CITY OF MONTEBELLO CITY COUNCIL
CALL AND NOTICE OF A SPECIAL MEETING

PLEASE TAKE NOTICE THAT THE CITY COUNCIL HAS CALLED A SPECIAL MEETING AS FOLLOWS:

CITY OF MONTEBELLO CITY HALL
CITY COUNCIL CHAMBERS
1600 WEST BEVERLY BOULEVARD
MONTEBELLO, CALIFORNIA[1]
MONDAY, AUGUST 5, 2019 – 5:30 P.M.

FOR THE PURPOSE OF THE FOLLOWING:

OPENING CEREMONIES

1. **CALL MEETING TO ORDER:** **Mayor Hadjinian**

2. **ROLL CALL:** **City Clerk I. Barajas**

3. **STATEMENT OF PUBLIC ORAL COMMUNICATIONS:** Members of the public interested in addressing the Agency during this Special Meeting may only address the items which have been described in the notice of this Special Meeting in accordance with Government Code Section 54954.3(a). If you wish to speak on said item, please fill out a form provided at the door, and turn it in to the Secretary prior to the beginning of Oral Communications so that you will have an opportunity to speak before or during consideration of that item. This also includes any request for Public Oral Communications on items listed for Closed Session prior to the Agency recessing into Closed Session.

   Please be aware that the maximum time allotted for individuals to speak shall not exceed three (3) minutes per speaker. Please show courtesy to others and direct all of your comments to the Chairperson.

SEE ATTACHED AGENDA

Lillian Guzman

LILLIAN GUZMAN, Deputy City Clerk
August 1, 2019

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[1] *In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Building Official at 323/887-1497. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35.102-35.104 ADA Title II)*

SPECIAL CITY COUNCIL
MEETING AGENDA

CITY OF MONTEBELLO CITY COUNCIL/SUCCESSOR AGENCY
CITY HALL COUNCIL CHAMBERS
1600 WEST BEVERLY BOULEVARD
MONTEBELLO, CALIFORNIA[1] [1][2]
MONDAY, AUGUST 5, 2019

5:30 P.M.

MONTEBELLO CITY COUNCIL

JACK HADJINIAN
MAYOR

SALVADOR MELENDEZ
MAYOR PRO TEM

KIMBERLY A. COBOS-CAWTHORNE
COUNCILMEMBER

ANGIE M. JIMENEZ
COUNCILMEMBER

DAVID N. TORRES
COUNCILMEMBER

CITY CLERK
IRMA BARAJAS

CITY TREASURER
RAFAEL GUTIERREZ

CITY STAFF

CITY MANAGER
Rene Bobadilla

CITY ATTORNEY
Arnold M. Alvarez-Glasman

DEPARTMENT HEADS

Assistant City Manager	**Danilo Batson**
Fire Chief	**Fernando Pelaez**
Police Chief	**Brad Keller**
Director of Finance	**Robert Mescher**
Director of Human Resources	**Bob Franco**
Director of Planning/Community Development	**Manuel Mancha**
Director of Recreation and Community Services	**David Sosnowski**
Director of Transportation	**Tom Barrio**

OPENING CEREMONIES

1. **CALL MEETING TO ORDER:** **Mayor Hadjinian**

2. **ROLL CALL:** **City Clerk I. Barajas**

[1] *In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Building Official at 323/887-1497. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35.102-35.104 ADA Title II1203). If you require translation services, please contact the City Clerk's Office 24 hours before this meeting. Si necesita servicios de traducción, comuníquese con la Oficina del Secretario Municipal 24 horas antes de esta reunión.*

3. STATEMENT OF PUBLIC ORAL COMMUNICATIONS FOR CLOSED SESSION ITEMS:

Members of the public interested in addressing the City Council on Closed Session items must fill out a form provided at the door, and turn it in to the City Clerk prior to the announcement of Closed Session items.

Please be aware that the maximum time allotted for individuals to speak shall not exceed three (3) minutes per speaker. Please be aware that in accordance with State Law, the City Council may not take action or entertain extended discussion on a topic not listed on the agenda. Please show courtesy to others and direct all of your comments to the Mayor.

IN CONSIDERATION OF OTHERS, PLEASE TURN OFF, OR MUTE, ALL CELL PHONES AND PAGERS. THANK YOU FOR YOUR COOPERATION.

ORAL COMMUNICATIONS ON CLOSED SESSION ITEMS

CLOSED SESSION - 5:30 P.M.

The City Attorney shall provide a briefing on the item listed for Closed Session as follows:

4. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Government Code Section 54956.9(d)(2)
One matter

5. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
Government Code Section 54956.9(d)(1)
City of Montebello v. All Persons Interested, L.A.S.C. Case No. BC713533

REGULAR SESSION – 6:30 P.M.

6. INVOCATION

PLEDGE OF ALLEGIANCE

7. PRESENTATIONS

A. INTRODUCTION OF ASHIYA, JAPAN STUDENT AMBASSADORS

8. STAFF COMMUNICATIONS ON ITEMS OF COMMUNITY INTEREST

9. CORRECTIONS TO THE AGENDA – CITY MANAGER

10. STATEMENT OF PUBLIC ORAL COMMUNICATIONS: Members of the public interested in addressing the City Council on any agenda item or topic must fill out a form provided at the door, and turn it in to the City Clerk prior to the beginning Oral communications. A form does not need to be submitted for public hearing items.

Speakers wishing to address the City Council on an item that is not on the agenda will be called upon in the order that their speaker card was received. Those persons not accommodated during this thirty (30) minute period will have an opportunity to speak under “Oral Communications – Continued” after all scheduled matters have been considered.

Please be aware that the maximum time allotted for individuals to speak shall not exceed three (3) minutes per speaker. Please be aware that in accordance with State Law, the City Council may not take action or entertain extended discussion on a topic not listed on the agenda. Please show courtesy to others and direct all of your comments to the Mayor.

11. PUBLIC ORAL COMMUNICATIONS ON OPEN SESSION ITEMS (30 MINUTES)

12. APPROVAL OF AGENDA: Any items a Councilmember wishes to discuss should be designated at this time. All other items may be approved in a single motion with the exception of any item which a member of the public or City Council has requested to speak upon. Such approval will also waive the reading of any ordinance.

CONSENT MATTERS (13-17)

13. APPROVE THE CONTINUANCE OF AGREEMENT 2848 FOR ONE YEAR AND SUBSEQUENT AMENDMENT WITH TYLER TECHNOLOGIES, INC. FOR POLICE DEPARTMENT CAD/RMS STANDARD SOFTWARE MAINTENANCE

RECOMMENDATION: It is recommended that the City Council:

1) Approve a one year continuance of Agreement 2848 with Tyler Technologies, Inc. for CAD/RMS standard software maintenance retroactive to April 1, 2019 through March 31, 2020.

2) Give authority to the City Manager to execute up to three one year extensions at the rate described in the amendment not to exceed 3% CPI per year.

3) Take such additional, related, action that may be desirable.

14. SECOND AMENDMENT TO AGREEMENT NO. 2854 BETWEEN THE CITY OF MONTEBELLO AND PARKING COMPANY OF AMERICA METROLINK RAIL FEEDER SHUTTLE SERVICE (RFP 13-04)

RECOMMENDATION: It is recommended that the City Council:

1) Approve the Second Amendment to Agreement No. 2854 between the City of Montebello (the "City") and Parking Company of America ("Contractor") for Metrolink Rail Feeder Shuttle Service RFP 13-04 (the "Agreement") exercising the City's option to extend the Agreement with the Contractor for an additional two months for a sum not to exceed seventy-three thousand seven hundred twenty-nine dollars and thirty-four cents ($73,729.34);

2) Take such additional, related action that may be desirable.

15. CANCELLATION OF AUGUST 14, 2019 CITY COUNCIL MEETING

RECOMMENDATION: It is recommended that the City Council:

1) Cancel the regularly scheduled City Council meeting of August 14, 2019; and

2) Take such additional, related action that may be desirable.

16. COMMERCIAL CANNABIS DEVELOPMENT AGREEMENTS

RECOMMENDATION: It is recommended that the City Council:

1) Approve, in substantially the form as presented, eight (8) cannabis business development agreements for the operation of commercial cannabis activities in the City of Montebello, for Cannabis Development Agreement Nos. 11-19, 12-19, 13-19, 14-19, 15-19, 16-19, 17-19, and 18-19, and authorize the City Attorney's Office to make minor revisions to fix clerical or formatting errors, if any, prior to execution; and

2) Condition the approval of each of the eight cannabis business development agreements on the respective operator providing all exhibits to the development agreement and missing information to the City of Montebello in a form acceptable to the City Attorney's Office no later than August 1, 2019, as reflected with highlights in the attachments hereto; and

3) Adopt findings contained herein exempting the development agreements from further CEQA review under CEQA Sections 15301 and 15332, as applicable, and direct staff to prepare and file the appropriate Notice of Exemption for each project recommended for approval; and

4) Take such additional, related action that may be desirable.

17. PAYMENT OF BILLS: RESOLUTION APPROVING THE CITY/SUCCESSOR AGENCY WARRANT REGISTER OF DEMANDS DATED AUGUST 5, 2019

RECOMMENDED ACTION: It is recommended that the City Council:

1) Adopt the proposed resolution approving the Warrant Register dated August 5, 2019; and

2) Take such additional, related action that may be desirable.

18. PUBLIC ORALS – IF NEEDED

COUNCIL ORALS

19. COUNCILMEMBER COBOS-CAWTHORNE

None.

20. COUNCILMEMBER JIMENEZ

None.

21. COUNCILMEMBER TORRES

a. Opposition to changing regular meeting dates due to personal calendars.
b. Establishing mutually acceptable reasons to changing regular meeting dates.

22. MAYOR PRO TEM MELENDEZ

None

23. MAYOR HADJINIAN

a. Installation of City Seal inside council chambers.
b. The idea of a Monument placed at our courtyard related to our city history.

ADJOURNMENT

NOTES

ITEM #13

CITY OF MONTEBELLO

CITY COUNCIL AGENDA STAFF REPORT

TO: Honorable Mayor and City Council Members

FROM: Rene Bobadilla, City Manager

BY: Brad Keller, Chief of Police

SUBJECT: **Approve the continuance of Agreement 2848 for one year and subsequent amendment with Tyler Technologies, Inc. for Police Department CAD/RMS standard software maintenance.**

DATE: August 5, 2019

RECOMMENDATION

It is recommended that the City Council:

(1) Approve a one year continuance of Agreement 2848 with Tyler Technologies, Inc. for CAD/RMS standard software maintenance retroactive to April 1, 2019 through March 31, 2020.

(2) Give authority to the City Manager to execute up to three one year extensions at the rate described in the amendment not to exceed 3% CPI per year.

(3) Take such additional, related, action that may be desirable.

BACKGROUND

Tyler Technologies, Inc., formally New World Systems, has provided the Montebello Police Department with Integrated Public Safety Solutions since 2006. Standard

Software Maintenance is essential to maintain the operation of the proprietary system currently in place.

A Standard Software Maintenance Agreement, # 2848, was approved by former City Manager Francesca Tucker-Schuyler on January 24, 2017. It was discovered that this agreement required City Council approval. City Council approved agreement 2848 on July 25, 2018 for a one (1) year term retroactive to April 1, 2018. This agreement expired on March 31, 2019.

Staff is requesting the terms of agreement 2848 be continued with an amendment to this agreement placing a term limit and annual fee increase.

The software requiring support and maintenance is proprietary and cannot be serviced by another service provider.

ANALYSIS

1. Tyler Technologies, Inc. (formally "New World") develops and implements Standard Software Public Safety solutions.

2. Tyler Technologies, Inc. has provided the Montebello Police Department ("MPD") with Integrated Public Safety Solutions that includes Computer Aided Dispatch ("CAD"), Records Management System ("RMS"), and a Mobile Automations system since 2006.

3. A Standard Software Maintenance Agreement ("SSMA") from Tyler Technologies, Inc. is essential to maintain the operation of the proprietary system currently in place. Agreement 2848 expired March 31, 2019.

4. Tyler Technologies, Inc. has agreed to continue the agreement retroactive to April 1, 2019.

5. The Standard Software Maintenance Agreement invoice for April 1, 2019 to March 31, 2020 is $145,008.79. This amount has been budgeted for with the 18/19 and 19/20 fiscal year budgets. This is an approximate 3.845% increase from the previous 18/19 FY SSMA agreement which was $139,431.66.

6. Staff has requested that Tyler Technologies, Inc. amend agreement 2848 to include; support fees will not increase more than three percent (3%) per year over the prior year during the duration of the agreement beginning April 1, 2020. Tyler Technologies, Inc. has agreed to this amendment.

7. Since the software is proprietary no other public safety CAD/RMS provider would be capable of providing support and/or maintenance for the system currently in place.

8. The approximate cost to replace the CAD/RMS with another provider is estimated to be approximately $740,000.

9. The current system meets or exceeds the Police Department's needs.

FISCAL IMPACT

The Police Chief has budgeted for this anticipated expense of $145,008.79 with Asset Forfeiture funds for Fiscal Years 18/19 and 19/20.

The account number for this expense for both fiscal years is 99-847-6040.65

SUMMARY

Tyler Technologies, Inc. provides the Montebello Police Department with Integrated Public Safety Solutions. Standard software maintenance is essential to maintain the operation of the proprietary Tyler Technologies, Inc. system currently in place. An agreement, agreement 2848, was entered into on or about January 24, 2017 by the former City Manager and ultimately approved on or about July 25, 2018 by City Council since the amount exceeded the City Manager's approval. The term of the agreement has since expired. Staff is requesting approval to continue with the terms of agreement 2848 for one year retroactive from April 1, 2019 through March 31, 2020 [and] approval to give authority to the City Manager to execute up to three one year extensions at the rate described in the amendment not to exceed 3% CPI per year.

The expense for FY 18/19 into FY 19/20 is $145,008.79, an approximate increase of 3.8% from the prior year. The continuance of agreement 2848 and the aforementioned amendment must be approved by the City Council and is currently budgeted for with Asset Forfeitures Funds for both fiscal years.

ATTACHMENTS

Agreement 2848

Amendment to agreement 2848

Resolution For Tyler Technology

AGREEMENT 2848
Support Agreement

This Support Agreement is made, as of the date set forth below (the "Effective Date") by and between Tyler Technologies, Inc. with offices at 840 West Long Lake Road, Troy, MI 48098 ("Tyler") and the client identified below ("Client").

WHEREAS, Tyler and Client are parties to an original agreement ("Agreement") under which Client licensed the New World software itemized therein; and

WHEREAS, Tyler and New World merged effective November 16, 2015, with Tyler as the surviving entity; and

WHEREAS, Tyler and Client desire to update the applicable maintenance and support services terms;

NOW THEREFORE, in consideration of the mutual promises hereinafter contained, Tyler and Client agree as follows:

1. The New World software Client licensed under the Agreement, and on which Client has paid maintenance and support fees through the Effective Date, shall mean the "Tyler Software" for purposes of this Support Agreement.
2. Tyler shall provide maintenance and support services on the Tyler Software according to the terms of Exhibit 1 to this Support Agreement.
3. For the term specified in the applicable invoice, Client shall remit to Tyler maintenance fees in the amount set forth therein. Payment is due within thirty (30) days of the invoice date.
4. This Support Agreement shall be governed by and construed in accordance with the terms and conditions of the Agreement.
5. All other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Support Agreement as of the dates set forth below.

Tyler Technologies, Inc.	Client: Montebello, CA (Aegis)
By: [signature]	By: Francesca Tucker-Schuyler
Name: Greg Sebastian	Name: FRANCESCA TUCKER-SCHUYLER
Title: President, Public Safety Division	Title: CITY MANAGER
Date: 1/20/17	Date: 1/24/2017

tyler technologies

Exhibit 1
Maintenance and Support Agreement

Tyler ("we") will provide Client ("you") with the following maintenance and support services for the Tyler Software. Capitalized terms not otherwise defined will have the meaning assigned to such terms in the Support Agreement.

1. Term. We provide maintenance and support services on an annual basis. The initial term commences on the Effective Date, and remains in effect for one (1) year. The term will renew automatically for additional one (1) year terms unless terminated in writing by either party at least ninety (90) days prior to the end of the then-current term.

2. Maintenance and Support Fees. Your year 1 maintenance and support fees for the Tyler Software are listed in the applicable invoice. We reserve the right to suspend maintenance and support services if you fail to pay undisputed maintenance and support fees within thirty (30) days of our written notice. We will reinstate maintenance and support services only if you pay all past due maintenance and support fees, including all fees for the periods during which services were suspended.

3. Maintenance and Support Services. As long as you are not using the Help Desk as a substitute for our training services on the Tyler Software, and you timely pay your maintenance and support fees, we will, consistent with our then-current Support Call Process:

   3.1 perform our maintenance and support obligations in a professional, good, and workmanlike manner, consistent with industry standards, to resolve Defects, as defined in the Agreement, in the Tyler Software (limited to the then-current version and the immediately prior version); provided, however, that if you modify the Tyler Software without our consent, our obligation to provide maintenance and support services on and warrant the Tyler Software will be void;

   3.2 a) provide telephone support during our established support hours, currently Monday through Friday from 8:00 a.m. to 8:00 p.m (Eastern Time Zone)

   b) emergency 24-hour per day telephone support, for New World CAD only, seven (7) days per week for Licensed Standard Software. Normal service is available from 8:00 a.m. to 8:00 p.m. (Eastern Time Zone). After 8:00 p.m., the New World CAD phone support will be provided via pager and a support representative will respond to CAD service calls within 30 minutes of call initiation.

   3.3 maintain personnel that are sufficiently trained to be familiar with the Tyler Software and third party software, if any, in order to provide maintenance and support services;

   3.4 provide you with a copy of all major and minor releases to the Tyler Software (including updates and enhancements) that we make generally available without additional charge to customers who have a maintenance and support agreement in effect; and

   3.5 provide non-Defect resolution support of prior releases of the Tyler Software in accordance with our then-current release life cycle policy.

4. Client Responsibilities. We will use all reasonable efforts to perform any maintenance and support services remotely. Therefore, you agree to maintain a high-speed internet connection capable of connecting us to your PCs and server(s). You agree to provide us with a login account and local administrative privileges as we may reasonably require to perform remote services. We will, at our option, use the secure connection to assist with proper diagnosis and resolution, subject to any reasonably applicable security protocols. If we cannot resolve a support issue remotely, we may be required to provide onsite services. In such event, we will be responsible for our travel expenses, unless it is determined that the reason onsite support was required was a reason outside our control. Either way, you agree to provide us with full and free access to the Tyler Software, working space, adequate facilities within a reasonable distance from the equipment, and use of machines, attachments, features, or other equipment reasonably necessary for us to provide the maintenance and support services, all at no charge to us. We strongly recommend that you also maintain a VPN for backup connectivity purposes.

5. Hardware and Other Systems. If in the process of diagnosing a software support issue it is discovered that one of your peripheral systems or other software is the cause of the issue, we will notify you so that you may contact the support agency for that peripheral system. We cannot support or maintain third party products except as expressly set forth in the Agreement.

   In order for us to provide the highest level of software support, you bear the following responsibility related to hardware and software:

   (a) All infrastructure executing Tyler Software shall be managed by you;
   (b) You will maintain support contracts for all non-Tyler software associated with Tyler Software (including operating systems and database management systems, but excluding Third-Party Software, if any); and
   (c) You will perform daily database backups and verify that those backups are successful.

