure. The General Manager and Compliance Control Manager will lead the initial response.

- Upon receiving a complaint of this nature, the General Manager is first alerted by whoever receives the information.
- General Manager will then meet with the Compliance Manager and Quality Control Manager to debrief the situation.
- Details of the report will be documented immediately.
- The management team will follow the California Department of Public Health Recall Guidelines followed by adherence to FDA Guidelines for adverse effect reporting and recall protocols.

The recall plan which provides for specific procedures, defines terms and assigns roles and responsibilities when a safety issue arises with any of our products. The plan will be activated whenever a potential recall requirement arises and includes the following elements:

- Recall responsibility assignments
- Key personnel and external contact information
- Recall procedures
- Communication templates



## **13. ENVIRONMENTAL BENEFITS**

**13A. GREEN BUSINESS PRACTICES**

**13B. WATER CONSERVATION MEASURES**

**13C. ENERGY EFFICIENCY MEASURES**

**13D. WASTE MANAGEMENT PLAN**

**13A**

### **13A. GREEN BUSINESS PRACTICES**

Sanborn Distribution is dedicated to conducting its operations in a manner that is ecologically sustainable from an energy consumption, water consumption and waste generation standpoint. In furtherance of these goals, Sanborn Distribution will consult with and, as necessary, seek advice from an Environmental or Architectural Engineer to assist with its Environmental Sustainability Plan and will, at a minimum, adopt and adhere to Best Management Practices that include methods, policies and procedures. Further, all proposed building improvements will take the necessary precautions to avoid any adverse environmental impacts.

Overall, the applicants will pride themselves on a theory of reduce, reuse and recycle. Only eco-friendly cleaning products that are biodegradable and non-toxic will be used. Research will always be done before purchasing new products to ensure they are the most environmentally friendly products available on the market.

The employee break rooms will not use disposable cups, plates or utensils. The operators will provide permanent dishware for employees in order to help reduce the amount of waste generated at the facility. The businesses will use their best efforts to only use reusable and recycled items.



**13B**

### **13B. WATER CONSERVATION MEASURES**

The applicants have resided in the Salinas Valley for decades and as such they are sensitive to the need to conserve our water source. In keeping in practice with the company's mission statement the facility will instruct, train and educate its staff as to water conservation measures, including the following methods:

- **Avoiding** water wasting techniques such as:
- Allowing water to run during washing/rinsing procedures when no active washing or rinsing is occurring;
- Using the restroom facility to flush and dispose of small items that are more properly disposed of using trash containers.
- The identification and reporting to appropriate management members of leaks in any portion of the water delivery, distribution and plumbing systems in and about the premises where the facility conducts its operations.
- Utilizing any and all available ALCO/ California Water programs and private resources tasked with water conservation efficiency and the education of the public regarding same.
- No cannabis cultivation will take place on site and as such the majority of the water usage will result from the restrooms and employee break room.
- The breakroom will be equipped with a water purifier to allow employees clean, fresh and drinkable water that is created on-site. This will reduce the impact on the environment because employees will not need to rely on plastic water bottles or a third party water provider.
- All bathroom sinks, faucets, and accessories will be products created to save water by reducing the amount of water used in flow or flushing.

Sanborn Distribution will employ water conserving equipment and materials, as follows:

- Water meter monitor including technology to identify leaks.
- The use of low flow equipment in sinks and toilets.
- The use of cleaning agents that do not rely on water.
- An HVAC system that collects and recycles condensate.

The property's water source is through Cal Am.

**13C**

### **13C. ENERGY EFFICIENCY MEASURES**

As to maximizing energy efficiency, the implementation of measures that include the following:

#### For lighting equipment and controls:

- Use of fluorescent/LED lighting in all areas of the premises.
- Use of Energy Star lighting products.
- Use, where appropriate, of photo-controls for exterior lighting unless security needs dictate otherwise.

#### For HVAC equipment and controls:

- Installation of vent dampers.
- Analysis of systems and replacement of inefficient components.
- Use of programmable thermostats and controls.
- Sealing and insulation of ducts and hot water pipes.
- Use of Energy Star HVAC products.

#### For the building envelope:

- Install and/or increase roof and wall insulation.
- Control air leakage.
- Install storm doors.
- Insulate and seal skylights (if any) and windows.
- Use of storm/insulated windows carrying the Energy Star label.
- The facility will use green building measures whenever feasible, utilizing materials such as denim insulation, non-toxic paint, and materials that do not off-gas.