6. Other Excluded Services. Maintenance and support fees do not include fees for the following services: (a) initial installation or implementation of the Tyler Software; (b) onsite maintenance and support (unless Tyler cannot remotely correct a Defect in the Tyler Software, as set forth above); (c) application design; (d) other consulting services; (e) maintenance and support of an operating system or hardware; (f) support outside our established support hours; or (g) installation, training services, or third party product costs related to a new release. Requested maintenance and support services such as those outlined in this section will be billed to you on a time and materials basis at our then current rates. You must request those services with at least one (1) weeks' advance notice.

7. Current Support Call Process. Our current Support Call Process for the Tyler Software is provided Schedule A to Exhibit 1.

Exhibit 1
Schedule A
Support Call Process

If, after you have cut over to live production use of the Tyler Software, you believe that the Tyler Software is Defective, as "Defect" is defined in the Agreement, then you will notify us by phone, in writing, by email, or through the support website. Please reference the applicable Customer Support page at www.tylertech.com/client-support for information on how to use these various means of contact.

Documented examples of the claimed Defect must accompany each notice. We will review the documented notice and when there is a Defect, we shall resolve it at no additional cost to you beyond your then-current maintenance and support fees.

In receiving and responding to Defect notices and other support calls, we will follow the priority categorizations below. These categories are assigned based on your determination of the severity of the Defect and our reasonable analysis. If you believe a priority categorization needs to be updated, you may contact us again, via the same methods outlined above, to request the change.

In each instance of a Priority 1 or 2 Defect, prior to final Defect correction, the support team may offer you workaround solutions, including patches, configuration changes, and operational adjustments, or may recommend that you revert back to the prior version the Tyler Software pending Defect correction.

(a) **Priority 1**: *A Defect that renders the Tyler Software inoperative; or causes the Tyler Software to fail catastrophically.*

After initial assessment of the Priority 1 Defect, if required, we shall assign a qualified product technical specialist(s) within one business (1) hour. The technical specialist(s) will then work to diagnose the Defect and to correct the Defect, providing ongoing communication to you concerning the status of the correction until the Tyler Software is operational without Priority 1 defect.

The goal for correcting a Priority 1 Defect is 24 hours or less.

(b) **Priority 2**: *A Defect that substantially degrades the performance of the Tyler Software, but does not prohibit your use of the Tyler Software.*

We shall assign a qualified product technical specialist(s) within four (4) business hours of our receipt of your notice. The product technical specialist will then work to diagnose and correct the Defect. We shall work diligently to make the correction, and shall provide ongoing communication to you concerning the status of the correction until the Tyler Software is operational without Priority 2 Defect.

The goal for correcting a Priority 2 event is to include a correction in the next Tyler Software release.

(c) **Priority 3**: *A Defect which causes only a minor impact on the use of the Tyler Software.*

We may include a correction in subsequent Tyler Software releases.

AMENDMENT

This amendment (“Amendment”) is effective as of the date of signature of the last party to sign as indicated below (“Amendment Effective Date”), by and between Tyler Technologies, Inc., a Delaware corporation with offices at 840 West Long Lake Road, Troy, MI 48098 (“Tyler”) and the City of Montebello, with offices at 1600 W Beverly Blvd, Montebello, CA 90640-3932 (“Client”).

WHEREAS, Tyler and the Client are parties to a License Agreement with an effective date of June 29, 2006 (the “Agreement”);

WHEREAS, Tyler and the Client renewed maintenance and support services under the agreement through “Agreement 2848, Support Agreement” with an effective date of January 30, 2017 (the “Support Agreement”);

WHEREAS, Tyler and Client now desire to amend the Support Agreement;

NOW THEREFORE, in consideration of the mutual promises hereinafter contained, Tyler and the Client agree as follows:

1. Paragraph 2 in Exhibit 1 is stricken in its entirety and replaced with the following language:

   “2. Maintenance and Support Fees. Your maintenance and support fees for the initial term for the Tyler Software will be listed in the applicable invoice. Your fees for each subsequent term will be at our then-current rates; provided, however, for the terms beginning on April 1, 2020; April 1, 2021, and; April 1, 2022, your maintenance and support fees will not increase more than three percent (3%) per year over the prior year. We reserve the right to suspend maintenance and support services if you fail to pay undisputed maintenance and support fees within thirty (30) days of our written notice. We will reinstate maintenance and support services only if you pay all past due maintenance and support fees, including all fees for the periods during which services were suspended.”

2. This Amendment shall be governed by and construed in accordance with the terms and conditions of the Agreement.

3. All other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, a duly authorized representative of each party has executed this Amendment as of the date of signature of the last party to sign as indicated below.

Tyler Technologies, Inc.	City of Montebello, CA
By: ______________________	By: ______________________
Name: Greg Sebastian	Name: ______________________
Title: President, Public Safety Division	Title: ______________________
Date: ______________________	Date: ______________________

RESOLUTION NO._____________

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MONTEBELLO FOR APPROVING THE CONTINUANCE OF AGREEMENT 2848 AND SUBSEQUENT AMENDMENT WITH TYLER TECHNOLOGIES, INC. FOR POLICE DEPARTMENT CAD/RMS STANDARD SOFTWARE MAINTENANCE

WHEREAS, Tyler Technologies, Inc. ("Tyler") has provided the Montebello Police Department with Integrated Public Safety Solutions since 2006

WHEREAS, the City Council of the City of Montebello previously approved a Standard Software Maintenance Agreement #2848 which expired on March31, 2019.

WHEREAS, the software requiring support and maintenance is proprietary and cannot be serviced by another service provider

WHEREAS, it is necessary to the operation of the Police Department to have a functional CAD/RMS System in order to provide Public Safety Services

WHEREAS, an amendment to Agreement 2848, effective April 1, 2020, would exclude paragraph 2 in its entirety and replaced with the following language giving the City Manager authority to execute up to three one year extensions:

2. Maintenance and Support Fees. Your maintenance and support fees for the initial term for the Tyler Software will be listed in the applicable invoice. Your fees for each subsequent term will be at our then-current rates; provided, however, for the terms beginning on April 1, 2020; April 1, 2021, and; April 1, 2022, your maintenance and support fees will not increase more than three percent (3%) per year over the prior year. We reserve the right to suspend maintenance and support services if you fail to pay undisputed maintenance and support fees within thirty (30) days of our written notice. We will reinstate maintenance and support services only if you pay all past due maintenance and support fees, including all fees for the periods during which services were suspended."

WHEREAS, Tyler has agreed to the terms set forth in the agreement and amendment while continuing with support

WHEREAS, the renewed maintenance and support services agreement will be in effect with a retroactive date to April 1, 2019 and until March 31, 2020

WHEREAS, a Standard Software Maintenance Agreement from Tyler is essential to maintain the operation of the proprietary system currently in place

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Montebello as follows:

SECTION 1. That the City Council does hereby approve to continue with the terms of Agreement 2848 with Tyler Technologies, Inc. for CAD/RMS standard software maintenance retroactive to April 1, 2019 and until March 31, 2020, and

SECTION 2. Agree to approve the payment of $145,008.79 using Police Department Asset Forfeiture account number 99-847-6040.65.

SECTION 3. The City Council does hereby approve the amendment to Agreement 2848 effective on April 1, 2020 that will place a term limit and cap on annual increases.

SECTION 4. That the City Clerk shall certify to the adoption of this resolution.

APPROVED AND ADOPTED this 5th day of August 2019

____

Jack Hadjinian, Mayor

ATTEST: APPROVED AS TO FORM:

_________________________ _________________________

Irma Barajas, City Clerk Arnold Alvarez-Glasman, City Attorney

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss.
CITY OF MONTEBELLO)

I, Irma Barajas, City Clerk of the City of Montebello, do hereby certify that the foregoing City Council Resolution No. was duly and regularly approved and adopted by the City Council of the City of Montebello at their meeting held on the 5th day of August, 2019, as approved by law by the following vote:

AYES:
NOES: None

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of said City on the ___________ day of ___________________, 2019.

____
IRMA BARAJAS, City Clerk

ITEM #14

CITY OF MONTEBELLO

CITY COUNCIL AGENDA STAFF REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Rene Bobadilla, City Manger

BY: Tom Barrio, Director of Transportation

SUBJECT: Second Amendment to Agreement No. 2854 Between the City of Montebello and Parking Company of America Metrolink Rail Feeder Shuttle Service (RFP 13-04)

DATE: August 5, 2019

RECOMMENDATION

It is recommended that the City Council:

1) Approve the Second Amendment to Agreement No. 2854 between the City of Montebello (the "City") and Parking Company of America ("Contractor") for Metrolink Rail Feeder Shuttle Service RFP 13-04 (the "Agreement") exercising the City's option to extend the Agreement with the Contractor for an additional two months for a sum not to exceed seventy-three thousand seven hundred twenty-nine dollars and thirty-four cents ($73,729.34);

2) Take such additional, related action that may be desirable.

BACKGROUND

On March 7, 2013, the City issued Request for Proposal ("RFP") No. 13-04 for Metrolink rail feeder shuttle services for commuters to and from the Montebello/Commerce Metrolink station located at 2000 West Flotilla Street in Montebello to local areas of employment (the "Project").

The City awarded and executed a three-year (3-year) agreement on or about July 1, 2013, with Parking Company of America, a California corporation ("Contractor") to provide for such shuttle services as further described in detail in RFP No. 13-04 (the "Agreement"). Under the terms of the Agreement, the City and Contractor (or "Parties") could exercise the option to renew the Agreement for up to three (3) additional annual renewals of one (1) year each and extend the Agreement thereafter. The last renewal expired on July 1, 2019.

Given the urgency to maintain uninterrupted services to commuters who rely on shuttle services to and from the Montebello/Commerce Metrolink Station to local areas of employment, the prior City Manager under his legal authority, executed a one (1) month extension to allow the City to issue a new RFP for shuttle services.

To allow the City to comply with noticing/advertising procedures and to prevent interrupted services to commuters who rely on the daily shuttle services provided by the City, the City has determined that it is necessary and of benefit to all parties to extend the Agreement for an additional two (2) months. Therefore, the purpose of the Second Amendment to Agreement No. 2854 ("Second Amendment") between the City and Contractor is to extend the Agreement for an additional two (2) months as authorized by the Agreement for a sum not to exceed seventy-three thousand seven hundred twenty-nine dollars and thirty-four cents ($73,729.34)—a pro-rated amount of the annual sum originally agreed upon by the Parties for the fulfillment of the obligations outlined in the Agreement.

ANALYSIS

Since 1997, the Transportation Department has contracted for the provisions of Metrolink Rail feeder Shuttle Services to bridge the commute gap for weekday commuters to and from the Montebello/Commerce Metrolink Station and local areas of employment in Montebello, Commerce, Pico Rivera and Monterey Park.

On or about May 8, 2013, this Council approved the Agreement between the City and Contractor for shuttle services to bridge the commute gap for commuters traveling to and from the Montebello/Commerce Metrolink station located on 2000 West Flotilla Street in Montebello to the local areas of employment described above.

Under the terms of the Agreement, the Parties had the ability to exercise and option to renew the Agreement for up to three (3) additional annual renewals of one (1) year (1) each and extend the Agreement thereafter provided that the terms of the Agreement remain the same. The last renewal expired on July 1, 2019 and was subsequently extended for an additional month—term to expire on July 31, 2019. Staff has determined that an additional two (2) months is needed to release a new RFP and award a contract.

Since first awarded in 2013, the Contractor has met the terms and obligation of the Agreement to the satisfaction of the City. Under the proposed Second Amendment, the terms and conditions of the Agreement would remain the same with a compensation sum not to exceed seventy-three thousand seven hundred twenty-nine dollars and thirty-four cents ($73,729.34)—a pro-rated amount of the annual sum originally agreed upon by the Parties for the fulfillment of the obligations outlined in the Agreement.

FISCAL IMPACT

Funding for this agreement was allocated in the FY 2019/20 City Budget, within the Transportation Department's Operation Divisions' Maintenance and Operation Budget.

SUMMARY

The City Council will consider authorizing the City Manager to execute a Second Amendment to Agreement No. 2854 with Parking Company of America to provide shuttle services to commuters to and from the Commerce/Montebello Metrolink for an additional two (2) months with a compensation sum not to exceed seventy-three thousand seven hundred twenty-nine dollars and thirty-four cents ($73,729.34).

ATTACHMENTS

Second Amendment to Agreement No. 2854

**SECOND AMENDMENT TO CONTRACT AGREEMENT NO. 2854
BETWEEN THE CITY OF MONTEBELLO AND
PARKING COMPANY OF AMERICA TO EXTEND
METROLINK RAIL FEEDER SHUTTLE SERVICE
(RFP NO. 13-04)**

This Second Amendment to Agreement No. 2854 for Professional Services between the City of Montebello and Parking Company of America for Metrolink Rail Feeder Shuttle Service RFP-13-04 ("Second Amendment") is made and entered into as of _____ day of ___________, 2019 ("Effective Date"), by the City of Montebello, a California municipal corporation (the "City") and Parking Company of America, a corporation duly organized and existing under the law of the State of California (the "Contractor"). The City and the Contractor are sometimes hereinafter referred to individually as "Party" and collectively as the "Parties."

RECITALS

WHEREAS, City and Contractor are Parties to that certain Agreement No. 2854 for Professional Services between the City of Montebello and Parking Company of America for Metrolink Feeder Shuttle Services (RFP 13-04) dated on or about July 1, 2013 ("Agreement"), attached herein as Exhibit A, and incorporated herein by this reference, pursuant to which the Contractor provides shuttle service to commuters to and from the Montebello/Commerce Metrolink Station located at 2000 West Flotilla Street in the City of Montebello to local areas of employment (the "Project"); and

WHEREAS, pursuant to Article XXI "Effective Date" of the Agreement, the term of the Agreement was for three (3) years with an option to renew for three (3) annual renewals of one (1) year each upon mutual consent of the Parties; and

WHEREAS, the Agreement expired on July 1, 2019 and the parities exercised the option to extend the Agreement for an additional one (1) month (the "First Amendment")—that term is set to expire July 31, 2019;

WHEREAS, now the parties wish to extend the Agreement for an additional two (2) months pursuant to Article XXI of the Agreement which allows for an extension of the Agreement after the July 1, 2019, expiration date provided that the terms and conditions of the Agreement remain the same or as mutually agreed upon; and

WHEREAS, it is the intent of the Parties to extend the Agreement for an additional two (2) months to September 30, 2019, to allow the City to provide uninterrupted services to commuters who rely on shuttle services to and from the Montebello/Commerce Metrolink Station to local areas of employment; and

WHEREAS, pursuant to Article XXI "Effective Date" of the Agreement, the Parties intend to be bound by the same terms, conditions and provisions of the Agreement as it is amended herein; and

WHEREAS, the rate of compensation for this Second Amendment shall not exceed seventy-three thousand **seven hundred twenty-nine dollars and thirty-four cents** ($73,729.34)—a pro-rated amount of the annual sum originally agreed upon by the Parties for the fulfillment of the obligations outlined in the Agreement.

NOW, THEREFORE, based upon the foregoing recitals, which the Parties agree are true and correct, and for good and adequate consideration the receipt and adequacy of which is acknowledged by the Parties, the Parties agree as follows:

SECTION 1.

The above recitals are true and correct and are hereby incorporated herein as part of the Second Amendment.

SECTION 2.

The term of the Agreement is hereby extended from August 1, 2019, to September 30, 2019 (the "Second Extension"), as authorized under Article XXI of the Agreement. The additional compensation for the Extension shall not exceed **seven hundred twenty-nine dollars and thirty-four cents** ($73,729.34). Such sum shall include all amounts payable to the Contractor for its subcontracts, leases, materials and costs arising from, or due to termination of the Agreement. The City shall pay the Contractor upon thirty (30) days of receipt of invoice and full acceptance of product and services by the City. Said compensation of the Second Extension shall cover all expenses, losses, damages, and consequences arising out of the nature of the work during its progress or prior to its acceptance including those for well and faithfully completing the work and the whole thereof in the manner and time specified in the aforesaid Agreement; and also include those arising from actions of the elements, unforeseen difficulties or obstructions encountered in the prosecution of the work, suspension or discontinuance of the work, and all other unknowns or risks of any description connected with the work.

SECTION 3. Terms and Conditions of the Agreement.

Other than as expressly set forth in Section 2 of this Second Amendment, all of the terms and conditions of the Agreement shall remain in full force and effect and shall apply to this Second Amendment. If there is a conflict between the terms of Section 2 of this Second Amendment and the terms of the Agreement, the terms of Section 2 of this Second Amendment shall control to the extent of such conflict.

SECTION 4. Counterparts.

This Second Amendment may be executed in counterparts all of which shall constitute but one original, and the same agreement.

IN WITNESS WHEREOF, the Parties execute this Second Amendment to Agreement No. 2854 for Professional Services between the City of Montebello and Parking Company of America to take effect as of the Effective Date identified above.

CITY OF MONTEBELLO,
a California municipal corporation**:**

By: ___________________________________
Rene Bobadilla, City Manager

Date: _________________________________

PARKING COMPANY OF AMERICA:

By: _________________________________

Title: _______________________________

Date:
____

ATTEST:

____
Irma Barajas, City Clerk

APPROVED AS TO FORM:

____
Arnold M. Alvarez-Glasman, City Attorney

ITEM #15

CITY OF MONTEBELLO

CITY COUNCIL AGENDA STAFF REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Rene Bobadilla, City Manager

BY: Lillian Guzman, Deputy City Clerk

SUBJECT: Cancellation of August 14, 2019 City Council Meeting

DATE: August 5, 2019

RECOMMENDATION

It is recommended that the City Council:

1) Cancel the regularly scheduled City Council meeting of August 14, 2019; and
2) Take such additional, related action that may be desirable.

BACKGROUND

The first meeting in August was scheduled for August 14, 2019. At their City Council meeting on July 10, 2019, Councilmembers reached consensus to move the meeting to Monday, August 5, 2019.

FISCAL IMPACT

None.

ITEM #16

CITY OF MONTEBELLO

CITY COUNCIL AGENDA STAFF REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Rene Bobadilla, City Manager

BY: Manuel Mancha, Community Development Director
Arnold M. Alvarez-Glasman, City Attorney

SUBJECT: **Commercial Cannabis Development Agreements**

DATE: August 5, 2019

RECOMMENDATION

It is recommended that the City Council:

1. Approve, in substantially the form as presented, eight (8) cannabis business development agreements for the operation of commercial cannabis activities in the City of Montebello, for Cannabis Development Agreement Nos. 11-19, 12-19, 13-19, 14-19, 15-19, 16-19, 17-19, and 18-19, and authorize the City Attorney's Office to make minor revisions to fix clerical or formatting errors, if any, prior to execution; and

2. Condition the approval of each of the eight cannabis business development agreements on the respective operator providing all exhibits to the development agreement and missing information to the City of Montebello in a form acceptable to the City Attorney's Office no later than August 1, 2019, as reflected with highlights in the attachments hereto; and

3. Adopt findings contained herein exempting the development agreements from further CEQA review under CEQA Sections 15301 and 15332, as applicable, and direct staff to prepare and file the appropriate Notice of Exemption for each project recommended for approval; and

4. Take such additional, related action that may be desirable.

BACKGROUND

On September 13, 2017, the City of Montebello (the "City") adopted Ordinance Nos. 2399 and 2400 adding Chapters 5.90 and 17.71 to the City Municipal Code allowing cannabis cultivation, manufacturing, and testing with a required development agreement and conditional use permit under specified location restrictions.