#### Use of natural light:

- Attempting to meet or exceed the energy efficiency requirements of the International Energy Conservation Code.

#### PG&E Programs:

Sanborn Distribution will apply for and utilize any and all available PG&E programs for free technical assistance in creating an energy efficient plan for construction of the building shell, tenant improvements, building systems and processes and effectuating the other goals stated in this part.

#### Solar Panels:

The facility proposes to install solar panels on the building and draw on that during daylight hours and endeavor to sell excess electrical output back to the PG&E grid within the next five (5) years.

#### Alternative Fuel Vehicles:

The facility will use electric vehicles for all of its internal and transportation needs.

**13D**

### **13D. WASTE MANAGEMENT PLAN**

Sanborn Distribution will endeavor to reduce, to the greatest extent possible, the generation of any excess cannabis product debris or waste materials. The distribution facility anticipates that it will be a zero or near zero waste facility in this regard, as the distribution operations do not create excess cannabis waste.

For any material that must be discarded or destroyed:

- Sanborn Distribution will identify one or more landfills or transfer stations that will receive cannabis waste material. Johnson Canyon landfill located at 31400 Johnson Canyon Rd, Gonzales, CA 93926, will be our site of choice.
- The operators will identify an employee responsible for segregating and disposing of any cannabis waste matter.
- Any cannabis or cannabis plant debris that is designated for destruction or disposal will be identified by date, batch, and volume by the Inventory Control System and will be ground, milled, or otherwise processed into a gauge where the particles can be readily combined with another substance so as to render the ground/milled/processed cannabis plant material non-viable.
- Once processed for disposal, the material to be discarded or destroyed will be combined with mulched cardboard, used plant soils, or other non-toxic inert material so as to render unusable the cannabis plant matter contained therein.

Following the rendering of any potentially usable cannabis non-viable by the above described method, the employee responsible for the destruction/disposal of the material will isolate and identify said material pending transfer to a designated waste generation facility.

All cannabis waste product will be kept in locked designated bins stored inside the facility to prevent theft and will be tracked via BioTrackTHC and transported with manifest according to local ordinance and state mandates.

All traditional waste will be disposed properly and will be picked up weekly by a local waste management business. As stated above all waste will be put into separate bins in order to keep materials that can be recycled out of the landfill.

Please also see section 13A for further recycling techniques.





## **14. LABOR AND EMPLOYMENT**

Please also see Community Benefits in Section 11.

### **EMPLOYMENT BENEFITS:**

Sanborn Distribution believes that its employees are its most valuable resource. We will provide and offer career paths and opportunities for citizens of the City of Salinas and the County of Monterey. We also believe that a workforce should represent the community and we are committed to hiring local employees who will benefit their families and the surrounding areas from working with our company. Upon hiring, employees will receive an Employee Handbook detailing company rules, expectations, protocols and policies.

#### **Hiring Strategy:**

Sanborn Distribution anticipates to hire an initial staff of three (3) employees. As the business expands additional employees will be hired. As stated previously, the applicants will, to the extent permitted by law and where feasible, give preference in hiring to residents to the City of Salinas or the greater Monterey County. All employees will be at least twenty-one (21) years of age.

Salinas is a very diverse city and we believe our staff should reflect the greater community it serves. As such, in order to provide improved access for non-English speaking associates, Sanborn Distribution will have a Spanish speaker on staff and accessible during office hours.

All full-time, entry-levels employees will be paid an hourly rate of no less than \$22.00 per hour, along with health benefits and paid time off. Part-time employees will be paid an hourly rate of no less than \$22.00 per hour and may accrue paid time off. The operators will adjust wage status annually to reflect a cost of living increase. Managers will either be salaried employees or will be paid upwards of \$60.00 per hour.

Employees will receive medical and dental insurance as well as paid vacation time accrued based upon hours worked. Also available is the option to start 401K funding, retirement planning and COVID relief packages for employees who have been affected by the global pandemic.

Sanborn Distribution is committed to equal employment opportunity, and will not discriminate against employees or applicants based on any classification status.

#### **Training and Continuing Education:**

All new hires will complete a proprietary training program. This includes classroom instruction by trained industry professionals in not only the cannabis industry but occupational safety as well.