On June 13, 2018, the City adopted Ordinance Nos. 2404 and 2405 adding delivery-only retail sales and distribution along with cultivation, manufacturing, and testing as conditionally approved activities/uses in the M-1 and M-2 zones with a required development agreement and sensitive use buffer of 600 feet from residential zones and other sensitive uses.

On February 13, 2019, the City Council held a public hearing for the selection of potential cannabis operators for Phase 3 consideration and adoption of fees. The City Council selected 21 potential operators, adopted cannabis business application fees, and established a conditional use permit filing due date of March 4, 2019 for said operators.

Since the March 4, 2019 conditional use permit filing deadline, multiple departments of City staff and the City Attorney's Office has worked with said operators to finalize the conditional use permit application and negotiate a final development agreement, respectively. Prior to this meeting, the City has already approved both the conditional use permit and development agreement for ten operators. Additionally, at the July 2, 2019 Planning Commission meeting, the Planning Commission approved five (5) conditional use permits; and, at the July 16, 2019 Planning Commission meeting, the Planning Commission approved three (3) additional conditional use permits. Each approved conditional use permit incorporated the health and safety requirements from the City-adopted ordinances and State law as conditions of approval, and were further conditioned upon the City Council's approval of a development agreement. The cannabis development agreements for those eight (8) potential operators who were granted said conditional use permits are before the City Council here for consideration and approval. Lastly, these eight development agreements all include the same labor peace agreement provision amendment that was approved for the first ten authorized cannabis businesses on July 8, 2019.

ANALYSIS

All eight cannabis development agreements before the Council here contain uniform provisions and incorporate the health, safety, and welfare requirements in Chapters 5.90 and 17.71 of the Montebello Municipal Code, including the 600-feet buffer zone from residential zones and other sensitive uses. Specifically, the development agreements require each potential operator to comply with strict odor control, security, background check, quality control, environmental protection, and packaging requirements. Additionally, each development agreement requires operator compliance with the extensive conditional use permit conditions of approval and the State of California cannabis regulations.

As to fees, the development agreements require an annual community benefits fee of $50,000. Additionally, each operator, if approved for such commercial cannabis activity, must pay the following operation fees: 2% of gross receipts for manufacturing, 2.5% of gross receipts for distribution, 2% of gross receipts for delivery-only retail, and $10.00 per square foot for cultivation.

Table 1, below, illustrates the 8 development agreements that are bring recommended for approval to the City Council by City staff at the July 29, 2019 meeting.

TABLE 1 – Development Agreements Recommended for City Council Approval				
DA #	**Applicant**	**Activity**	**Zone**	**Project Location**
11-19	Green Hearts, LLC	C/M/D/DR	M2	7895 Telegraph Road
12-19	Prime Care Inc.	M/D/DR	M2	7121 Telegraph Road
13-19	Lean Green Machine, Inc.	C/M/D/DR	M2	1724 Aeros Way
14-19	Bello Monte Farms LLC	C/M/D/DR	M2	7131 Telegraph Road
15-19	RD Montebello, Inc.	M/D/DR	M2	1801 South Bluff Road
16-19	SB Montebello Investments, LLC	C/M/D/DR	M2	7101 and 7117 Telegraph Road
17-19	OG Montebello Inc.	C/M/D/DR	M1	1405 Date Street, 1404 and 1408 Espanol Avenue
18-19	Garden of Leaves, LLC	C/M/D/DR	M1	1424 Espanol Avenue

Key: C – Cultivation | M – Manufacturing | D – Distribution | DR – Delivery-Only Retail

ENVIRONMENTAL ASSESSMENT

The California Environmental Quality Act ("CEQA") requires public agencies to analyze and consider the impacts a "project" may have on the environment. A project is only subject to CEQA if the project requires a discretionary decision by the public agency. The required level of review depends on the probability and intensity of project related impacts. Additionally, a project may be exempt from CEQA review if the project qualifies for a categorical exemption.

City staff determined that approval of these development agreements qualifies as a project pursuant to CEQA. As such, staff determined that the proposed projects anticipated by the development agreements require CEQA compliance. After a thorough examination of the project applications of each proposed facility, including, but not limited to, standard operating procedures ("SOPs"), security plan, site plan and environmental data form, staff determined that the projects meet the provisions of CEQA Categorical Exemptions. These categorical exemptions were mandated by Public Resource Code Section 21084 and listed as a part of the CEQA Guidelines by the Secretary for Resource in Article 19 of the CEQA Guidelines.

Staff determined that the activities anticipated from Cannabis Development Agreement Nos. 11-19 – 16-19 are exempted from further environmental review as they meet the stipulations outlined in the "Existing Facilities" exemption (CEQA Section 15301).

The projects contemplated by the Cannabis Development Agreement Nos. 11-19 – 16-19 include only minor interior alterations to the subject properties. These zones were previously analyzed for environmental impacts with the approval of the conditional use permits for the subject properties. Impacts were evaluated based on the anticipated activities likely to occur in such zones and City staff has determined that such projects meet the following conditions in CEQA Section 15301:

1. The projects consist of the operation repair, maintenance, permitting, leasing, licensing, or minor alterations of existing public and private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing of former use.
2. The projects are consistent with the applicable general plan designation and all applicable general plan policies as well as with applicable zoning designation and regulations.
3. The proposed developments occur within city limits on a project site of no more than five acres substantially surrounded by urban uses. The proposed projects will be located with the existing structures and do not propose any additions.
4. The project sites have no value as habitat for endangered, rare or threatened species.
5. Approval of the projects would not result in any significant effects relating to traffic, noise, air quality, or water quality. The proposed projects as cannabis Cultivation, Manufacturing, Distribution, and Non-Store Front retail will reduce traffic as this type of use has less employees than typical industrial uses and will have limited to zero customers/visitors from the general public, which will further reduce vehicle trip counts for AM and PM peak hours.
6. The sites can be adequately served by all required utilities and public services. The building(s) exist and currently have all the necessary and required utilities.

Commercial cannabis activities are like in nature to those uses allowed by right currently existing or allowed in the zones in which commercial cannabis activities are proposed. Therefore, there is no nexus between commercial cannabis activities and additional significant environmental impacts in the zones that allow such activities.

Staff determined that the activities anticipated from Cannabis Development Agreement Nos. 17-19 and 18-19 are exempted from further environmental review as they meet the stipulations outlined in the “In-fill Development” exemption (CEQA Section 15332). These zones were previously analyzed for environmental impacts with the approval of the conditional use permits for the subject properties.

The projects contemplated by Cannabis Development Agreement Nos. 17-19 and 18-19 meet the following conditions required by CEQA Section 15332:

1. The projects are consistent with the applicable general plan designation and all applicable general plan policies as well as with applicable zoning designation and regulations. The proposed uses are conditionally approved with the established M-1 zone designation.
2. The proposed developments occur within city limits on a project site of no more than five acres substantially surrounded by urban uses. The proposed projects

will be located with the existing structures and do not propose any additions. The total project sites are 0.34 acres and 0.12 acres, respectively.

3. The project sites have no value as habitat for endangered, rare or threatened species. The Site for Cannabis Development Agreement No. 17-19 was previously disturbed and is developed with an existing 3,200 square-foot building and a new 3,293 square foot building is being proposed in an area that was used as a service yard for street equipment and commercial vehicles. The Site for Cannabis Development Agreement No. 18-19 was previously disturbed and is now a vacant lot.

4. Approval of the projects would not result in any significant effects relating to traffic, noise, air quality, or water quality. The proposed projects as cannabis Cultivation, Manufacturing, Distribution, and Non-Store Front retail will reduce traffic as this type of use has less employees than typical industrial uses and will have limited to zero customers/visitors from the general public, which will further reduce vehicle trip counts for AM and PM peak hours.

5. The sites can be adequately served by all required utilities and public services. The buildings exist and currently have all the necessary and required utilities.

There has been no scientific or factual data presented, to date, identifying any direct or indirect environmental impacts resulting from the manufacturing process or any other cannabis related activity. In fact, many of the processes used in the manufacturing of cannabis, like extraction methods, are currently used in other manufacturing industries. Furthermore, impacts can be mitigated or otherwise regulated by the permitting process of other regulatory agencies. For example, all manufacturing facilities are required to obtain approvals and permits by the Fire Department and regional air quality management districts.

None of the conditions described in CEQA Guidelines, requiring the preparation of a Negative Declaration, Mitigated Negative Declaration or Environmental Impact Report, will occur as part of the proposed projects contemplated as part of the DAs. The City Council has the authority and discretion to make findings exempting the approval of the Development Agreement from further CEQA review. Therefore, in accordance with Section 15061(d) of the CEQA Guidelines, the City staff recommends that the City Council adopt these findings exempting the development agreements from further CEQA review and direct staff to prepare and file a Notice of Exemption for each project recommended for approval.

A Notice of Exemption from the California Environmental Quality Act CEQA for each development agreement have been prepared pursuant to CEQA (Public Resources Code §21000 et seq.) and the State CEQA Guidelines (Title 14, California Code or Regulations, Division 6, Chapter 3, §15000 et seq.) prior to the City Council's consideration for approval. The subject development agreements are "projects" that are subject to environmental review.

FISCAL IMPACT

The recommended action will have a substantially positive fiscal impact to the City by generating operating fees based on the aforementioned gross receipts' percentages and square footage, as applicable, and annual community benefit fees in the annual amount of $50,000.00 per location. The anticipated total fees are expected to be in excess of a million dollars annually from these eight potential operators.

SUMMARY

City staff recommends that the City Council approve eight (8) cannabis business development agreements for the operation of commercial cannabis activities in the City of Montebello, and adopt findings contained herein exempting the development agreements from further CEQA review under CEQA Sections 15301 and 15332, as applicable, and direct staff to prepare and file the appropriate Notice of Exemption for each project recommended for approval.

ATTACHMENTS

1. Cannabis Development Agreement No. 11-19 (Green Hearts, LLC)
2. Cannabis Development Agreement No. 12-19 (Prime Care Inc.)
3. Cannabis Development Agreement No. 13-19 (Lean Green Machine, Inc.)
4. Cannabis Development Agreement No. 14-19 (Bello Monte Farms LLC)
5. Cannabis Development Agreement No. 15-19 (RD Montebello, Inc.)
6. Cannabis Development Agreement No. 16-19 (SB Montebello Investments, LLC)
7. Cannabis Development Agreement No. 17-19 (OG Montebello Inc.)
8. Cannabis Development Agreement No. 18-19 (Garden of Leaves, LLC)

COMMERCIAL CANNABIS BUSINESS DEVELOPMENT AGREEMENT NO. 11-19 BETWEEN THE CITY OF MONTEBELLO AND GREEN HEARTS, LLC

THIS DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this 5TH day of August, 2019, (the "Execution Date"), by and between the **CITY OF MONTEBELLO**, a California municipal corporation ("City"), and **GREEN HEARTS, LLC**, a California limited liability company ("Owner"). City and Owner are sometimes referenced together herein as the "Parties." In instances when a provision hereof applies to each of the Parties individually, either may be referenced as a "Party." The Parties hereby jointly render the following statement as to the background facts and circumstances underlying this Agreement:

RECITALS

WHEREAS, Owner currently holds a legal or equitable interest in certain real property considered in this Agreement which has a development area of approximately **6,720** square feet located at 7895 Telegraph Road, City of Montebello, State of California (the "Site"). The Site includes Assessor's Parcel Number(s): 6368-001-025, and is more fully described in the Legal Description in Exhibit A, and shown on the map in Exhibit B. Both exhibits being attached hereto, respectively, and are incorporated herein by this reference;

WHEREAS, presently, Owner has a leasehold interest in a portion of the Site for the purpose of conducting commercial cannabis related activities which shall include, but not be limited to commercial cannabis cultivation, manufacturing, delivery-only retail, and distribution. Such commercial cannabis facilities shall operate in accordance with all applicable provisions of California Business and Professions Code §§26000-26231.2; California Health and Safety Code Safety Code §§ 11357-11362.9 and 11362.7- 11362.85; California Revenue and Taxation Code §§ 34010-34021.5; California Vehicle Code §§ 2429.7 and 23222; California Water Code §§ 1831, 1847, and 13276; Cal. Code Regs. tit. 16, div. 4 (2019); Cal. Code Regs. tit. 3, div. 8, Ch. 1 (2019); Cal. Code Regs. tit. 17, div. 1, ch. 13 (2019); and the City of Montebello Municipal Code as it applies to such facilities, as such provisions may be amended from time to time (collectively the "Applicable Cannabis Laws"). Prior to operating a cannabis manufacture site, cultivation site, delivery-only retailer site, and distribution site, as those terms are defined in the Montebello Municipal Code ("Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility"), Owner shall be required to obtain a Conditional Use Permit from the City, and any and all related permits and licenses prior to the operation of same, pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, ultimately, Owner intends upon obtaining one or more permanent annual California State License(s), pursuant to Applicable Cannabis Laws, to operate a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility at the Site. The

definition of "Owner" hereunder shall mean and refer to the fee simple owner and/or any authorized tenant of the Site to the extent such party holds or is covered by a City Conditional Use Permit; and is not intended to necessarily be coextensive with the definition of that term as defined in California Business & Professions Code Section 26001(al);

WHEREAS, on March 4, 2019, Owner applied to this City for a Conditional Use Permit *(hereinafter* "CUP") to conduct commercial cannabis activities. No such activities are allowed or authorized without this Agreement, a CUP, and all requirements having been satisfied pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, Owner presently intends to develop and open a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility on the Site consistent with the Applicable Cannabis Laws and project approvals (known as the "Project"). The Project will include indoor cannabis manufacturing, cultivation, delivery-only retail, and distribution in accordance with the Applicable Cannabis Laws;

WHEREAS, the Project will consist of one 6,720 square foot building, with such final square footage to be consistent with Owner's final approved CUP, as many be amended pursuant to the CUP and/or this Agreement. The building will be divided into major spaces for cultivation, manufacturing, delivery and distribution as follows:

Cultivation: The Project's cultivation area includes the following uses: flowering rooms, a drying and trimming room, a vegetation room and a cloning room. Total area of each of these uses will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. Cultivation operations would occur 24-hours daily.

Manufacturing: The Project will include a manufacturing room that would be used initially for packaging products. Under the manufacturing license, the Owner will conduct additional manufacturing activities including, volatile extraction (Type 7 Manufacturing). The total area of these uses will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. Manufacturing operations would occur 24-hours daily.

Non-storefront Retail Delivery: The retail delivery activities will occur within the delivery office located near the facility's main entry. The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All delivery activities will be conducted in accordance with Applicable Cannabis Laws, including, but not limited to specified hours of operation.

Distribution: The distribution activities will occur within the distribution area. The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All distribution activities will be conducted in accordance with Applicable Cannabis Laws, including, but not

limited to specified hours of operation.

General Business Offices: The Project will be open from 8:00 a.m. to 8:00 p.m., Monday through Friday.

Parking/Loading/Access: The proposed project provides parking spaces in accordance with the City-approved Site Plan.

Security: The Project will secure the facility against unauthorized entry by installing security lights on the exterior of the building to illuminate the side yards and parking area, installing commercial-grade locks, installing an alarm and video surveillance system, establishing procedures for identifying authorized persons, establish inventory controls, and install a secure surveillance vault to maintain the integrity of records. In addition, the applicant will engage a licensed security company to provide an operational security plan in compliance with Montebello Municipal Code Chapters 5.90 and 17.71.

The proposed layout of the site is as shown in the attached Site and/or Floor Plans, in Exhibit C.

The Project will consist of a vertically integrated commercial cannabis facility compliant with Applicable Cannabis Laws that will provide several levels of cannabis production, processing, and distribution

This includes:

1) Cultivation and processing of young and mature cannabis plants.
2) Research and development of cannabis plants and strains.
3) Manufacturing of cannabis and its derivatives through volatile and non-volatile extraction.
4) Manufacturing of cannabis food products.
5) Packaging and storage of cannabis products.
6) Distribution of cannabis products.
7) Retail delivery of cannabis products.

Proposed Hours of Operation (subject to final approval pursuant to the CUP):
8:00AM to 8:00PM for general business hours, 24-hours for internal operations

[x] Co-location, check if applicable:

Note: Applicable Cannabis Laws authorize a person to apply for and be issued more than one State annual license at one location provided the licenses premises are separate and distinct.

Owner has applied for four (4) State cannabis licenses, including a microbusiness license.

Please see the Recitals of this Development Agreement for details for separate and distinct locations of each operation within the Premises.

WHEREAS, On February 14, 2018, Ordinances No. 2399 and No. 2400 came into effect authorizing specified commercial cannabis activities within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, On June 13, 2018, Ordinances No. 2404 and 2405 came into effect amending specified commercial cannabis activities authorized by Ordinances No. 2399 and No. 2400 within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, all procedures of the California Environmental Quality Act ("CEQA"), California Public Resources Code §21000 et seq., and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 et seq. have been satisfied;

WHEREAS, the City has given public notice of its intention to approve this Agreement. The City has found that the provisions of this Agreement and its purposes are consistent with the objectives, policies, general land uses and programs specified in City's General Plan, zoning code and municipal ordinances;

WHEREAS, the City, in entering into this Agreement, acknowledges that certain City obligations hereby assumed shall survive beyond the terms of the present Council members, that this Agreement will serve to bind City and future Councils to the obligations hereby undertaken, and that this Agreement shall limit the future exercise of certain governmental and proprietary powers of City. By approving this Agreement, the Council has elected to exercise certain governmental powers at the time of entering into this Agreement rather than defer its actions to some undetermined future date. The terms and conditions of this Agreement have undergone extensive review by City and the Council and have been found to be fair, just and reasonable. City has concluded that the pursuit of the Project will serve the best interests of its citizens and that the public health, safety and welfare are best served by entering into this obligation. Owner has represented to City that it would not consider or engage in the Project absent City approving this Agreement;

WHEREAS, the City agrees that Owner's land use entitlements, if any, that have been applied for and approved by the City, for the Project shall vest for the term of this Agreement as described below, if applicable;

WHEREAS, after conducting a duly noticed CUP hearing on July 2, 2019, in conjunction with the City's applicable ordinances and resolutions, the Planning Commission of the City reviewed, considered and approved environmental clearance and approved the execution of the CUP. The Planning Commission found the Project consistent with the objectives, policies, general land uses and programs specified in the general plan; compatible with the uses authorized in the City's zoning laws; in conformity with the public necessity, public convenience, general welfare and good land use practices; will not be detrimental to the health, safety and general welfare of the city; will not adversely affect the orderly development of property or the preservation of property values; and will have a positive fiscal impact on the City;

WHEREAS, after conducting a duly noticed meeting on August 5, 2019, in conjunction with the City's applicable ordinances and resolutions, and after independent review and consideration, the City Council approved the execution of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

1. The Recitals above are true and correct and are hereby incorporated into and made a part of this Agreement. In the event of any inconsistency between the Recitals and the provisions of this Agreement, herein below, said provisions of this Agreement shall prevail.

2. <u>Government Code and Municipal Code Required Elements</u>

   a. <u>Description of Property</u>. Land situated in the City of Montebello, County of Los Angeles, State of California; whose street address is 7895 Telegraph Road, City of Montebello, State of California (the "Site"). The Site includes Assessor's Parcel Number: 6368-001-025.

   b. <u>Owner and Other Person with Legal or Equitable Interest</u>.