Sanborn Distribution is committed to providing educational opportunities for all eligible employees. The plan will give full-time employees the opportunity to enroll in two (2) classes per quarter toward an accredited degree at a local community college or CSUMB, with tuition fully paid for by Sanborn Distribution. We will also offer employees coaching throughout their educational experience in matters ranging from enrollment to financial aid to career advice.

In addition, to ensure staff knowledge remains current in the rapidly evolving cannabis industry, all employees will receive ongoing education, including training sessions with experts, off-site conferences, online workshops and seminars. The operators will continually update, revise and refine their proprietary training program to reflect changes in laws, products, and industry practices and standards.

#### Annual Performance Review:

Each employee will receive an annual performance review to assess any areas that require improvement and to recognize their successes and accomplishments of the preceding year. Annual wage increase based on a pre-established company pay scale will be granted or other skill development methods will be assigned as necessary.

#### Employee Benefits:

All employees will be offered medical and dental insurance as well as a paid vacation package. Employees accrue paid sick time off at a rate of one (1) hour for every thirty (30) hours worked. See above.

#### Rest Breaks and Meal Periods:

The applicants are committed to ensuring that non-exempt employees take meal and rest periods as outlined in our policy and in accordance with all applicable laws. We will authorize and permit all employees to take one (1) ten-minute break for every four (4) hours worked.

Rest periods will be scheduled as close to the middle of the fourth (4<sup>th</sup>) hour period as possible, the exact schedule may vary depending on the needs of the business each day.

#### Drug and Alcohol Policy:

Use of substances, including alcohol, intoxicants or other mind-altering substances either legal or illegal will not be tolerated. This policy is detailed in the employee handbook.

#### Staff Training Program:

The distribution facility will provide instruction/training to its staff that relate to its basic operating procedure in addition to the following areas:

- The proper use of security measures and controls that have been adopted by the distribution facility for the security of the facility and to prevent diversion, theft or loss of cannabis.
- Procedures and instructions for responding to an emergency.
- State and federal statutes and regulations regarding confidentiality of information related to the use of cannabis.
- The different products distributed by the operation.
- The prohibition on transacting cannabis with unauthorized suppliers.
- The prohibition of transacting cannabis with unauthorized persons.
- Understanding the difference between topical products, edible cannabis products and cannabis-infused products, as applicable to the operations of the facility for the distribution of edible cannabis products or cannabis-infused products.

- The proper procedures for handling edible cannabis products or cannabis-infused products, including, without limitation, the procedures used to produce, package and store such products as required by the provisions of the governing statute and related regulations.

Proper sanitation as to the handling of cannabis products, including:

- Avoiding bare hand and arm contact with exposed, finished cannabis products.
- The use of suitable utensils such as deli tissue, spatulas, tongs, single-use gloves or dispensing equipment when handling exposed, finished edibles or infused products.
- Keeping his or her hands and the exposed portions of his or her arms clean.
- Cleaning hands and exposed portions of his or her arms (or, as applicable, surrogate prosthetic devices for hands and arms), during the following times and circumstances:
  - Immediately before working with usable cannabis or other cannabis products prior to packaging.
  - After touching bare human body parts other than clean hands and exposed portions of arms.
  - After using the restroom.
  - After coughing, sneezing, using a handkerchief or disposable tissue, using tobacco, eating or drinking.
  - After handling soiled equipment.
- As often as necessary to remove soil and contamination and to prevent cross-contamination when changing tasks.
- Keeping fingernails trimmed, filed and maintained so that the edges and surfaces are cleanable.
- Unless wearing intact gloves in good repair, avoiding the use of fingernail polish or artificial fingernails on his or her fingernails.
- Wearing clean clothing appropriate to the tasks assigned to him or her.
- Proper washing techniques, as follows:
  - Taking at least 20 seconds to complete the washing procedure, using a hand washing sink and cleaning compound.
  - Rinsing under clean, running warm water.
  - Applying an amount of cleaning compound recommended by the manufacturer of the compound.
  - Rubbing together vigorously for at least 15 seconds while paying particular attention to removing soil from underneath the fingernails and creating friction on the surfaces of the hands and arms, fingertips and areas between the fingers.
  - Thoroughly rinsing under clean, running warm water.
  - Thoroughly drying the washed body part.

Additional Training as to The Distribution Facility's President and/or Executive Director:

In addition to any other training given to the facility's staff, the President or, in the event of the hire of an Executive Director (ED, who will be responsible for the day-to-day management), such ED, will be trained/ instructed in the principles of disease prevention, and the requirements of state and local regulations by:

- Cross-contamination.
- Hand contact with finished cannabis products and ingredients.
- Hand washing.
- Maintaining the establishment in a clean condition and in good repair.

- The correct procedures for cleaning and sanitizing utensils and the surfaces of equipment that have direct contact with cannabis products and ingredients.
- The identification of poisonous or toxic materials in the facility and the procedures necessary to ensure that those materials are safely stored, dispensed, used and disposed of according to applicable state and federal laws and regulations.

#### Occupational Health and Safety Standards – Sanitary Practices:

The distribution facility will meet or exceed all OSHA standards for safety in the work place. The facility will offer a clean, safe and comfortable environment for its employees and associates. In the event the staff determines that a staff member has a health condition that may affect the safety or quality of the products it distributes, or the health of other staff members, it will place the affected person on medical leave until such time as the health condition of the employee no longer presents a threat.

#### Safety Program

All personnel will be required to wear personal protective equipment if required in the job duties. It is required that all unsafe condition procedures will be reported. There will be first aid kits available for employees in the employee break-room and throughout the facilities.

#### Employee Safety:

The physical safety of our employees is extremely important and will not be compromised under any circumstances. This includes a written and posted evacuation plan, fire safety procedure, health related emergency procedure and procedures involving a security incident. All staff will be given written instructions and secondary training regarding what to do when encountering any of these events. The facility will be regularly inspected to comply with all building and fire permit requirements, and updated as needed to ensure all persons entering the facility are safe from harm during normal operations as well as in the event of an emergency or incident. Immediately following any incident, a written report will be generated to document the details and be available for further investigation to determine cause and prevent further incidents in the future. Parking areas will be regularly monitored by Uretsky Security specialists to ensure safety and security for both staff and neighbors.

### **FIRE AND DISASTER EVACUATION SIGNAGE PROCEDURES AND TRAINING**

#### Overview

Sanborn Distribution recognizes that effective and timely response to emergencies is vital in securitizing operations. Therefore, all personnel will be thoroughly trained in emergency response and evacuation procedures. To aid in effective emergency and evacuation response the operators will ensure the following:

- Fire alarm pull boxes are clearly identified and all personnel are trained in their locations and operations.

- Exits will be clearly identified, checked routinely and maintained to avoid obstructions.
- Fire exit doors are clearly identified and all personnel are trained in their locations and operations.
- Fire exit doors will be checked routinely for proper functionality.
- Fire, natural disaster and subsequent evacuation drills will be performed regularly.
- Emergency telephone numbers and relevant Sanborn Distribution management contact information will be posted near all telephones.
- Fire and emergency evacuation exit diagrams will be posted in each building.

### Fire Evacuation Procedures

When personnel discover a fire or smoke condition, they are instructed to sound the building alarm by activating the nearest pull station and immediately call 911.

Whenever the fire alarm is sounded all personnel are instructed to leave immediately and report to the designated evacuation assembly space. Sanborn Distribution's personnel are trained not to assume the fire alarm is false or a test but to respond with "real world" protocols. All employees are trained to help others if they can do so safely.

When evacuating a space personnel are trained in the following exit protocols:

- Upon egress to close but not lock doors behind them and carry keys if possible for automatic locks in the case of forced retreat to the evacuated space for refuge.
- Check for signs of heat by touching doors before opening them. Doors that seem cool should be opened slowly and with caution.
- Personnel encountering smoke are trained to crawl or "get low" one (1) to two (2) feet from the floor to avoid smoke inhalation.
- Personnel are trained to seek an alternate route if the main exit is obstructed by fire, smoke or building damage.
- In the event of exit obstruction by fire or smoke personnel are trained to retreat to their normal area of operation or the nearest safe area in their vicinity and wait for rescue.

In the event personnel are awaiting rescue they will be trained to adhere to the following protocols:

1. Close all doors between yourself and the fire.
2. Attempt to seal doors with cloth to keep smoke out.
3. Call 911 to notify first responders of your location.