   Owner: **Green Hearts, LLC**
   Nature of Interest: *Lease for 10 years with Option to Renew for an additional 10 years.*

   A true and correct copy of a recorded grant deed, or executed lease agreement, is attached hereto as Exhibit D, and incorporated herein by this reference.

   If Owner is not the fee simple owner of the Site, check box below:

   [x] Owner represents and warrants that the property owner has consented in writing to the execution of this Agreement against the Site. [See also attached Property Owner Signed and Notarized Consent Form wherein the property owner has acknowledged reading Montebello Municipal Code Chapters 5.90 and 17.71, incorporated herein by this reference (Exhibit E).]

c. Permitted Uses. The Site may be used for a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility as presently authorized under Montebello Municipal Code Chapters 5.90 and 17.71 and for any other use if authorized under applicable provisions of the Montebello Municipal Code ("Permitted Uses"). In the event that the Montebello Municipal Code, California law, and/or Federal law is amended in the future to permit additional commercial cannabis uses, Owner may apply for an amendment to this Agreement and to the issued CUP, both of which must receive approval by the City's Planning Commission or City Council, as required, to amend the Permitted Uses at the Site.

d. Zoning. Owner shall use commercially reasonable efforts to ensure that such activities outlined in Owner's CUP Application ("Application") are conducted pursuant to this Agreement and under the CUP shall comply with the Montebello Municipal Code, including the zoning ordinance, any applicable zoning development standards, and any and all development and construction requirements contained therein, and/or as required by the City. Owner shall not conduct any business under this Agreement or under the CUP without having obtained all necessary permits, licenses, and approvals from the City and State of California, as required by Applicable Cannabis Laws, including the City of Montebello Municipal Code.

e. Compliance with CUP conditions of approval. Owner shall comply with all Conditions of Approval imposed against this Agreement, as enumerated in the CUP and attached as Exhibit F, and incorporated herein by reference.

3. Term

This Agreement shall commence on either the date of this Agreement's approval by the City Council or the date of the CUP approval by the City Planning Commission, whichever comes later ("Effective Date"), and end **ten (10)** years from the Effective Date, and it shall remain in full force and effect so long as the Site is used for a commercial cannabis facility as authorized under Montebello Municipal Code Chapters 5.90 and 17.71; provided, however, such use is not abandoned for a period of more than ninety (90) days.

This Agreement may be extended for one (1) additional **five (5)** year period following the expiration of the initial **ten (10)** year term upon the occurrence of all of the following:

(i) The Owner shall give written notice to the City no later than ninety (90) days before the expiration of the initial ten (10) year term that the Owner desires to extend this Agreement for an additional **five (5)** year period;

(ii) The Owner shows reasonably satisfactory evidence to the City that it has, and continues to have a legal and/or equitable interest in the Site and/or will have such interests for the duration of the extended term of the Agreement;

(iii) The Owner shall deposit all fees required by the City necessary for processing the extension request and drafting necessary documentation;

(iv) The Owner shall be in compliance with all provisions of Montebello Municipal Code Chapters 5.90 and 17.71, and all terms imposed by the City-issued CUP, including the timely renewal of a CUP if required; and

(v) The Owner shall not be in material default of any provision of any agreement between City and Owner relative to the development of the Site, the business operations as allowed by a CUP, or of any conditions of approval imposed upon any entitlement or CUP granted by the City relative to the development of the Site for which Owner has been given a written notice to cure by the City and for which Owner has not cured or commenced to cure such material default within thirty (30) days, if and as provided by such agreement or condition of approval.

4. <u>Owner's Site and Floor Plans</u>

a. Owner's site plan and floor plan for the facility are attached hereto as Exhibit C and incorporated into the Agreement.

b. A preliminary landscape plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works and Director of Community Development, or their respective designees, if required by the CUP. A final landscape plan shall be prepared and submitted in conjunction with building and site improvement plans prior to issuance of building permits for construction activities, if required by the CUP.

c. An exterior signage plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works & Director of Community Development, or their respective designees, in accordance with the procedures and requirements of the Montebello Municipal Code.

5. <u>Facility Operations</u>

a. <u>Standard Operating Procedures</u>. Owner is a lawful entity that will only sell to other legally permitted persons and entities under the Applicable Cannabis Laws, as may be amended from time to time and in accordance with Subsection 2(c) of this Agreement. Prior to operating a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility, Owner shall be required to obtain a CUP, and all requirements pursuant to said permit, from the City pursuant to Montebello Municipal Code Chapters 5.90 and 17.71. Further, and notwithstanding anything to the contrary, Owner may operate such cannabis-related activities as permitted in accordance with Applicable Cannabis Laws, including without limitation, as long as such activity is not inconsistent with Montebello Municipal Code Chapters 5.90 and 17.71, this Development Agreement, the City-issued CUP, and the Montebello Municipal Code.

During the term of its CUP and the term of this Agreement, Owner shall operate in accordance with all Applicable Cannabis Laws. Owner shall employ industry standard operating procedures to comply with Applicable Cannabis Laws. Owner's facility shall employ adequate safety and security measures for the safety and security of its employees, visitors, vendors, and neighboring communities and properties.

Owner shall fully comply with the minimum operating standards regulating the proposed commercial cannabis activity, including, but not limited to those, as set forth in Montebello Municipal Code Chapters 5.90 and 17.71, and such more specific operational requirements as applied by the CUP and this Agreement.

b. Security Plan. Owner shall secure approval of its proposed security plan by the Montebello Police Department or the City prior to operating, which approval shall not be unreasonably withheld, conditioned, or delayed. The security plan shall include, at a minimum and as appropriate, provisions for video surveillance, perimeter fencing and security, protection of the building(s) from vehicle intrusion, cash handling procedures, internal accounting controls, product handling and storage procedures, and a professionally monitored alarm system. Equipment and systems used for video surveillance and building alarms shall be approved by City.

Video surveillance shall include, at a minimum, all site and facility entrances and access points, all spaces accessible by the public, all secured areas of the facility with restricted access, all interior spaces and rooms where cannabis products are handled and processed, shipping and receiving areas, cash storage areas, and other areas necessary to protect the safety of employees and the public and to ensure cannabis products are received, handled, stored, packaged, shipped, and distributed in compliance with Applicable Cannabis Laws. The video surveillance system shall be web-based with direct access provided to the Montebello Police Department upon request.

The security system shall also include sensors to detect entry and exit from all secure areas, panic buttons in appropriate locations, and a professionally monitored alarm system.

Owner shall employ properly trained and licensed third-party security personnel to protect the welfare and safety of Owner and employees, and to ensure public safety to the neighboring community. Owner shall use security personnel during hours of operation, pursuant to Applicable Cannabis Laws. Security personnel may be armed so long as proper licensing and insurance requirements are followed and met by the third-party operator providing such security services.

c. Fire Department Approval. Owner shall not operate any facility, and no permit, license, or other approval issued by City shall be valid unless and until the Montebello Fire Department has approved Owner's site plan, floor plan, safety plan, and any other plans that require its approval, which approval shall not be unreasonably withheld, conditioned, or delayed.

d. Possession of Firearms. Except for licensed and bonded security personnel, no person employed by Owner shall be in possession of any firearm while on the Site without having first obtained a license from the appropriate state or local agency authorizing the person to be in possession of such firearm. Every such person in possession of a firearm while on the Site must provide the City Manager and the Montebello Police Department, ten (10) calendar days' notice before bringing the firearm onto the premises, with the following:

1) A copy of the license issued to the person by the appropriate state or local agency authorizing him or her to possess such firearm;

2) A copy of his or her law enforcement identification (if he or she is employed by a law enforcement agency);

3) A copy of his or her California driver's license or California identification card; and

4) Any other information reasonably required by the Montebello Police Department to show that the individual is in compliance with the provisions of all laws regarding the possession and use of a firearm.

e. Identification Display. Each owner, manager, employee, and individual member engaged in the cultivation, processing, manufacturing, distribution, or transporting of cannabis shall at all times while engaged in the duties of his or her position wear in plain sight, on his or her person and at chest level, a valid identification badge, issued by Owner.

f. Employee Background Checks/Procedures for Inventory Control to Prevent Illegal Diversion of Cannabis. Only employees who receive clearance from the Montebello Police Department shall be permitted to enter Owner's facility. Each employee will have to meet a criminal background investigation, which at minimum shall include a LiveScan criminal history check conducted and provided by each employee. The City shall make a good faith effort to facilitate within a reasonable time following the issuance of a CUP to Owner Employees shall not be disqualified for any conviction which would no longer be a felony under California law at the time of the LiveScan criminal history check.

Owner shall not permit and shall take all necessary and reasonable steps to prevent the distribution of any of its cannabis products to minors; prevent revenue from the sale or distribution of its cannabis and/or infused products from going to criminal enterprises, gangs and cartels; prevent the diversion of cannabis from California to any other state; prevent state-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity; prevent violence and the use of firearms in the manufacturing, distribution, cultivation, and delivery-only retail of cannabis; discourage and educate against drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use; disavow growing cannabis on public lands that creates attendant public safety and environmental dangers posed by such illegal uses; and discourage and educate against cannabis possession or use on federal property.

g. Quality Control and Testing. Owner shall utilize industry standardized quality control measures and testing to ensure only the highest quality of commercial cannabis and infused products will be produced. Owner shall inspect the product to ensure its identity and quantity, and shall have a testing lab perform testing of random samples prior to distribution. Inspection and testing will be conducted by a state-licensed testing lab off-site, except for licensed distributors authorized to conduct testing on-site with a testing lab field representative present. Testing standards and procedures shall be in accordance with Applicable Cannabis Laws.

All commercial cannabis products will undergo a quality assurance review in accordance with state law prior to distribution. Inventory procedures will be utilized for tracking and taxing purposes by the state. Owner shall employ an efficient record-keeping system to make transparent its financing, testing, and adverse effect recording, as well as recall procedures.

h. Packaging of Commercial Cannabis and Infused Products. All Owner commercial cannabis products shall be packaged and labeled strictly in accordance with Applicable Cannabis Laws.

Owner intends to produce infused products and shall secure any approval from the County of Los Angeles Health Department required for manufacturing and handling such products. Owner infused products shall not be produced, manufactured, stored or packaged in private homes. All commercial cannabis infused products shall be individually wrapped at the original point of preparation strictly in accordance with Applicable Cannabis Laws.

i. Point of Sale Tracking System. Owner shall maintain an inventory control and reporting system that accurately documents the location of cannabis products from inception through distribution, including descriptions, weight, and quantity. The inventory control and reporting system shall comply with the California Cannabis Track and Trace System (“CCTT”) required by Applicable Cannabis Laws.

Owner shall employ an electronic point of donation/sale system in accordance with Applicable Cannabis Laws for all point of donations/sales tracking from seed or inception to product distribution to other licensed commercial cannabis facilities, or otherwise in compliance with state and local law and in accordance with Subsection 2(c) of this Agreement. Such approved system shall track all commercial cannabis products, each edible, harvested flower, and/or manufactured concentrate, as well as gross sales (by weight and sale). Owner's point of sale system shall have the capacity to produce historical transactional data in accordance with City's requirements.

j. Record Keeping. Owner shall maintain records for all commercial cannabis and/or infused products. Owner shall comply with all record-keeping responsibilities that are set forth in Applicable Cannabis Laws and complete and up-to-date records regarding the amount of commercial cannabis cultivated, produced, manufactured, harvested, stored, tested, distributed, delivered or packaged at Owner's facility.

k. Processing, Handling, Storing, and Distribution of Commercial Cannabis and Related Products. Commercial cannabis cultivation, handling, storing, and processing shall be concealed from public view at all stages of growth and processing, and there shall be no exterior evidence of cultivation or processing occurring at the premises from a public right-of-way or from an adjacent parcel. Commercial cannabis cultivation, handling, storing, processing, or distribution shall not create offensive odors; create excessive dust, heat, noise, smoke, traffic, or other impacts that are disturbing to people of normal sensitivity residing or present on adjacent or nearby property or areas open to the public; or be hazardous due to use or storage of materials, processes, products, or wastes.

Owner shall store its commercial cannabis and/or commercial cannabis products in a secured storage room with T-card identification access for management only. The storage room shall be constructed of fire-rated walls with an appropriate number of cameras installed to view all entries and exits from the storage room, as well as all other activities performed within Owner's facility. Owner will not conduct outdoor operations except as related to lawful delivery and transportation of commercial cannabis and infused products. Owner will not store commercial cannabis or related products in its delivery vehicle outside normal operating hours of the facility.

Commercial cannabis products shall be sold or distributed only to licensed facilities in California, in compliance with state and local law in accordance with Subsection 2(c) of this Agreement. Excess or contaminated product will be securely stored on-site until it is properly disposed. Disposal may include composting, incineration, land-fill disposal through the local waste management hauler, or other disposal methodology in accordance with state and county health and safety codes and regulations.

l. Odor Control. All structures shall have adequate ventilation and filtration systems installed that minimize and control commercial cannabis plant odors from exiting the interior of the structure. The ventilation and filtration system shall be approved by the City Building Official and installed prior to commencing cultivation or manufacturing within the allowable structure. Facility air intake, exhaust, and recirculating system shall be of industrial grade. Activated charcoal, recirculating, and closed loop aeration systems will be utilized as necessary for effective odor control and management.

m. Transportation Plan. Owner shall comply with all Applicable Cannabis Laws regarding transportation, including the rules governing delivery service. Owner shall retain a list of names and cellular contact numbers for all employees engaged in transportation of commercial cannabis products and provide it to the applicable oversight authority, keeping the list current and up to date.

Owner will keep complete and up-to-date records documenting each transfer of commercial cannabis to other licensed entities, including the amount provided, the form or product category in which the commercial cannabis was provided, the date and time provided, the name of the employee making the transfer, the name and address of each lawful licensed entity to whom delivery is made, and the amount of any related donation or other monetary transaction.

6. Community Relations, Employment, and Wages

a. Public Outreach and Education Program. The Owner shall coordinate and cooperate with City and other owners of commercial cannabis facilities located within City of Montebello in the establishment and implementation of appropriate public outreach and education programs. The public outreach and education programs shall be reasonably approved by City.

b. Community Benefits Program. The Owner shall fund the establishment and implementation of a community benefits program which may include such items as senior citizen programs, City beautification efforts, funding for enforcement against illegal cannabis operations, public safety, housing programs, economic development, infrastructure, capital improvements, including expansion and/or improvement to existing facilities or other physical improvements that provide a benefit to the community, support of holiday and special community events, and support of local public service, public safety, litigation defense, and special social and community organizations ("Community Benefits Program").

To fulfill its funding obligation for the Community Benefits Program, Owner agrees to pay the City of Montebello the yearly sum of **$50,000.00 ("Montebello**

Community Benefits Program Fee" or "MCBPF"). The first annual MCBPF shall be payable to the City on the date that the Certificate of Occupancy is issued to the Owner. Thereafter, the annual MCBPF shall be payable to the City on every July 1 for the term of the Agreement, and shall be pro-rated for any partial days during such period(s) of the Agreement.

The MCBPF is separate and apart from any Cannabis Operation Fee, or penalties therefrom. If the original term of this Agreement is mutually extended by the Parties, the annual minimum payment to this program will be amended accordingly.

c. Designation of Community Relations Liaison. Pursuant to Montebello Municipal Code Chapters 5.90 and 17.71, at the time of this Agreement, Owner's day-to-day operations manager, _______________, will be responsible for community inquiries and complaints and on-site management during normal business hours.

d. Interface with Montebello Municipal Code / Inspections. Owner's day-to-day operations manager, and/or the Owner's Community Relations Liaison, _____________, will interface with the Montebello Police Department's assigned designee to ensure its operation complies with state and local laws and regulations. The City Manager, or designee, or the Montebello Police Department's assigned designee acting at the City Manager's request and per his specific and limiting instructions, shall have the right to enter all portions of the Site from time to time unannounced during hours of operation for the purpose of making reasonable inspections to observe and enforce compliance with this Agreement and Applicable Cannabis Laws, without the requirement of a search warrant, subpoena, or court order, and subject to appropriate cost recovery fees set forth in this Agreement, or adopted by the City.

____________________ Owner's Initials

e. Local Recruitment, Hiring, and Training Programs. Owner is committed to making a good-faith effort to recruit, hire, and train City residents for employment by Owner. A good-faith effort means Owner shall take the following or similar actions to recruit and employ City residents: 1) Contact local recruitment sources to identify qualified individuals who are City residents, 2) Advertise for qualified City residents in trade papers and newspapers of general circulation in the area, and 3) Develop a written plan to recruit and employ City residents as a part of the its workforce. At a minimum, the Owner endeavors to achieve a targeted local annual hiring goal of approximately 45% of total operational jobs for permanent and apprentice employees. This goal shall apply horizontally, across all departments and managerial positions. The Owner shall not be penalized or deemed in default under this Agreement if it is unable to achieve such a goal. "Local" is defined as within a 3-mile radius of the boundaries of the City's boundaries. The Owner may contact and work with a job referral agency assigned by the City Manager to implement a local hiring policy for permanent and apprentice employees. The purpose of the hiring policy is to facilitate the training and employment of local and disadvantaged job applicants for jobs within the City's jurisdiction, and 3-mile radius of City boundaries. Applicants for jobs shall not be disqualified from hiring solely on the basis of an arrest or conviction for a Cannabis-related crime that occurred prior to November 8, 2016, and could have been prosecuted as a misdemeanor or citation under current California law. The Owner shall periodically report on compliance with the local hiring goals as part of its annual audit report.

f. Living Wages. Living Wages. Owner shall pay make a good-faith effort all employees of the Facility, at a minimum, a Living Wage. A "Living Wage" is the higher of whatever the Owner currently pays its employees for similar work elsewhere or the following: the Full Cash Wage required to be paid by an employer to any similarly situated, educated, and/or credentialed individual under the City of Los Angeles Minimum Wage Ordinance [LAMC Sections 187 and 188], as adjusted annually.

g. Full-time Work. Owner shall make its best efforts to fill every position with a full-time employee. However, at no time shall Owner have a labor force that is composed of less than 50% full-time employees within its labor force, and Owner shall make a good faith effort to maintain a full-time employee level of more than 50%. Owner agrees to provide to its eligible employees leave benefits, health and wellness benefits and other employee benefits to the extent such benefits are required to be paid for by Owner under applicable state and federal employment laws.

h. Labor Peace Agreement. If Owner has twenty (20) or more employees at the time of this Agreement's signing, then Owner shall in good faith work with any labor organization for the purpose of collective bargaining and shall enter into and provide the City a copy of a labor peace agreement no later than one hundred and twenty (120) days after this Agreement's signing. Such Owner with twenty (20) or more employees but without a labor peace agreement at the time of this Agreement's signing shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization no later than one hundred and twenty (120) days after this Agreement's signing.

If Owner has less than twenty (20) employees at the time of this Agreement's signing, such Owner shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization if and when Owner has twenty (20) or more employees at any time during the Term of this Agreement. Such Owner with less than twenty (20) employees at the time of this Agreement's signing shall also provide the City a copy of the labor peace agreement no later than one hundred and twenty (120) days from hiring its twentieth (20th) employee, if and when such event occurs during the Term of this Agreement. Attached as Exhibit G, and incorporated herein is a true and correct copy of the actual Labor Peace Agreement; or applicable Notarized Statement of Intent. Owner shall abide by the terms of the labor peace agreement if and when so adopted in accordance with this Subsection. If Owner fails to comply with the labor peace agreement requirement in accordance with this Subsection, such failure shall constitute a default in accordance with Section 13 of this Agreement.