Once personnel have evacuated their respective buildings or spaces they are trained to immediately present at the designated evacuation assembly space. The designated security officer will begin and continue to perform head counts to ensure all persons have evacuated danger zones and are accounted for at the designated evacuation assembly space.

Sanborn Distribution personnel are trained to never re-enter evacuated spaces or buildings to search for or rescue someone believed to be missing. In the event of un-accounted for or missing individuals, employees are trained to immediately inform first responders and appropriate authorities.

**EMERGENCY SITUATIONS:**

In case of emergency please contact 911.

**LOSS OF POWER:**

The facility will be equipped with backup power generation (all required permits will be sought first) to continue basic functions during a power outage situation.

In case of power outage, please follow steps described below.

- If needed, access a flashlight and move safely towards the closest lighted exit.
- If power is only out within a section of the building, check subpanels that might be located closest to the outage. If breakers have moved within the panel, contact your local electrician.
- Have authorized personnel check status of the power supply within the power room.
- Contact local electrical municipality to solve power outage.

**Hazardous Materials Storage**

It is not anticipated that hazardous materials will be stored at the distribution facility.

**15**



## 15. LOCAL ENTERPRISE

Sanborn Distribution is founded by principals that were raised in the Salinas Valley and are local business owners whose focus is benefiting the community of Salinas. Over the years the Alvarez brothers have built strong ties in the community and their focus is giving back to the community. They are heavily embedded in the cannabis community and will continue to incorporate local cannabis business with mainstream business. As a result of owning several cannabis cultivation sites in the greater Salinas area as well as being involved in the day to day operations, the brothers have developed successful working relationships with many local cannabis and non-cannabis businesses. As expressed throughout this application, Sanborn Distribution is a local venture, managed by local people and financed with local funds. For a detailed background and history of the principals, please see Section 16. As such, the opportunity to serve and support the local community is of utmost importance.

Sanborn Distribution will contribute to the community as follows (please also see Section 11):

### Local Business Support

The applicants will continue to give local businesses priority when purchasing its operating equipment and services. The principals of Sanborn Distribution are long standing members of the community of Salinas and maintain relationships with many local suppliers. They have shown its commitment to local business by contracting for its security equipment and service needs with local businesses and will continue that commitment in its operations.

### Local Hiring Priority

Sanborn Distribution will do its best to hire employees residing in the City of Salinas, the greater areas of Salinas and the Monterey County. It is important to the applicants that they employ individuals within the local jurisdiction to promote local enterprise, initiate commerce in the local and greater Salinas area and stimulate the local economy.

### Local Philanthropic Support

The applicants will continue to provide substantial financial support to local community organizations that promote educational, music, and sports programs. It is their commitment to provide a percentage of its gross revenue to worthy community organizations.

### Local Agricultural Innovation

It is well known that the Salinas Valley is one of the most important and productive agricultural communities on the planet. Salinas is also a major source of AgTech innovation. Sanborn Distribution hopes to witness local innovators in the agricultural community produce new technology and breed unique strains with greater medicinal benefits.

### Principals' Residences and Business Operations and Involvements with Non-Profit Organizations

Please see Sections 7, 11 and 16.

**16**

## 16. QUALIFICATIONS OF PRINCIPALS

### Sal Alvarez

Originally from Mexico, Sal Alvarez and his family landed in Monterey County in 1977. Since then he and his brothers have built an extraordinary business enterprise throughout Monterey County and are looking to expand their businesses and bring economic development to the City of Salinas. Their business ventures include leasing cannabis properties in Salinas Valley and Santa Cruz, cannabis cultivation, distribution and manufacturing as well as many other businesses such as Ace Hardware and various restaurants throughout the County.

Currently the Alvarez brothers own and operate three (3) separate and profitable Ace Hardware stores throughout the County of Monterey. At these stores they have over 50 employees who are provided benefits, paid time off, paid vacation and retirement opportunities.

In 2014 the brothers expanded their business empire to the Salinas Valley where they started purchasing farmland properties housing dilapidated greenhouses. Over time they refurbished the greenhouses, sold some of the properties and leased many of the greenhouses to cannabis businesses. They were among the first people to embark on the cannabis industry in Monterey County. Their tenants contribute hundreds of thousands of dollars in local cannabis tax, have created a plethora of jobs for the local economy and the property values have risen substantially.

They have further expanded their business portfolio by purchasing a cold storage facility in Watsonville. At this facility they store jams and juice for retailers such as Martinelli's and Smucker's.