7. Payment of City Fees

a. Permit and Application Fees. Owner agrees to pay all permit fees and charges referenced in Montebello Municipal Code Chapters 5.90 and 17.71, and the amounts adopted by City Council by Resolution No. 19-14, effective February 13, 2019, as well as any fees set forth in this Agreement. Permit application, processing, and renewal fees shall be due and payable at the time application is made.

b. Cannabis Operation Fees.

As used herein, "**Premises**" means the designated structure or structures and land specified in the application that is owned, leased, or otherwise held under the control of the Owner where the commercial cannabis activities will be or are conducted.

As used herein, "canopy" means the designated area(s), except nurseries, that will contain mature plants at any point in time, as follows:

(1) Canopy shall be calculated in square feet and measured using clearly identifiable boundaries of all area(s) that will contain mature plants at any point in time, including all of the space(s) within the boundaries;

(2) Canopy may be noncontiguous but each unique area included in the total canopy calculation shall be separated by an identifiable boundary that includes, but is not limited to, interior walls, shelves, greenhouse walls, hoop house walls, garden benches, hedgerows, fencing, garden beds, or garden plots; and

(3) If mature plants are being cultivated using a shelving system, the surface area of each level shall be included in the total canopy calculation.

As used herein, "**commercial cannabis activities**" means all permitted activities: e.g., cultivation, possession, manufacture, processing, storing, packaging, labeling, transportation, sale, delivery or distribution of cannabis and/or cannabis products.

As used herein, “**Gross receipts**” shall mean the total amount of receipts actually received or receivable in accordance with GAAP or other comprehensive version of accounting in the course of business in a calendar year or calendar month from sales or the performance of acts or services for which charge is made or credit allowed. “**Gross receipts**” include, without limitation, all receipts, cash, credit, property received in lieu of cash, and any other valuable consideration taken in exchange for goods, services or other valuable consideration.

As used herein, "**Production Space**" means the area on or within the **Premises** intended for **commercial cannabis activities** excluding non-operational common areas such as restrooms, cafeterias, break rooms, hallways, corridors, vestibules, parking structures or surface street lots. The parties stipulate and agree that the square footage for the **Production Space** shall be determined by the City Manager in his sole and complete discretion as the Project is completed.

The City Manager is specifically authorized to increase the square footage for the Production Space up to an increase in size of ten percent (10%) administratively and to determine the corresponding operating fee as the Project is completed.

Owner agrees to pay to City ninety (90) days after a Certificate of Occupancy is granted, in order to enable City to promote, protect, and enhance the health, safety, and welfare of the community and its residents and its quality of life., Owner agrees to pay the following percentage of gross receipts and the following square footage for cannabis operations, as follows, paid on a quarterly basis to the City (“Cannabis Operation Fee”):

1. Manufacturing: 2% of gross receipts
2. Distribution: 2.5% of gross receipts, excluding distribution of products manufactured at the Site as well as distribution activities solely to licensed entities under common ownership or otherwise affiliated with Owner so long as distribution is not the only commercial cannabis activity conducted at the Site
3. Delivery-Only Retail: 2% of gross receipts
4. Cultivation: $10.00 per square foot of canopy space, as may be amended from time to time pursuant to the CUP and/or this Agreement

Any subsequent years of operation after the first ten (10) year term of this Agreement shall be negotiated in good faith by the parties.

A Site with multiple licenses must not commingle respective sales proceeds, and blend percentage rate of **Gross Receipts**.

The Cannabis Operation Fee shall begin to accrue **ninety (90)** days after a Certificate of Occupancy is granted. Owner shall make payments to the City on a quarterly basis, within ninety (90) calendar days after the last day of each quarter. The first quarter is defined as January 1 through March 31, the second quarter as April 1 through June 30, the third quarter as July 1 through September 30, and the fourth quarter as October 1 through December 31. First payment to the City may be prorated, if applicable, to adhere to the latter, uniform quarterly payment schedule.

Failure to pay the Cannabis Operation Fee within thirty (30) calendar days after the due date shall result in a penalty for nonpayment in a sum equal to 10% of the total amount due. Additional penalties will be assessed in the following manner: an additional 10% shall be added to the first day of each calendar month following the month of the imposition of the 10% penalty if these fees remain unpaid in whole or in part – up to a maximum of 100% of the total fee payable on the due date.

c. Owner understands and agrees that the fees set forth above shall be paid in a manner and in accordance with a payment schedule set or modified by City. The cultivation, manufacturing, testing, distribution, and delivery space to which the Cannabis Operation Fee applies is as identified on the City-issued final approved floor plan.

d. If Owner makes any changes to the interior layout of the Site that increases the amount of space allocated to those uses to which the per-square-foot Cannabis Operation Fee applies, Owner shall notify City in writing of such changes at least fourteen (14) calendar days prior to making such changes, and if approved by the City the per-square-foot fee shall be modified accordingly. If Owner fails to give City notice as required herein, Owner shall be responsible for paying to City a per-square-foot fee based on any increase in the amount of space allocated to those uses to which the per-square-foot fee applies retroactive to the date the CUP became effective.

8. <u>Additional Owner Obligations</u>

a. <u>Reporting of Gross Receipts from Operations</u>

1) <u>Quarterly Receipts</u>. No later than one-hundred twenty (120) days from the date Owner secures a CUP and every three months thereafter (Owner shall deliver to City a report (the "Quarterly Report"), pursuant to the quarterly payment schedule discussed hereinabove) showing (i) Gross Receipts from commercial cannabis activities for the immediate prior three months received by Owner, and a cumulative total of all amounts of Gross Receipts from commercial cannabis activities received by Owner for the calendar year, (ii) a calculation of the quarterly payment due to City for the prior three months, and (iii) a calculation of the cumulative total of all quarterly payments for the calendar year.

2) <u>Statement of Receipts/Annual Audit</u>. The Owner shall keep complete,

accurate and appropriate books and records of all receipts from operations in accordance with generally accepted accounting principles (“GAAP”) or other comprehensive version of accounting. For purposes herein, “books and records” shall mean all bookkeeping or accounting documents Owner typically utilizes in managing its business operations relating to the Project. Such books and records, as well as all other relevant documents as the City Manager may reasonably require, shall, upon reasonable written notice, be open for inspection by City, its auditors or other authorized representatives. If at any time during the term such books and records prove inadequate in the reasonable judgment of City to record the Gross Receipts from commercial cannabis activities as herein required, Owner shall, upon the written request of the City, procure and maintain such books and records as shall be of a character and from adequate for such purpose. City shall have the right to audit and examine such books, records and documents and other relevant items in the possession of Owner, on no more than an annual basis, or at any time other upon reasonable basis therefor substantiated the City, to the extent necessary for a proper determination of Gross Receipts from commercial cannabis activities, and all such books, records, documents and other items shall be held available for such audit and examination. The City’s audit shall be performed by a non-contingency fee, regionally recognized independent auditor approved in advance by the City. Upon request by City, Owner shall make all such books, records and documents available to the City Manager, his designee, or to the City approved auditor, and provide removable copies thereof, within thirty (30) days of the date of City’s request. Owner shall pay all reasonable costs of such audits. Owner shall preserve such books, records, documents, and other items in Montebello for a period of not less than one (1) years for the purpose of auditing or re-auditing these accounts upon reasonable notice; except that, if an audit is made within the seven-year period and Owner claims that errors or omissions have occurred, the books and records shall be retained and made available until those matters are resolved. City shall keep strictly confidential all statements of revenue furnished by Owner and all other information concerning Owner’s operation of the Site obtained by City as a result of the inspection audit and examination privileges of City hereunder (i.e. receipts and tax filings), except as otherwise required by a court order. If City receives a request for such information pursuant to the Public Records Act (California Government Code Section 6250, et seq.), City shall provide Owner notice of any such request prior to disclosing any such information and shall refuse to disclose such information until such time as Owner has been given notice and afforded the opportunity to obtain a protective order. Within seven (7) years after the receipt of any statement of receipts under this Agreement, City at any time shall be entitled to carry out an audit of such revenue either by City or agent to be designated by City. If it shall be determined as a result of such audit that there has been a deficiency in any payment due under this Agreement made on the basis of such statement, then such deficiency shall become immediately due and payable within thirty (30) days of such determination.

3) Copies of Tax Filings. Owner shall provide the City with courtesy copies of each and every report Owner is required to provide to the County of Los Angeles or the State of California for sales, use, cannabis excise, or other gross receipts type taxes at the time such filings are required to be made, including any lawful extensions thereof.

b. Future Revenue Mechanisms. During the term of this Agreement, if the City imposes (by Citizen Initiative) an alternative revenue mechanism specifically related to commercial cannabis activities (e.g., a cannabis tax), Owner agrees to renegotiate in good faith the terms of this Development Agreement with the City so as to comply with an alternative revenue mechanism to the extent the alternative revenue mechanism does not result in higher annual fees than the fees required under this Agreement. As used in this section, "alternative revenue mechanism" does not include taxes, fees, or assessments levied on or collected from both cannabis and non- cannabis operations.

9. Insurance and Indemnity

a. Insurance. Owner shall require all persons doing work on the Project, including its contractors and subcontractors (collectively, "Owner" for purposes of this Section 9 only), to obtain and maintain insurance of the types and in the amounts described in this section and its subsections with carriers reasonably satisfactory to City.

b. General Liability Insurance. Owner shall maintain commercial general liability insurance or equivalent form with a limit of not less than One Million Dollars ($1,000,000) (or as otherwise approved, in writing, by City) per occurrence and Two Million Dollars ($2,000,000) in the aggregate. Such insurance shall also:

1) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as "Additional Insureds" by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insured.

2) Be primary with respect to any insurance of self-insurance programs covering City, its officials, employees, agents, and representatives.

3) Contain standard separation of insured provisions.

c. <u>Automobile Liability Insurance</u>. Owner shall maintain business automobile liability insurance or equivalent form with policy limits that are in commercially reasonable amounts and in compliance with state law for such automotive liability insurance for each accident for the vehicles Owner operates in connection with its cannabis business. Such insurance shall include coverage for owned, hired, and non-owned automobiles. Such insurance shall also:

1) Name City, and work in good faith with the City and the insurers to name additional insureds as deemed reasonably necessary. "Additional Insureds" by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insureds;

2) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives;

3) Contain standard separation of insured provisions.

d. <u>Workers' Compensation Insurance</u>. Owner shall take out and maintain during the term of this Agreement, the statutorily required minimum amount of workers' compensation insurance in accordance with applicable state workers' compensation laws for all of Owner's employees employed at or on the Project, and in the event any of the work is subcontracted, Owner shall require any general contractor or subcontractor similarly to provide workers' compensation insurance for such contractor's or subcontractor's employees, unless such employees are covered by the protection afforded by Owner. In case any class of employee engaged in work on the Project is not protected under any workers' compensation law, Owner shall provide and shall cause each contractor and subcontractor to provide adequate insurance for the protection of employees not otherwise protected. Owner hereby indemnifies City for any damage resulting from failure of Owner, its agents, employees, contractors, or subcontractors to take out or maintain such insurance. Workers' compensation insurance with statutory limits and employer's liability insurance of not less than the required statutory limits for each accident shall be maintained.

e. <u>Other Insurance Requirements</u>. Owners shall do all of the following:

1) Prior to taking any actions under this Agreement, furnish City with properly executed certificates of insurance that clearly evidenced all insurance required in this Section, including evidenced that such insurance will not be canceled, allowed to expire, or be materially reduced in coverage without thirty (30) days prior written notice to City.

2) Provide to City, upon request, and within seven (7) calendar days of said request, certified copies of endorsements and policies, and properly executed certificates of insurance evidencing the insurance

required herein.

3) Replace or require the replacement of certificates, policies and endorsements for any insurance required herein expiring prior the termination of this Agreement.

4) Maintain all insurance required herein from the Effective Date of this Agreement to the earlier of the expiration of the term or the mutual written termination of this Agreement.

5) Place all insurance required herein with insurers licensed to do business in California with a current Best's Key Rating Guide reasonably acceptable to City.

f. Indemnity. Owner agrees to indemnify, defend, and hold City, and its elected and appointed council, boards, commissions, officers, agents, employees, contractors, consultants and representatives, harmless from any and all claims costs and liability for any personal injury or property damage which may arise as a result of any actions or negligent omissions by Owner or Owner's contractors, subcontractors, agents, or employees in connection with the construction, improvement, or operation of the Project.

10. Termination

a. Termination upon End of Term. This Agreement shall terminate upon the expiration of the term, unless it is terminated earlier pursuant to the terms of this Agreement.

b. Effect of Termination on Owner's Obligations. Termination of this Agreement shall eliminate any further obligation of Owner to comply with this Agreement, or some portion thereof, if such termination relates to only part of the Site or Project. Termination of this Agreement, in whole or in part, shall not, however, eliminate or otherwise limit the rights of Owner to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

c. Effect of Termination on City's Obligations. Termination of this Agreement shall eliminate any further obligation of City to comply with this Agreement, or some portion thereof. Termination of this Agreement shall not, however, eliminate the rights of City to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

d. Survival after Termination. The rights and obligations of the Parties set forth in Section 14, Section 20, and Subsection 22(c), and Subsection 22(e), and any right or obligation of the Parties in this Agreement which, by its express terms or nature and context is intended to survive termination of this

Agreement, will survive any such termination.

11. Resources Efficiency

Owner shall in good faith endeavor to reduce its environmental impact when possible. The design of the Site shall include reasonable water and energy conservation measures in accordance with applicable State regulations and the CUP.

12. Standard Conditions for Construction

During any on-site construction activities related to development of the Site and any buildings thereon, or renovation or remodeling of existing buildings, Owner shall comply with all applicable terms and conditions of City's standard conditions for construction and the CUP. The Project shall comply with the applicable parking standards in accordance with the CUP.

13. Defaults and Remedies

a. Remedies in general. It is acknowledged by the Parties that City would not have entered into this Agreement if it were to be liable in damages under this Agreement, or with respect to this Agreement or the application thereof, except as hereinafter expressly provided. Subject to extensions of time by mutual consent in writing, failure to delay by either party to perform any term or provision of this Agreement beyond a reasonable notice and cure period shall constitute a default. In the event of alleged default or breach of any terms or conditions of this Agreement, the party alleging such default or breach shall give the other party not less than thirty (30) day notice in writing specifying the nature of the alleged default and the manner in which said default may be satisfactorily cured during any such thirty (30) day period, the party charged shall not be considered in default for purposes of termination or institution of legal proceedings. Notwithstanding the foregoing to the contrary, if the alleged default is of such a nature that it cannot be reasonably cured within thirty (30) days, the alleged defaulting party shall not be deemed in default as long as such party commences to cure such default within such thirty (30) day period and thereafter diligently prosecutes such cure to completion.

After notice and expiration of the thirty (30) day period, the other party to this Agreement, at its option, may institute legal proceedings pursuant to this Agreement.

In general, each of the parties hereto may pursue any remedy at law or equity available for the breach of any provision of this Agreement, except that City shall not be liable for monetary damages, unless expressly provided for this Agreement, to Owner, to any mortgagee or lender, or to any successors in interest of Owner or mortgagee or lender, or to any other person, and Owner covenants on behalf of itself and all successors in interest to the Property or any portion thereof, not to sue for damages or claim any damages.

1) For any breach of this Agreement or for any cause of action which arises out of this Agreement; or

2) For the impairment or restriction of any right or interest conveyed or provided under, with, or pursuant to this Agreement, including, without limitation, any impairment or restriction which Owner characterizes as a regulatory taking or inverse condemnation; or

3) Arising out of or connected with any dispute, controversy or issue regarding the application or interpretation or effect of the provisions of this Agreement.

Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from the exercise by City of its power of eminent domain. Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from bad faith intentional acts, the grossly negligent or malicious acts of City and its officials, officers, agents and employees. Nothing herein shall modify or abridge any defenses or immunities available to City and its employees pursuant to the Government Liability Act and all other applicable statutes and decisional law.

Except as set forth in the preceding paragraph relating to eminent domain, Owner's remedies shall be limited to those set forth in this Subsection 13(a), Subsection 13(b), and Subsection 13(c).

Notwithstanding anything to the contrary contained herein, City covenants as provided in Civil Code Section 3300 not to sue for or claim any consequential damages or, in the event all or a portion of the Site is not developed, for lost profits or revenues which would have accrued to City as a result of the development of the Site.

b. Specific Performance. The Parties acknowledge that money damages and remedies at law are inadequate, and specific performance and other non-monetary relief are particularly appropriate remedies for the enforcement of this Agreement and should be available to all parties for the following reasons:

Due to the size, nature and scope of the Project, it may not be practical or possible to restore the Site to its natural condition once implementation of this Agreement has begun. After such implementation, Owner may be foreclosed from other choices it may have had to use the Site or portions thereof. Owner has invested significant time and resources and performed extensive planning and processing of the Project in agreeing to the terms of this Agreement and will be investing even more significant time and resources in implementing the Project in reliance upon the terms of this Agreement, and it is not possible to determine the sum of money which would adequately compensate Owner for such efforts; the parties acknowledge and agree that any injunctive relief may be ordered on an expedited, priority basis.

c. Release. Except for those remedies set forth in Subsections 13(a), 13(b), and 13(c), Owner, for itself, its successors and assignees, hereby releases City, its officers, agents and employees from any and all claims, demands, actions, or suits of any kind or nature arising out of any liability, known or unknown, present or future, based or asserted, pursuant to Article 1, Section 19 of the California Constitution, the Fifth Amendment of the United States Constitution, or any other law or ordinance which seeks to impose any other liability or damage, whatsoever, upon City because it entered into this Agreement or because of the terms of this Agreement.

Owner acknowledges that it may have suffered, or may suffer, damages and other injuries that are unknown to it, or unknowable to it, at the time of its execution of this Agreement. Such fact notwithstanding, Owner agrees that the release provided in this Subsection 13(c) shall apply to such unknown or unknowable claims and damages. Without limiting the generality of the foregoing, Owner acknowledges the provisions of California Civil Code Section 1542, which provide:

> ***"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."***

Owner hereby waives, to the maximum legal extent, the provisions of California Civil Code Section 1542 and all other statutes and judicial decisions of similar effect.

____

Owners' Initials

d. Termination of Agreement for Default of City. Owner may terminate this Agreement in the event of a default by City in the performance of a material term of this Agreement and only after providing written notice to City of default setting forth the nature of the default and the actions, if any, required by City to cure such default and, where the default can be cured, City has failed to take such actions and cure such default within thirty (30) days after the effective date of such notice or, in the event that such default cannot be cured within such thirty (30) day period but can be cured within a longer time, has failed to commence the actions necessary to cure such default within such thirty (30) day period and to diligently proceed to complete such actions and cure such default. Notwithstanding anything to the contrary, in the event that Owner deem it is necessary and/or advisable to cease operations in Montebello, then Owner may terminate this Agreement, and such termination shall be effective upon the date of written notice to the City.

e. Attorneys' Fees and Costs. In any action or proceeding between City and Owner brought to interpret or enforce this Agreement, or which in any way arises out of the existence of this Agreement or is based upon any term or provision contained herein, the "prevailing party" in such action or proceeding shall be entitled to recover from the non-prevailing party, in addition to all other relief to which the prevailing party may be entitled pursuant to this Agreement, the prevailing party's reasonable attorneys' fees and litigation costs, in an amount to be determined by the court. The prevailing party shall be determined by the court in accordance with California Code of Civil Procedure Section 1032. Fees and costs recoverable pursuant to this Subsection 13(e) include those incurred during any appeal from an underlying judgment and in the enforcement of any judgment rendered in any such action or proceeding.

f. Owner Default. No building permit shall be issued or building permit application accepted for any structure on the Site after Owner is determined by City to be in default of the terms and conditions of this Agreement until such default thereafter is cured by Owner or is waived by City. If City terminates this Agreement because of Owner's default, then City shall retain any and all benefits, including money or land received by City hereunder.

14. Third Party Litigation

a. General Plan Litigation. City has determined that this Agreement is consistent with its General Plan. Owner has reviewed the General Plan and concurs with City's determination.

City shall have no liability under this Agreement or otherwise for any failure of City to perform under this Agreement, or for the inability of Owner to develop the Site as contemplated by the Agreement, which failure to perform or inability to develop is as the result of a judicial determination that the General Plan, or portions thereof, are invalid or inadequate or not in compliance with law, or that this Agreement or any of City's actions in adopting it were invalid, inadequate, or not in compliance with the law.

b. Hold Harmless Agreement. Owner hereby agrees to, and shall hold City, its elective and appointive boards, commissions, officers, agents, attorneys, contractors, consultants and employees harmless from any liability for damage or claims for damage for personal injury, including death, as well as from claims for property damage which may arise from Owner or Owner's contractors, subcontractors, agents, or employees' operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, agents, or employees operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, or by any one or more persons directly or indirectly employed by, or acting as agent for Owner or any of Owner's contractors or subcontractors. Owner agrees to and shall defend City and its elective and appointive boards, commissions, officers, agents and employees from any suits or actions at law or in equity for damage caused, or alleged to have been caused, by reason of any of the aforesaid operations.

c. Indemnification. Owner shall defend, indemnify, and hold harmless City and its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees against and from any and all liabilities, demands, claims, actions or proceedings and costs and expenses incidental thereto (including costs of defense, settlement and reasonable attorneys' fees)which any or all of them may suffer, incur, be responsible for or pay out as a result of or in connection with any challenge to the legality, validity or adequacy of any of the following: (i) this Agreement and the concurrent and subsequent permits, licenses and entitlements approved for the Project or Site; (ii) the environmental impact report, mitigated negative declaration or negative declaration, as the case may be, prepared in connection with the development of the Site; and (iii) the proceedings undertaken in connection with the adoption or approval of any of the above. In the event of any legal or equitable action or other proceeding instituted by any third party (including a governmental entity or official) challenging the validity of any provision of this Agreement or any portion thereof as set forth herein, the parties shall mutually cooperate with each other in defense of said action or proceeding. Notwithstanding the above, City, at is sole option, may tender the complete defense of any third-party challenge as described herein. In the event City elects to contract with special counsel to provide for such a defense, City shall meet and confer with Owner regarding the selection of counsel, and Owner shall pay all costs related to retention of such counsel.

d. Environmental Contamination. Owner shall indemnify and hold City, its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees free and harmless from any liability, based or asserted, upon any act or omission of Owner, its officers, agents, employees, subcontractors, predecessors in interest, successors, assigns and independent contractors, excepting and acts or omissions of City as successor to any portions of the Site dedicated or transferred to City by Owner and further excepting any environmental conditions not within Owner's control nor directly associated with a Permitted Use, for any violation of any federal, state or local law, ordinance or regulation relating to industrial hygiene or to environmental conditions on, under or about the Property, including, but not limited to, soil and groundwater conditions, and Owner shall defend, at its expense, including attorneys' fees, City, its officers, agents and employees in any action based or asserted upon any such alleged act or omission. City may in its discretion participate in the defense of any such claim, action or proceeding.

The provisions of this Section 14(d) do not apply to environmental conditions that predate Owner's ownership or control of the Site or applicable portion;

provided, however, that the foregoing limitation shall not operate to bar, limit or modify any of Owner's statutory or equitable obligations as an owner or seller of the Site.

e. City to Approve Counsel. With respect to Subsections 14(a) through 14(d) only, City reserves the right to approve the attorney(s) which Owner selects, hires or otherwise engages to defend City hereunder, which approval shall not be unreasonably withheld, conditioned, or delayed.

f. Accept Reasonable Good Faith Settlement. City shall not reject any reasonable good faith settlement offer regarding claims contemplated in this Section 14. If City does reject a reasonable, good faith settlement that is acceptable to Owner, Owner may enter into a settlement of the action, as it relates to Owner, and City shall thereafter defend such action (including appeals) at its own cost and be solely responsible for any judgment rendered in connection with such action. This Subsection 14(f) applies exclusively to settlements pertaining to monetary damages or damages which are remedial by the payment of monetary compensation. Owner and City expressly agree that this Subsection 14(f) does not apply to any settlement that requires an exercise of City's police powers, limits City's exercise of its police powers, or affects the conduct of City's municipal operations.

g. Survival. The provisions of Subsections 14(a) through 14(f) inclusive, shall survive the termination or expiration of the Agreement.

15. California Environmental Quality Act

Owner shall reimburse City for any and all reasonable costs incurred by City related to project review under the California Environmental Quality Act (CEQA), Public Resources Code, §§21000-21189.3, and the Guidelines for California Environmental Quality Act, California Code of Regulations, Title 14, §§15000-15387. If reasonably requested by City, Owner shall conduct and pay for any required CEQA reviews and analyses. The City has found that the proposed Project is Categorically Exempt from California Environmental Quality Act (CEQA) requirements under provisions of CEQA Guidelines **Section 15301** – Existing Facilities. This exemption applies to projects characterized as alterations to existing facilities meeting the conditions described in **Section 15301**.

16. Rules, Regulations, and Official Policies

Except as otherwise provided in this Agreement, the rules, regulations, and official policies of City governing permitted uses of the land, governing density, and governing the design, improvements, and construction standards and specifications applicable to the development of the Project subject of this Agreement, shall be those rules, regulations, and official policies of City in force as of the Effective Date of this Agreement. This Agreement does not prevent

City, in subsequent actions applicable to the Site, from applying new rules, regulations, and policies which do not conflict with those rules, regulations, and policies applicable to the property as set forth herein, nor does this Agreement prevent City from denying or conditionally approving any subsequent development project application (i.e. not the Project) based on such existing or new rules, regulations, or policies.

17. CUP Conditions of Approval

Owner shall comply with all conditions of approval of the City-issued CUP. If there is any conflict between a term of this Agreement and a condition of approval of the City-issued CUP, then the most restrictive shall apply.

18. Periodic Reviews

This Agreement shall be subject to annual review. The Owner executing this Agreement, or successor in interest thereto, shall demonstrate good faith compliance with the terms of this Agreement. If, as a result of such periodic review, City finds and determines, based on substantial evidence, that Owner executing this Agreement, or successor in interest thereto, has not materially complied in good faith with the terms or conditions of this Agreement, City may terminate or modify this Agreement (except no modification shall increase Owner's liability nor reduce Owner's rights), provided that City shall first provide Owner notice of its intent to terminate, with a detailed explanation as to why, and provide Owner the reasonable right to cure the same.

a. Periodic Review. City Council shall review this Agreement annually, on or before each anniversary of the Effective Date, in order to ascertain Owner's good faith compliance with this Agreement. During the periodic review Owner shall be required to demonstrate good faith compliance with the terms of the Agreement, through submitting an annual monitoring report, records, or equivalent written materials to the Planning Department. The Planning Department will schedule a hearing on the periodic review of the Development Agreement on or following the anniversary of the Effective Date, but Owner has no obligation to compel such hearing, and no implication will be made to Owner's detriment if a hearing is not in fact held. Owner shall document any request for an extension of the term due to delays beyond the control of Owner (see Subsection 22(g), "Force Majeure"). Owner shall submit an annual review and administration fee deposit not to exceed City's estimated internal and third-party costs associated with the review and administration of this Agreement during the succeeding year. City shall provide Owner said estimate a reasonable time in advance of the annual review and administration fee deposit being due.

b. Conditional Use Permit. The operation of the business at all times shall be required to comply with the CUP and this Agreement.

c. Special Review. City Council may order a special review of compliance with this Agreement at any time. The City Manager, Community Development Director, or his or her designee(s) shall conduct such special review. During a special review, Owner shall be required to demonstrate good faith compliance with the terms of the Agreement. The burden of proof on this issue shall be on Owner.

d. Review Hearing. At the time and place set for the special or periodic review hearing, Owner shall be given an opportunity to be heard. If City Council finds, based upon substantial evidence, that Owner has not complied in good faith with the terms or conditions of this Agreement, City Council may terminate this Agreement notwithstanding any other provision of this Agreement to the contrary, or modify this Agreement and impose such conditions as are reasonably necessary to protect the interests of City. The decision of City Council shall be final, subject only to judicial review pursuant to Code of Civil Procedure Section 1094.5.

e. Certificate of Agreement Compliance. If, after a periodic or special review, Owner is found to be in compliance with this Agreement, and if Owner requests it, City shall issue a Certificate of Agreement Compliance ("Certificate") to Owner stating that after the most recent periodic or special review, and based upon the information known or made known to the Planning Director and City Council, that (i) this Agreement remains in effect and (ii) Owner is not in default. City shall not be bound by a Certificate if a default existed at the time of the periodic or special review, but was concealed from or otherwise not known to the Planning Director and City Council, regardless of whether the Certificate is relied upon by assignees or other transferees or Owner.

f. Failure to Conduct Review. City's failure to conduct a periodic review of this Agreement shall not constitute a breach of this Agreement.

g. Cost of Review. The reasonable costs incurred by City in connection with the periodic reviews shall be borne by Owner.

19. Assignment

Assignment by Owner. Owner shall not transfer, delegate, sublet or assign its interest, rights, duties, and obligations under this Agreement without the prior written consent of City, which consent shall not be unreasonably withheld. Owner shall submit a transfer application to the City Manager or City Manager's designee and pay any applicable transfer fee. The proposed transferee must show proof of lawful transfer of possession of the applicable location as may be acceptable to the City. Owner is aware it may take the City approximately six (6) months to process a transfer application.

Any assignment, delegation, subletting or assignment without the prior written consent of City shall be null and void. Any transfer, delegation, subletting or assignment by Owner as authorized herein shall be effective only if and upon the party to whom such transfer, delegation, subletting or assignment is made is issued a CUP as required under Montebello Municipal Code Chapters 5.90 and 17.71.

Owner shall also comply with all proposed assignments and changes, including assignment and changes impacting a Development Agreement or a CUP, as required pursuant to state law, and Montebello Municipal Code Chapters 5.90 and 17.71.

20. <u>Operating Commercial Cannabis Facility</u>

Any Party to this Agreement, or successor in interest thereto, shall not operate a commercial cannabis facility authorized under the municipal code unless:

a. It is the holder of a valid CUP issued by City in accordance with the procedures and requirements of Montebello Municipal Code Chapters 5.90 and 17.71; and,

b. At such time as the State of California requires commercial cannabis facilities and businesses to hold a valid license or permit issued by the State of California, it also holds such license or permit, unless, however, such permit or license is not required by the State of California for the type of commercial cannabis facility or business operation that is the subject of this Agreement.

21. <u>Notices</u>

Any notice or communication required hereunder between City and Owner must be in writing, and may be given either personally, by registered or certified mail (return receipt requested), or by Federal Express, UPS or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered, as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to City:	City of Montebello 1600 W. Beverly Blvd Montebello, California 90640 Attention: City Manager
With a copy to:	City Attorney 13181 Crossroads Parkway North Suite 400 – West Tower City of Industry, California 91746
If to Owner:	[NAME AND ADDRESS OF OPERATOR]

With a copy to:

22. Miscellaneous Provisions

Amendment or Cancellation. This Agreement may be amended, or canceled in whole or in part, only by the written mutual consent of the parties to this Agreement or their successors in interest, except that minor amendments that do not affect a substantive provision of this Agreement may be approved by the City Manager on behalf of the City. The decision whether a proposed amendment is “minor” shall be in the reasonable good faith discretion of the City Manager, and consistent with Montebello Municipal Code Chapters 5.90 and 17.71.

a. Waiver. Waiver by City of any one or more of the terms or conditions of this Agreement shall not be construed as waiver of any other term or condition under this Agreement.

b. Enforcement/Reserved Powers. Unless amended or canceled pursuant hereto, this Agreement shall be enforceable by any Party hereto, or successor in interest thereto, notwithstanding any subsequent change in any applicable general or specific plan, zoning, subdivision or building regulation, or municipal code amendment adopted by City that conflicts with the terms of this Agreement. However, this Agreement is subject to the City's "Reserved Powers." For purposes of this Agreement, "Reserved Powers" means the rights and authority excepted from this Agreement's restrictions on the City's police powers and which are instead reserved to the City. The Reserved Powers include the powers to enact regulations or take future discretionary actions after the Effective Date of this Agreement that: (1) are necessary to protect the public health and safety, and are generally applicable on a City-wide basis (except in the event of natural disasters as found by the City Council such as floods, earthquakes and similar acts of God); (2) are amendments to California Marijuana Laws or California Uniform Codes, as adopted by the City of

Montebello, and/or the Montebello Municipal Code, as applicable, regarding the construction, engineering and design standards for private and public improvements to be constructed on the Site; (3) are necessary to comply with state or federal laws and regulations; or (4) involve sign and parking ordinances and guidelines, changes to the City's zoning laws, Specific Plan or the City's General Plan, whether adopted previous or subsequent to the Effective Date of this Agreement).

If any City ordinance, rule or regulation or addition to the Montebello Municipal Code is enacted or imposed by a citizen-sponsored initiative or referendum after the Effective Date that would conflict with this Agreement or an associated CUP, business license or other authorizations and City approvals, or reduce development rights or assurances provided to the Owner in this Agreement, then such changes, additions or deletions to the Montebello Municipal Code shall not be applied to the Site or Project. The parties shall cooperate with each other and undertake such reasonable actions as may be appropriate to ensure this Agreement remains in full force and effect and is implemented in accordance with its terms and to the fullest extent permitted by state or federal law.

Notwithstanding anything to the contrary in this Agreement, site improvements contemplated by this Agreement shall be completed pursuant to the development standards and design guidelines to be adopted by the zoning code amendment.

c. Severability. If any part of this Agreement is found to conflict with applicable state laws or regulations, such part shall be inoperative, null, and void insofar as it conflicts with said laws or regulations, or modified or suspended as may be necessary to comply with such state laws or regulations, but the remainder of this Agreement shall continue to be in full force and effect.

d. Counterparts. 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. The execution of this Agreement may be by actual, facsimile, or electronic signature.

e. Jurisdiction. The law governing this Agreement shall be that of the State of California. Any suit brought by any party against any other party arising out of the performance of this Agreement or the breach, termination, enforcement, interpretation or validity thereof, shall be filed and maintained in the County of Los Angeles Superior Court.

f. Disclaimer. Despite California's commercial cannabis laws and the terms and conditions of this Agreement, or any CUP issued pertaining to Owner

or the property specified herein, California commercial cannabis cultivators, manufacturers, retailers, transporters, distributors, or possessors may still be subject to arrest by state or federal officers and prosecuted under state or federal law. The Federal Controlled Substances Act, 21 USC § 801, prohibits the manufacture, distribution, and possession of cannabis without any exemptions for medical use.

g. Force Majeure. If delays are caused by unforeseen events beyond the control of Owner, such delays will entitle Owner to an extension of time as provided in this Section 22. Such unforeseen events ("Force Majeure") shall mean war, insurrection, acts of God, local, state or national emergencies, strikes and other labor difficulties beyond the party's control, or any default by City hereunder, which Force Majeure event substantially interferes with the development, construction or operation of the Project.

h. Costs and Fees. Intentionally omitted.

i. Constructive Notice and Acceptance. Every person who after the Effective Date of this Agreement owns or acquires any right, title, or interest to any portion of the Site, is and shall be conclusively deemed to have consented and agreed to every provision contained herein, whether or not any reference to this Agreement is contained in the instrument by which such person acquired an interest in the Site, and all rights and interests of such person in the Site shall be subject to the terms, requirements, and provisions of this Agreement.

j. Binding Effect of Recitals. The Parties agree that the Recitals above are true and correct and intend to be bound by same.

k. Project as a Private Undertaking. It is specifically understood and agreed by and between the parties hereto that the development of the Project is a private development, that neither party is acting as the agent of the other in any respect hereunder, and that each party is an independent contracting entity with respect to the terms, covenants and conditions contained in this Agreement. No partnership, joint venture or other association of any kind is formed by this Agreement. The only relationship between the City and the Owner is that of a government entity regulating the development of private property and the owner of such property.

l. Changes to Project. The parties acknowledge that changes to the Project and related approvals may be appropriate and mutually desirable to carry out the intent and purpose of this Agreement. This Agreement shall not prevent the City from applying, with the consent or at the request of the Owner, *Subsequent Land Use Regulations* or *Subsequent Development*

Approvals that do not directly conflict with the Site authorized under this Agreement. The granting of one such change or request shall not obligate the City to grant other similar changes or requests. As used herein, "*Subsequent Development Approvals*" include, without limitation, all excavation, grading, building, construction, demolition, encroachment or street improvement permits, occupancy certificates, utility connection authorizations, or other non-discretionary permits or approvals necessary, convenient or appropriate for the Project. As used herein, "*Subsequent Land Use Regulations*" means ordinances, resolutions and codes adopted or approved by the City after the Effective Date of this Agreement governing the development and use of the land, including general plan amendments, zone changes, variances or conditional use permits affecting the permitted use of the land including density or intensity of use, subdivision requirements, the maximum height and size of proposed buildings, the provisions of reservation or Dedication of land for public purposes, and the design, improvement and construction and initial occupancy standards and specifications applicable to the Development of the Property.

m. <u>Conflicting Federal or State Rules</u>. In the event that any conflicting federal or state laws or regulations, enacted after the Effective Date, prevent or preclude compliance with one or more provisions of this Agreement or require changes in plans, maps or permits approved by the City, *this Agreement shall remain in full force and effect as to those provisions not affected*; and

(i) <u>Notice of Conflict</u>. Either party, upon learning of any such matter, will provide the other party with written notice thereof and provide a copy of any such law, regulation or policy together with a statement of how any such matter conflicts with the provisions of this Agreement; and

(ii) <u>Modification Conferences</u>. The parties shall, within thirty (30) days of the notice referenced to in the preceding subsection, meet and confer in good faith and attempt to modify this Agreement to bring it into compliance with any such federal or state law or regulation.

(iii) <u>City Council Hearings</u>. In the event the City believes that an amendment to this Agreement is necessary due to the effect of any federal or state law or regulation, the proposed amendment shall be scheduled for hearing before the City Council. The City Council shall determine the exact nature of the amendment necessitated by such federal or state law or regulation. Owner shall have the right to offer oral and written testimony at the hearing. Any modification ordered by the City Council pursuant to such hearing is subject to judicial review in accordance with California law.