Sal Alvarez is a family man with grown children who were raised in Monterey County. His philanthropic dedication is known throughout the community from his years of financial commitment to such organizations as Rancho Cielo and the Sheriff's Foundation to name a few. He does not have a criminal history and he has not been the subject of civil litigation.

It is his and his family's goal to bring their success to the City of Salinas by opening a distribution facility and manufacturing facility within the City on a parcel they recently purchased. It is their intention to again refurbish the land in an effort to improve community esthetics, create local jobs, increase property value and give back to the City of Salinas thereby creating new businesses in one of their areas of expertise.

### Jose Alvarez

Originally from Mexico, Jose "Joe" Alvarez and his family landed in Monterey County in 1977. Since then he and his brothers have built an extraordinary business enterprise throughout Monterey County and are looking to expand their businesses and bring economic development to the City of Salinas. Their business ventures include leasing cannabis properties in Salinas Valley and Santa Cruz, cannabis cultivation, distribution and manufacturing as well as many other businesses such as Ace Hardware and various restaurants throughout the County.

Currently the Alvarez brothers own and operate three (3) separate and profitable Ace Hardware stores throughout the County of Monterey. At these stores they have over 50 employees who are provided benefits and paid time off.

In 2014 the brothers expanded their business empire to the Salinas Valley where they started purchasing farmland properties housing dilapidated greenhouses. Over time they refurbished the greenhouses, sold some of the properties and leased many of the greenhouses to cannabis businesses. They were among the first people to embark on the cannabis industry in Monterey County. Their tenants contribute hundreds of thousands of dollars in local cannabis tax, have created a plethora of jobs for the local economy and the property values have risen substantially.

They have further expanded their business portfolio by purchasing a cold storage facility in Watsonville. At this facility they store jams and juice for retailers such as Martinelli's and Smucker's.

Jose Alvarez is a family man with grown children who were raised in Monterey County. His philanthropic dedication is known throughout the community from his years of financial commitment to such organizations as Rancho Cielo and the Sheriff's Foundation to name a few. He does not have a criminal history and he has not been the subject of civil litigation.

It is his and his family's goal to bring their success to the City of Salinas by opening a distribution facility and a manufacturing facility within the City on a parcel they recently purchased. It is their intention to again refurbish the land in an effort to improve community esthetics, create local jobs, increase property value and give back to the City of Salinas thereby creating new businesses in one of their areas of expertise.

## Business History

The Alvarez Brothers have owned or currently own the following businesses:

Ace Hardware Gonzales  
851 5<sup>th</sup> Street  
Gonzales

Ace Hardware Castroville  
11262 Merrit Street  
Castroville

Ace Hardware Prunedale  
8065 San Miguel Canyon Road  
Prunedale

Mike's Bar  
10749 Merrit Street  
Castroville

Aromas Grill  
304 Carpenteria Road  
Aromas

Ichiban Sushi  
17561 Vierra Canyon Road  
Prunedale

A & A Electric Company  
1328 Burton Avenue  
Salinas

Pleasantville Trailer Park  
13100 Monte Del Lago  
Castroville

Alvarez Brothers LLC  
Property Management  
25600 Encinal Road  
Salinas

Marinovich Cold Storage  
13526 Blackie Road  
Castroville

Various cannabis sites throughout Salinas Valley, Watsonville and Santa Cruz.



## **17. PROOF OF OWNERSHIP**



RECORDING REQUESTED BY:

Old Republic Title Company

Escrow No.: 0622020860

APN: 003-561-015, 003-561-023

When Recorded Mail Document and Tax Statements to:

Alvarez Brothers LLC  
8065 San Miguel Canyon Road  
Salinas, CA 93907

Stephen L. Vagnini  
Monterey County Clerk-Recorder  
Recorded at the request of:  
OLD REPUBLIC TITLE COMPANY |

**2018058500**

12/31/2018 10:58:22  
Titles: 1 Pages: 3

Fees: \$17.00  
Taxes: \$1650.00  
AMT PAID: \$1667.00

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE

**Grant Deed**

~~Exempt from fee per GC27388.1(a)(2); document recorded in connection with a concurrent transfer  
subject to the imposition of documentary transfer tax.~~

The undersigned grantor(s) declare(s):

Documentary Transfer Tax is \$1,650.00

(X) computed on full value of property conveyed, or

( ) computed on full value less of liens and encumbrances remaining at time of sale.