(iv) <u>City Cooperation</u>. The City shall cooperate with Owner in securing any City permits, licenses or other authorizations that may be required as a

result of any amendment resulting from actions initiated by the City. As required by this Agreement, Owner shall be responsible to pay all applicable fees in connection with securing of such permits, licenses or other authorizations.

n. Effective Date. “Effective Date” means either the date of this Agreement approved by the City Council or the date of the CUP’s approval by the City Planning Commission, whichever comes later.

o. Authority to Sign. Each Party or responsible officer or governing body therefore, has read this Agreement and understands and knows the contents thereof, and represents and warrants that each of the officers or agents executing this Agreement on behalf of their respective corporations, partnerships, or other organizations is empowered to do so and hereby binds the respective corporation, partnership, or other organization. Additionally, Owner represents and warrants that each of the officers or agents executing this Agreement on behalf of its corporation, partnership, or other organization is an “owner” as defined by California Business and Professions Code Section 26001 and hereby binds the respective corporation, partnership, or other organization.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

CITY OF MONTEBELLO

____
Jack Hadjinian
Mayor

GREEN HEARTS, LLC

____
Name: Melanie Torbert
Title: Owner

APPROVED AS TO FORM:

____
City Attorney
City of Montebello

EXHIBITS

A. LEGAL DESCRIPTION [TO BE INSERTED]
B. PARCEL MAP [TO BE INSERTED]
C. SITE AND/OR FLOOR PLANS [TO BE INSERTED]
D. RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT [TO BE INSERTED]
E. PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM [TO BE INSERTED]
F. CONDITIONS OF APPROVAL [TO BE INSERTED]
G. LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT [TO BE INSERTED]

EXHIBIT A

LEGAL DESCRIPTION

EXHIBIT B

MAP

EXHIBIT C

SITE AND/OR FLOOR PLANS

EXHIBIT D

RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT

EXHIBIT E

PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM

EXHIBIT F

CONDITIONS OF APPROVAL

EXHIBIT G

LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT

COMMERCIAL CANNABIS BUSINESS DEVELOPMENT AGREEMENT NO. 12-19 BETWEEN THE CITY OF MONTEBELLO AND PRIME CARE INC.

THIS DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this 5TH day of August, 2019, (the "Execution Date"), by and between the **CITY OF MONTEBELLO**, a California municipal corporation ("City"), and **PRIME CARE INC.**, a California corporation ("Owner"). City and Owner are sometimes referenced together herein as the "Parties." In instances when a provision hereof applies to each of the Parties individually, either may be referenced as a "Party." The Parties hereby jointly render the following statement as to the background facts and circumstances underlying this Agreement:

RECITALS

WHEREAS, Owner currently holds a legal or equitable interest in certain real property considered in this Agreement which has a development area of approximately **6,800** square feet located at 7121 Telegraph Road, City of Montebello, State of California (the "Site"). The Site includes Assessor's Parcel Number(s): 6354-024-039, and is more fully described in the Legal Description in Exhibit A, and shown on the map in Exhibit B. Both exhibits being attached hereto, respectively, and are incorporated herein by this reference;

WHEREAS, presently, Owner has a leasehold interest in a portion of the Site for the purpose of conducting commercial cannabis related activities which shall include, but not be limited to commercial cannabis manufacturing, delivery-only retail, and distribution. Such commercial cannabis facilities shall operate in accordance with all applicable provisions of California Business and Professions Code §§26000-26231.2; California Health and Safety Code Safety Code §§ 11357-11362.9 and 11362.7-11362.85; California Revenue and Taxation Code §§ 34010-34021.5; California Vehicle Code §§ 2429.7 and 23222; California Water Code §§ 1831, 1847, and 13276; Cal. Code Regs. tit. 16, div. 4 (2019); Cal. Code Regs. tit. 3, div. 8, Ch. 1 (2019); Cal. Code Regs. tit. 17, div. 1, ch. 13 (2019); and the City of Montebello Municipal Code as it applies to such facilities, as such provisions may be amended from time to time (collectively the "Applicable Cannabis Laws"). Prior to operating a cannabis manufacture site, delivery-only retailer site, and distribution site, as those terms are defined in the Montebello Municipal Code ("Manufacturing, Delivery-Only Retail and Distribution Facility"), Owner shall be required to obtain a Conditional Use Permit from the City, and any and all related permits and licenses prior to the operation of same, pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, ultimately, Owner intends upon obtaining one or more permanent annual California State License(s), pursuant to Applicable Cannabis Laws, to operate a Manufacturing, Delivery-Only Retail and Distribution Facility at the Site. The definition of "Owner" hereunder shall mean and refer to the fee simple owner and/or any authorized tenant of the Site to the extent such party holds or is covered by a City Conditional Use Permit; and is not intended to necessarily be coextensive with the definition of that term as defined in California Business & Professions Code Section 26001(al);

WHEREAS, on March 21, 2019, Owner applied to this City for a Conditional Use Permit *(hereinafter* "CUP") to conduct commercial cannabis activities. No such activities are allowed or authorized without this Agreement, a CUP, and all requirements having been satisfied pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, Owner presently intends to develop and open a Manufacturing, Delivery-Only Retail and Distribution Facility on the Site consistent with the Applicable Cannabis Laws and project approvals (known as the "Project"). The Project will include indoor cannabis manufacturing, delivery-only retail, and distribution in accordance with the Applicable Cannabis Laws;

WHEREAS, the Project will consist of one 6,780 square foot building, with such final square footage to be consistent with Owner's final approved CUP, as many be amended pursuant to the CUP and/or this Agreement. The building will be divided into major spaces for manufacturing, delivery and distribution as follows:

Manufacturing: The Project will include a manufacturing room that would be used initially for packaging products. Under the manufacturing license, the Owner will conduct additional manufacturing activities including, volatile extraction (Type 7 Manufacturing). The total area of these uses will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. Manufacturing operations would occur 24-hours daily.

Non-storefront Retail Delivery: The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All delivery activities will be conducted in accordance with Applicable Cannabis Laws, including, but not limited to specified hours of operation.

Distribution: The distribution activities will occur within the distribution area. The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All distribution activities will be conducted in accordance with Applicable Cannabis Laws, including, but not limited to specified hours of operation.

General Business Offices: The Project will be open from 8:00 a.m. to 10:00 p.m., Monday through Friday.

Parking/Loading/Access: The proposed project provides parking spaces in accordance with the City-approved Site Plan.

Security: The Project will secure the facility against unauthorized entry by installing security lights on the exterior of the building to illuminate the side yards and parking area, installing commercial-grade locks, installing an alarm and video surveillance system, establishing procedures for identifying authorized persons, establish inventory controls, and install a secure surveillance vault to maintain the integrity of records. In addition, the applicant will engage a licensed security company to provide an operational security plan in compliance with Montebello Municipal Code Chapters 5.90 and 17.71.

The proposed layout of the site is as shown in the attached Site and/or Floor Plans, in Exhibit C.

The Project will consist of a vertically integrated commercial cannabis facility compliant with Applicable Cannabis Laws that will provide several levels of cannabis production, processing, and distribution.

This includes:

1) Research and development of cannabis plants and strains.
2) Manufacturing of cannabis and its derivatives through volatile and non-volatile extraction.
3) Manufacturing of cannabis food products.
4) Packaging and storage of cannabis products.
5) Distribution of cannabis products.
6) Retail delivery of cannabis products.

Proposed Hours of Operation (subject to final approval pursuant to the CUP):
8:00AM to 10:00PM for general business hours, 24-hours for internal operations

[x] Co-location, check if applicable:

Note: Applicable Cannabis Laws authorize a person to apply for and be issued more than one State annual license at one location provided the licenses premises are separate and distinct.

Owner has applied for four (4) State cannabis licenses.

Please see the Recitals of this Development Agreement for details for separate and distinct locations of each operation within the Premises.

WHEREAS, On February 14, 2018, Ordinances No. 2399 and No. 2400 came into effect authorizing specified commercial cannabis activities within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, On June 13, 2018, Ordinances No. 2404 and 2405 came into effect amending specified commercial cannabis activities authorized by Ordinances No. 2399 and No. 2400 within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, all procedures of the California Environmental Quality Act ("CEQA"), California Public Resources Code §21000 et seq., and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 et seq. have been satisfied;

WHEREAS, the City has given public notice of its intention to approve this Agreement. The City has found that the provisions of this Agreement and its purposes are consistent with the objectives, policies, general land uses and programs specified in City's General Plan, zoning code and municipal ordinances;

WHEREAS, the City, in entering into this Agreement, acknowledges that certain City obligations hereby assumed shall survive beyond the terms of the present Council members, that this Agreement will serve to bind City and future Councils to the obligations hereby undertaken, and that this Agreement shall limit the future exercise of certain governmental and proprietary powers of City. By approving this Agreement, the Council has elected to exercise certain governmental powers at the time of entering into this Agreement rather than defer its actions to some undetermined future date. The terms and conditions of this Agreement have undergone extensive review by City and the Council and have been found to be fair, just and reasonable. City has concluded that the pursuit of the Project will serve the best interests of its citizens and that the public health, safety and welfare are best served by entering into this obligation. Owner has represented to City that it would not consider or engage in the Project absent City approving this Agreement;

WHEREAS, the City agrees that Owner's land use entitlements, if any, that have been applied for and approved by the City, for the Project shall vest for the term of this Agreement as described below, if applicable;

WHEREAS, after conducting a duly noticed CUP hearing on July 2, 2019, in conjunction with the City's applicable ordinances and resolutions, the Planning Commission of the City reviewed, considered and approved environmental clearance and approved the execution of the CUP. The Planning Commission found the Project consistent with the objectives, policies, general land uses and programs specified in the general plan; compatible with the uses authorized in the City's zoning laws; in conformity with the public necessity, public convenience, general welfare and good land use practices; will not be detrimental to the health, safety and general welfare of the city; will not adversely affect the orderly development of property or the preservation of property values; and will have a positive fiscal impact on the City;

WHEREAS, after conducting a duly noticed meeting on August 5, 2019, in conjunction with the City's applicable ordinances and resolutions, and after independent review and consideration, the City Council approved the execution of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

1. The Recitals above are true and correct and are hereby incorporated into and made a part of this Agreement. In the event of any inconsistency between the Recitals and the provisions of this Agreement, herein below, said provisions of this Agreement shall prevail.

2. Government Code and Municipal Code Required Elements

a. Description of Property. Land situated in the City of Montebello, County of Los Angeles, State of California; whose street address is 7121 Telegraph Road, City of Montebello, State of California (the "Site"). The Site includes Assessor's Parcel Number: 6354-024-039.

b. Owner and Other Person with Legal or Equitable Interest.

Owner: **Prime Care Inc.**
Nature of Interest: *Lease for 10 years with Option to Renew for an additional 10 years.*

A true and correct copy of a recorded grant deed, or executed lease agreement, is attached hereto as Exhibit D, and incorporated herein by this reference.

If Owner is not the fee simple owner of the Site, check box below:

[x] Owner represents and warrants that the property owner has consented in writing to the execution of this Agreement against the Site. [See also attached Property Owner Signed and Notarized Consent Form wherein the property owner has acknowledged reading Montebello Municipal Code Chapters 5.90 and 17.71, incorporated herein by this reference (Exhibit E).]

c. Permitted Uses. The Site may be used for a Manufacturing, Delivery-Only Retail and Distribution Facility as presently authorized under Montebello Municipal Code Chapters 5.90 and 17.71 and for any other use if authorized under applicable provisions of the Montebello Municipal Code ("Permitted Uses"). In the event that the Montebello Municipal Code, California law, and/or Federal law is amended in the future to permit additional commercial cannabis uses, Owner may apply for an amendment to this Agreement and to the issued CUP, both of which must receive approval by the City's Planning Commission or City Council, as required, to amend the Permitted Uses at the Site.

d. Zoning. Owner shall use commercially reasonable efforts to ensure that such activities outlined in Owner's CUP Application ("Application") are conducted pursuant to this Agreement and under the CUP shall comply with the Montebello Municipal Code, including the zoning ordinance, any applicable zoning development standards, and any and all development and construction requirements contained therein, and/or as required by the City. Owner shall not conduct any business under this Agreement or under the CUP without having obtained all necessary permits, licenses, and approvals from the City and State of California, as required by Applicable Cannabis Laws, including the City of Montebello Municipal Code.

e. <u>Compliance with CUP conditions of approval</u>. Owner shall comply with all Conditions of Approval imposed against this Agreement, as enumerated in the CUP and attached as Exhibit F, and incorporated herein by reference.

3. <u>Term</u>

This Agreement shall commence on either the date of this Agreement's approval by the City Council or the date of the CUP approval by the City Planning Commission, whichever comes later ("Effective Date"), and end **ten (10)** years from the Effective Date, and it shall remain in full force and effect so long as the Site is used for a commercial cannabis facility as authorized under Montebello Municipal Code Chapters 5.90 and 17.71; provided, however, such use is not abandoned for a period of more than ninety (90) days.

This Agreement may be extended for one (1) additional **five (5)** year period following the expiration of the initial **ten (10)** year term upon the occurrence of all of the following:

(i) The Owner shall give written notice to the City no later than ninety (90) days before the expiration of the initial ten (10) year term that the Owner desires to extend this Agreement for an additional **five (5)** year period;

(ii) The Owner shows reasonably satisfactory evidence to the City that it has, and continues to have a legal and/or equitable interest in the Site and/or will have such interests for the duration of the extended term of the Agreement;

(iii) The Owner shall deposit all fees required by the City necessary for processing the extension request and drafting necessary documentation;

(iv) The Owner shall be in compliance with all provisions of Montebello Municipal Code Chapters 5.90 and 17.71, and all terms imposed by the City-issued CUP, including the timely renewal of a CUP if required; and

(v) The Owner shall not be in material default of any provision of any agreement between City and Owner relative to the development of the

Site, the business operations as allowed by a CUP, or of any conditions of approval imposed upon any entitlement or CUP granted by the City relative to the development of the Site for which Owner has been given a written notice to cure by the City and for which Owner has not cured or commenced to cure such material default within thirty (30) days, if and as provided by such agreement or condition of approval.

4. Owner's Site and Floor Plans

a. Owner's site plan and floor plan for the facility are attached hereto as Exhibit C and incorporated into the Agreement.

b. A preliminary landscape plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works and Director of Community Development, or their respective designees, if required by the CUP. A final landscape plan shall be prepared and submitted in conjunction with building and site improvement plans prior to issuance of building permits for construction activities, if required by the CUP.

c. An exterior signage plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works & Director of Community Development, or their respective designees, in accordance with the procedures and requirements of the Montebello Municipal Code.

5. Facility Operations

a. Standard Operating Procedures. Owner is a lawful entity that will only sell to other legally permitted persons and entities under the Applicable Cannabis Laws, as may be amended from time to time and in accordance with Subsection 2(c) of this Agreement. Prior to operating a Manufacturing, Delivery-Only Retail and Distribution Facility, Owner shall be required to obtain a CUP, and all requirements pursuant to said permit, from the City pursuant to Montebello Municipal Code Chapters 5.90 and 17.71. Further, and notwithstanding anything to the contrary, Owner may operate such cannabis-related activities as permitted in accordance with Applicable Cannabis Laws, including without limitation, as long as such activity is not inconsistent with Montebello Municipal Code Chapters 5.90 and 17.71, this Development Agreement, the City-issued CUP, and the Montebello Municipal Code.

During the term of its CUP and the term of this Agreement, Owner shall operate in accordance with all Applicable Cannabis Laws. Owner shall employ industry standard operating procedures to comply with Applicable Cannabis Laws. Owner's facility shall employ adequate safety and security measures for the safety and security of its employees, visitors, vendors, and neighboring communities and properties.

Owner shall fully comply with the minimum operating standards regulating the proposed commercial cannabis activity, including, but not limited to those, as set forth in Montebello Municipal Code Chapters 5.90 and 17.71, and such more specific operational requirements as applied by the CUP and this Agreement.

b. Security Plan. Owner shall secure approval of its proposed security plan by the Montebello Police Department or the City prior to operating, which approval shall not be unreasonably withheld, conditioned, or delayed. The security plan shall include, at a minimum and as appropriate, provisions for video surveillance, perimeter fencing and security, protection of the building(s) from vehicle intrusion, cash handling procedures, internal accounting controls, product handling and storage procedures, and a professionally monitored alarm system. Equipment and systems used for video surveillance and building alarms shall be approved by City.

Video surveillance shall include, at a minimum, all site and facility entrances and access points, all spaces accessible by the public, all secured areas of the facility with restricted access, all interior spaces and rooms where cannabis products are handled and processed, shipping and receiving areas, cash storage areas, and other areas necessary to protect the safety of employees and the public and to ensure cannabis products are received, handled, stored, packaged, shipped, and distributed in compliance with Applicable Cannabis Laws. The video surveillance system shall be web-based with direct access provided to the Montebello Police Department upon request.

The security system shall also include sensors to detect entry and exit from all secure areas, panic buttons in appropriate locations, and a professionally monitored alarm system.

Owner shall employ properly trained and licensed third-party security personnel to protect the welfare and safety of Owner and employees, and to ensure public safety to the neighboring community. Owner shall use security personnel during hours of operation, pursuant to Applicable Cannabis Laws. Security personnel may be armed so long as proper licensing and insurance requirements are followed and met by the third-party operator providing such security services.

c. Fire Department Approval. Owner shall not operate any facility, and no permit, license, or other approval issued by City shall be valid unless and until the Montebello Fire Department has approved Owner's site plan, floor plan, safety plan, and any other plans that require its approval, which approval shall not be unreasonably withheld, conditioned, or delayed.

d. Possession of Firearms. Except for licensed and bonded security personnel, no person employed by Owner shall be in possession of any firearm while on the Site without having first obtained a license from the appropriate state or local agency authorizing the person to be in possession of such firearm. Every such person in possession of a firearm while on the Site must provide the

City Manager and the Montebello Police Department, ten (10) calendar days' notice before bringing the firearm onto the premises, with the following:

1) A copy of the license issued to the person by the appropriate state or local agency authorizing him or her to possess such firearm;

2) A copy of his or her law enforcement identification (if he or she is employed by a law enforcement agency);

3) A copy of his or her California driver's license or California identification card; and

4) Any other information reasonably required by the Montebello Police Department to show that the individual is in compliance with the provisions of all laws regarding the possession and use of a firearm.

e. Identification Display. Each owner, manager, employee, and individual member engaged in the processing, manufacturing, distribution, or transporting of cannabis shall at all times while engaged in the duties of his or her position wear in plain sight, on his or her person and at chest level, a valid identification badge, issued by Owner.

f. Employee Background Checks/Procedures for Inventory Control to Prevent Illegal Diversion of Cannabis. Only employees who receive clearance from the Montebello Police Department shall be permitted to enter Owner's facility. Each employee will have to meet a criminal background investigation, which at minimum shall include a LiveScan criminal history check conducted and provided by each employee. The City shall make a good faith effort to facilitate within a reasonable time following the issuance of a CUP to Owner Employees shall not be disqualified for any conviction which would no longer be a felony under California law at the time of the LiveScan criminal history check.

Owner shall not permit and shall take all necessary and reasonable steps to prevent the distribution of any of its cannabis products to minors; prevent revenue from the sale or distribution of its cannabis and/or infused products from going to criminal enterprises, gangs and cartels; prevent the diversion of cannabis from California to any other state; prevent state-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity; prevent violence and the use of firearms in the manufacturing, distribution, and delivery-only retail of cannabis; discourage and educate against drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use; disavow growing cannabis on public lands that creates attendant public safety and environmental dangers posed by such illegal uses; and discourage and educate against cannabis possession or use on federal property.

g. Quality Control and Testing. Owner shall utilize industry standardized quality control measures and testing to ensure only the highest quality of commercial cannabis and infused products will be produced. Owner shall inspect the product to ensure its identity and quantity, and shall have a testing lab perform testing of random samples prior to distribution. Inspection and testing will be conducted by a state-licensed testing lab off-site, except for licensed distributors authorized to conduct testing on-site with a testing lab field representative present. Testing standards and procedures shall be in accordance with Applicable Cannabis Laws.