( ) Unincorporated area: (X) City of Salinas

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

Eliza G. Robledo, sole successor trustee of The Mata Family Living Trust Dated April 28, 2016, who acquired title as Eliza G. Robledo, sole successor trustee of tThe Mata Family Living Trust Dated April 28, 2016 and Eliza G. Robledo, Trustee of The Mata Family Living Trust Dated April 28, 2016  
hereby GRANT(S) to

Alvarez Brothers LLC, a California Limited Liability Company

that property in City of Salinas, Monterey County, State of California, described as:  
\* \* \* See "Exhibit A" attached hereto and made a part hereof. \* \* \*

Date: December 21, 2018

The Mata Family Living Trust Dated April 28, 2016

By: Eliza G. Robledo  
Eliza G. Robledo, Sole Successor Trustee

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of CALIFORNIA  
County of MONTEREY

On DECEMBER 23, 2018 before me, Rod O. Mickler a Notary Public, personally appeared ELIZA G. ROBLED0 who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: [Signature]Name: Rod O. Mickler  
(Typed or Printed)

(Seal)

ORDER NO. : 0622020860

### EXHIBIT A

The land referred to is situated in the County of Monterey, City of Salinas, State of California, and is described as follows:

**PARCEL ONE:**

Lot 13, Block 2, designated on the map entitled "Tract No. 105, Salinas Industrial Acres", filed December 11, 1945 in the office of the County Recorder of the County of Monterey, State of California in Volume 4 of Maps, "Cities and Towns", at Page 75.

**PARCEL TWO:**

The Southeasterly 136.0 feet of Lot Twelve (12) in Block Two (2), as said Lot and Block are shown on map entitled, "Tract No. 105, Salinas Industrial Acres" filed for record December 11, 1945 in Volume 4 of Maps, "Cities and Towns", at Page 75, Records of Monterey County, California, described as follows:

Beginning at the most Southeasterly corner of Lot 13 in Block 2 as shown on said map, and running in a Northeasterly direction along a line bearing North 36° 58' 30" East, a distance of 100.0 feet to a point at the extreme Southeasterly corner of said Lot 12 in Block 2, of said Salinas Industrial Acres Subdivision; thence leaving said point and running in a Northwesterly direction along a line bearing North 53° 01' 30" West, a distance of 136.0 feet to a point located on the common property line between Lots 7 and 12 of above said subdivision; thence leaving said point and running in a Southwesterly direction along a line bearing South 36° 58' 30" West, a distance of 100.0 feet to a point located on the common property line of Lots 12 and 13 of the above said subdivision; thence leaving said point and running in a Southeasterly direction along a line bearing South 53° 01' 30" East, a distance of 136.0 feet to the point of beginning.

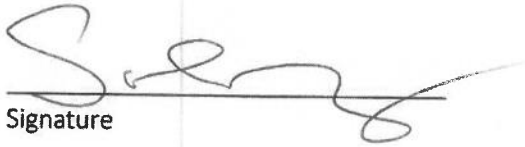
**PARCEL THREE:**

A non-exclusive easement over and across the center of that portion of said Lot 12 for the drainage of all normal waterfall from said tract.

APN: 003-561-015 & 003-561-023

**Notarized Statement of Property Owner**

I, Sal M. Alvarez, am the manager of Alvarez Brothers LLC, the owner of the property located at 743 Sanborn Place, Salinas, California 93901. I have granted Sanborn Retail LLC, Sanborn Distribution LLC, and Sanborn Manufacturing LLC permission to operate commercial cannabis businesses, both medicinal and adult-use, for retail/dispensary, distribution and manufacturing on the property.

  
Signature

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

**ACKNOWLEDGEMENT**

STATE OF CALIFORNIA        )

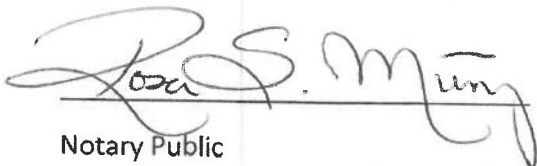
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COUNTY OF                    )

On Oct. 22, 2019, before me, Rosa S. Munoz, a notary public, personally appeared Sal M. Alvarez who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

  
Notary Public