All commercial cannabis products will undergo a quality assurance review in accordance with state law prior to distribution. Inventory procedures will be utilized for tracking and taxing purposes by the state. Owner shall employ an efficient record-keeping system to make transparent its financing, testing, and adverse effect recording, as well as recall procedures.

h. Packaging of Commercial Cannabis and Infused Products. All Owner commercial cannabis products shall be packaged and labeled strictly in accordance with Applicable Cannabis Laws.

Owner intends to produce infused products and shall secure any approval from the County of Los Angeles Health Department required for manufacturing and handling such products. Owner infused products shall not be produced, manufactured, stored or packaged in private homes. All commercial cannabis infused products shall be individually wrapped at the original point of preparation strictly in accordance with Applicable Cannabis Laws.

i. Point of Sale Tracking System. Owner shall maintain an inventory control and reporting system that accurately documents the location of cannabis products from inception through distribution, including descriptions, weight, and quantity. The inventory control and reporting system shall comply with the California Cannabis Track and Trace System ("CCTT") required by Applicable Cannabis Laws.

Owner shall employ an electronic point of donation/sale system in accordance with Applicable Cannabis Laws for all point of donations/sales tracking from seed or inception to product distribution to other licensed commercial cannabis facilities, or otherwise in compliance with state and local law and in accordance with Subsection 2(c) of this Agreement. Such approved system shall track all commercial cannabis products, each edible, and/or manufactured concentrate, as well as gross sales (by weight and sale). Owner's point of sale system shall have the capacity to produce historical transactional data in accordance with City's requirements.

j. Record Keeping. Owner shall maintain records for all commercial cannabis and/or infused products. Owner shall comply with all record-keeping responsibilities that are set forth in Applicable Cannabis Laws and complete and up-to-date records regarding the amount of commercial cannabis produced, manufactured, stored, tested, distributed, delivered or packaged at Owner's facility.

k. Processing, Handling, Storing, and Distribution of Commercial Cannabis and Related Products. Commercial cannabis handling, storing, and processing shall be concealed from public view at all stages of growth and processing, and there shall be no exterior evidence of processing occurring at the premises from a public right-of-way or from an adjacent parcel. Commercial cannabis handling, storing, processing, or distribution shall not create offensive odors; create excessive dust, heat, noise, smoke, traffic, or other impacts that are disturbing to people of normal sensitivity residing or present on adjacent or nearby property or areas open to the public; or be hazardous due to use or storage of materials, processes, products, or wastes.

Owner shall store its commercial cannabis and/or commercial cannabis products in a secured storage room with T-card identification access for management only. The storage room shall be constructed of fire-rated walls with an appropriate number of cameras installed to view all entries and exits from the storage room, as well as all other activities performed within Owner's facility. Owner will not conduct outdoor operations except as related to lawful delivery and transportation of commercial cannabis and infused products. Owner will not store commercial cannabis or related products in its delivery vehicle outside normal operating hours of the facility.

Commercial cannabis products shall be sold or distributed only to licensed facilities in California, in compliance with state and local law in accordance with Subsection 2(c) of this Agreement. Excess or contaminated product will be securely stored on-site until it is properly disposed. Disposal may include composting, incineration, land-fill disposal through the local waste management hauler, or other disposal methodology in accordance with state and county health and safety codes and regulations.

l. Odor Control. All structures shall have adequate ventilation and filtration systems installed that minimize and control commercial cannabis plant odors from exiting the interior of the structure. The ventilation and filtration system shall be approved by the City Building Official and installed prior to commencing manufacturing within the allowable structure. Facility air intake, exhaust, and recirculating system shall be of industrial grade. Activated charcoal, recirculating, and closed loop aeration systems will be utilized as necessary for effective odor control and management.

m. Transportation Plan. Owner shall comply with all Applicable Cannabis Laws regarding transportation, including the rules governing delivery service. Owner shall retain a list of names and cellular contact numbers for all employees engaged in transportation of commercial cannabis products and provide it to the applicable oversight authority, keeping the list current and up to date.

Owner will keep complete and up-to-date records documenting each transfer of commercial cannabis to other licensed entities, including the amount provided, the form or product category in which the commercial cannabis was provided, the date and time provided, the name of the employee making the transfer, the name and address of each lawful licensed entity to whom delivery is made, and the amount of any related donation or other monetary transaction.

6. Community Relations, Employment, and Wages

a. Public Outreach and Education Program. The Owner shall coordinate and cooperate with City and other owners of commercial cannabis facilities located within City of Montebello in the establishment and implementation of appropriate public outreach and education programs. The public outreach and education programs shall be reasonably approved by City.

b. Community Benefits Program. The Owner shall fund the establishment and implementation of a community benefits program which may include such items as senior citizen programs, City beautification efforts, funding for enforcement against illegal cannabis operations, public safety, housing programs, economic development, infrastructure, capital improvements, including expansion and/or improvement to existing facilities or other physical improvements that provide a benefit to the community, support of holiday and special community events, and support of local public service, public safety, litigation defense, and special social and community organizations ("Community Benefits Program").

To fulfill its funding obligation for the Community Benefits Program, Owner agrees to pay the City of Montebello the yearly sum of **$50,000.00 ("Montebello Community Benefits Program Fee" or "MCBPF")**. The first annual MCBPF shall be payable to the City on the date that the Certificate of Occupancy is issued to the Owner. Thereafter, the annual MCBPF shall be payable to the City on every July 1 for the term of the Agreement, and shall be pro-rated for any partial days during such period(s) of the Agreement.

The MCBPF is separate and apart from any Cannabis Operation Fee, or penalties therefrom. If the original term of this Agreement is mutually extended by the Parties, the annual minimum payment to this program will be amended accordingly.

c. Designation of Community Relations Liaison. Pursuant to Montebello Municipal Code Chapters 5.90 and 17.71, at the time of this Agreement, Owner's day-to-day operations manager, Alaa Alnaji, will be responsible for community inquiries and complaints and on-site management during normal business hours.

d. Interface with Montebello Municipal Code / Inspections. Owner's day-to-day operations manager, and/or the Owner's Community Relations Liaison, Alaa Alnaji, will interface with the Montebello Police Department's assigned designee to ensure its operation complies with state and local laws and regulations. The City Manager, or designee, or the Montebello Police Department's assigned designee acting at the City Manager's request and per his specific and limiting instructions, shall have the right to enter all portions of the Site from time to time unannounced during hours of operation for the purpose of making reasonable inspections to observe and enforce compliance with this Agreement and Applicable Cannabis Laws, without the requirement of a search warrant, subpoena, or court order, and subject to appropriate cost recovery fees set forth in this Agreement, or adopted by the City.

____________________ Owner's Initials

e. Local Recruitment, Hiring, and Training Programs. Owner is committed to making a good-faith effort to recruit, hire, and train City residents for employment by Owner. A good-faith effort means Owner shall take the following or similar actions to recruit and employ City residents: 1) Contact local recruitment sources to identify qualified individuals who are City residents, 2) Advertise for qualified City residents in trade papers and newspapers of general circulation in the area, and 3) Develop a written plan to recruit and employ City residents as a part of the its workforce. At a minimum, the Owner endeavors to achieve a targeted local annual hiring goal of approximately 45% of total operational jobs for permanent and apprentice employees. This goal shall apply horizontally, across all departments and managerial positions. The Owner shall not be penalized or deemed in default under this Agreement if it is unable to achieve such a goal. "Local" is defined as within a 3-mile radius of the boundaries of the City's boundaries. The Owner may contact and work with a job referral agency assigned by the City Manager to implement a local hiring policy for permanent and apprentice employees. The purpose of the hiring policy is to facilitate the training and employment of local and disadvantaged job applicants for jobs within the City's jurisdiction, and 3-mile radius of City boundaries. Applicants for jobs shall not be disqualified from hiring solely on the basis of an arrest or conviction for a Cannabis-related crime that occurred prior to November 8, 2016, and could have been prosecuted as a misdemeanor or citation under current California law. The Owner shall periodically report on compliance with the local hiring goals as part of its annual audit report.

f. Living Wages. Living Wages. Owner shall pay make a good-faith effort all employees of the Facility, at a minimum, a Living Wage. A "Living Wage" is the higher of whatever the Owner currently pays its employees for similar work elsewhere or the following: the Full Cash Wage required to be paid by an employer to any similarly situated, educated, and/or credentialed individual under the City of Los Angeles Minimum Wage Ordinance [LAMC Sections 187 and 188], as adjusted annually.

g. Full-time Work. Owner shall make its best efforts to fill every position with a full-time employee. However, at no time shall Owner have a labor force that is composed of less than 50% full-time employees within its labor force, and Owner shall make a good faith effort to maintain a full-time employee level of more than 50%. Owner agrees to provide to its eligible employees leave benefits, health and wellness benefits and other employee benefits to the extent such benefits are required to be paid for by Owner under applicable state and federal employment laws.

h. Labor Peace Agreement. If Owner has twenty (20) or more employees at the time of this Agreement's signing, then Owner shall in good faith work with any labor organization for the purpose of collective bargaining and shall enter into and provide the City a copy of a labor peace agreement no later than one hundred and twenty (120) days after this Agreement's signing. Such Owner with twenty (20) or more employees but without a labor peace agreement at the time of this Agreement's signing shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization no later than one hundred and twenty (120) days after this Agreement's signing.

If Owner has less than twenty (20) employees at the time of this Agreement's signing, such Owner shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization if and when Owner has twenty (20) or more employees at any time during the Term of this Agreement. Such Owner with less than twenty (20) employees at the time of this Agreement's signing shall also provide the City a copy of the labor peace agreement no later than one hundred and twenty (120) days from hiring its twentieth (20th) employee, if and when such event occurs during the Term of this Agreement. Attached as Exhibit G, and incorporated herein is a true and correct copy of the actual Labor Peace Agreement; or applicable Notarized Statement of Intent. Owner shall abide by the terms of the labor peace agreement if and when so adopted in accordance with this Subsection. If Owner fails to comply with the labor peace agreement requirement in accordance with this Subsection, such failure shall constitute a default in accordance with Section 13 of this Agreement.

7. Payment of City Fees

a. Permit and Application Fees. Owner agrees to pay all permit fees and charges referenced in Montebello Municipal Code Chapters 5.90 and 17.71, and the amounts adopted by City Council by Resolution No. 19-14, effective

February 13, 2019, as well as any fees set forth in this Agreement. Permit application, processing, and renewal fees shall be due and payable at the time application is made.

b. Cannabis Operation Fees.

As used herein, "**Premises**" means the designated structure or structures and land specified in the application that is owned, leased, or otherwise held under the control of the Owner where the commercial cannabis activities will be or are conducted.

As used herein, "**commercial cannabis activities**" means all permitted activities: e.g., possession, manufacture, processing, storing, packaging, labeling, transportation, sale, delivery or distribution of cannabis and/or cannabis products.

As used herein, "**Gross receipts**" shall mean the total amount of receipts actually received or receivable in accordance with GAAP or other comprehensive version of accounting in the course of business in a calendar year or calendar month from sales or the performance of acts or services for which charge is made or credit allowed. "**Gross receipts**" include, without limitation, all receipts, cash, credit, property received in lieu of cash, and any other valuable consideration taken in exchange for goods, services or other valuable consideration.

As used herein, "**Production Space**" means the area on or within the **Premises** intended for **commercial cannabis activities** excluding non-operational common areas such as restrooms, cafeterias, break rooms, hallways, corridors, vestibules, parking structures or surface street lots. The parties stipulate and agree that the square footage for the **Production Space** shall be determined by the City Manager in his sole and complete discretion as the Project is completed.

The City Manager is specifically authorized to increase the square footage for the Production Space up to an increase in size of ten percent (10%) administratively and to determine the corresponding operating fee as the Project is completed.

Owner agrees to pay to City ninety (90) days after a Certificate of Occupancy is granted, in order to enable City to promote, protect, and enhance the health, safety, and welfare of the community and its residents and its quality of life., Owner agrees to pay the following percentage of gross receipts and the following square footage for cannabis operations, as follows, paid on a quarterly basis to the City ("Cannabis Operation Fee"):

1. Manufacturing: 2% of gross receipts

2. Distribution: 2.5% of gross receipts, excluding distribution of products manufactured at the Site as well as distribution activities solely to licensed entities under common ownership or otherwise affiliated with Owner so long as distribution is not the only commercial cannabis activity conducted at the Site

3. Delivery-Only Retail: 2% of gross receipts

Any subsequent years of operation after the first ten (10) year term of this Agreement shall be negotiated in good faith by the parties.

A Site with multiple licenses must not commingle respective sales proceeds, and blend percentage rate of **Gross Receipts**.

The Cannabis Operation Fee shall begin to accrue **ninety (90)** days after a Certificate of Occupancy is granted. Owner shall make payments to the City on a quarterly basis, within ninety (90) calendar days after the last day of each quarter. The first quarter is defined as January 1 through March 31, the second quarter as April 1 through June 30, the third quarter as July 1 through September 30, and the fourth quarter as October 1 through December 31. First payment to the City may be prorated, if applicable, to adhere to the latter, uniform quarterly payment schedule.

Failure to pay the Cannabis Operation Fee within thirty (30) calendar days after the due date shall result in a penalty for nonpayment in a sum equal to 10% of the total amount due. Additional penalties will be assessed in the following manner: an additional 10% shall be added to the first day of each calendar month following the month of the imposition of the 10% penalty if these fees remain unpaid in whole or in part – up to a maximum of 100% of the total fee payable on the due date.

c. Owner understands and agrees that the fees set forth above shall be paid in a manner and in accordance with a payment schedule set or modified by City. The manufacturing, testing, distribution, and delivery space to which the Cannabis Operation Fee applies is as identified on the City-issued final approved floor plan.

d. If Owner makes any changes to the interior layout of the Site that increases the amount of space allocated to those uses to which the per-square-foot Cannabis Operation Fee applies, Owner shall notify City in writing of such changes at least fourteen (14) calendar days prior to making such changes, and if approved by the City the per-square-foot fee shall be modified accordingly. If Owner fails to give City notice as required herein, Owner shall be responsible for paying to City a per-square-foot fee based on any increase in the amount of space allocated to those uses to which the per-square-foot fee applies retroactive to the date the CUP became effective.

8. Additional Owner Obligations

a. Reporting of Gross Receipts from Operations

1) Quarterly Receipts. No later than one-hundred twenty (120) days from the date Owner secures a CUP and every three months thereafter (Owner shall deliver to City a report (the "Quarterly Report"), pursuant to the quarterly payment schedule discussed hereinabove) showing (i) Gross Receipts from commercial cannabis activities for the immediate prior three months received by Owner, and a cumulative total of all amounts of Gross Receipts from commercial cannabis activities received by Owner for the calendar year, (ii) a calculation of the quarterly payment due to City for the prior three months, and (iii) a calculation of the cumulative total of all quarterly payments for the calendar year.

2) Statement of Receipts/Annual Audit. The Owner shall keep complete, accurate and appropriate books and records of all receipts from operations in accordance with generally accepted accounting principles ("GAAP") or other comprehensive version of accounting. For purposes herein, "books and records" shall mean all bookkeeping or accounting documents Owner typically utilizes in managing its business operations relating to the Project. Such books and records, as well as all other relevant documents as the City Manager may reasonably require, shall, upon reasonable written notice, be open for inspection by City, its auditors or other authorized representatives. If at any time during the term such books and records prove inadequate in the reasonable judgment of City to record the Gross Receipts from commercial cannabis activities as herein required, Owner shall, upon the written request of the City, procure and maintain such books and records as shall be of a character and from adequate for such purpose. City shall have the right to audit and examine such books, records and documents and other relevant items in the possession of Owner, on no more than an annual basis, or at any time other upon reasonable basis therefor substantiated the City, to the extent necessary for a proper determination of Gross Receipts from commercial cannabis activities, and all such books, records, documents and other items shall be held available for such audit and examination. The City's audit shall be performed by a non-contingency fee, regionally recognized independent auditor approved in advance by the City. Upon request by City, Owner shall make all such books, records and documents available to the City Manager, his designee, or to the City approved auditor, and provide removable copies thereof, within thirty (30) days of the date of City's request. Owner shall pay all reasonable costs of such audits. Owner shall preserve such books, records, documents, and other items in Montebello for a period of not less than one (1) years for the purpose of auditing or re-auditing these accounts upon reasonable notice; except that, if an audit is made within the seven-year period and Owner claims that errors or omissions

have occurred, the books and records shall be retained and made available until those matters are resolved. City shall keep strictly confidential all statements of revenue furnished by Owner and all other information concerning Owner's operation of the Site obtained by City as a result of the inspection audit and examination privileges of City hereunder (i.e. receipts and tax filings), except as otherwise required by a court order. If City receives a request for such information pursuant to the Public Records Act (California Government Code Section 6250, et seq.), City shall provide Owner notice of any such request prior to disclosing any such information and shall refuse to disclose such information until such time as Owner has been given notice and afforded the opportunity to obtain a protective order. Within seven (7) years after the receipt of any statement of receipts under this Agreement, City at any time shall be entitled to carry out an audit of such revenue either by City or agent to be designated by City. If it shall be determined as a result of such audit that there has been a deficiency in any payment due under this Agreement made on the basis of such statement, then such deficiency shall become immediately due and payable within thirty (30) days of such determination.

3) Copies of Tax Filings. Owner shall provide the City with courtesy copies of each and every report Owner is required to provide to the County of Los Angeles or the State of California for sales, use, cannabis excise, or other gross receipts type taxes at the time such filings are required to be made, including any lawful extensions thereof.

b. Future Revenue Mechanisms. During the term of this Agreement, if the City imposes (by Citizen Initiative) an alternative revenue mechanism specifically related to commercial cannabis activities (e.g., a cannabis tax), Owner agrees to renegotiate in good faith the terms of this Development Agreement with the City so as to comply with an alternative revenue mechanism to the extent the alternative revenue mechanism does not result in higher annual fees than the fees required under this Agreement. As used in this section, "alternative revenue mechanism" does not include taxes, fees, or assessments levied on or collected from both cannabis and non- cannabis operations.

9. Insurance and Indemnity

a. Insurance. Owner shall require all persons doing work on the Project, including its contractors and subcontractors (collectively, "Owner" for purposes of this Section 9 only), to obtain and maintain insurance of the types and in the amounts described in this section and its subsections with carriers reasonably satisfactory to City.

b. General Liability Insurance. Owner shall maintain commercial general liability insurance or equivalent form with a limit of not less than One Million Dollars ($1,000,000) (or as otherwise approved, in writing, by City) per occurrence and Two Million Dollars ($2,000,000) in the aggregate. Such insurance shall also:

1) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as “Additional Insureds” by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insured.

2) Be primary with respect to any insurance of self-insurance programs covering City, its officials, employees, agents, and representatives.

3) Contain standard separation of insured provisions.

c. <u>Automobile Liability Insurance</u>. Owner shall maintain business automobile liability insurance or equivalent form with policy limits that are in commercially reasonable amounts and in compliance with state law for such automotive liability insurance for each accident for the vehicles Owner operates in connection with its cannabis business. Such insurance shall include coverage for owned, hired, and non-owned automobiles. Such insurance shall also:

1) Name City, and work in good faith with the City and the insurers to name additional insureds as deemed reasonably necessary. “Additional Insureds” by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insureds;

2) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives;

3) Contain standard separation of insured provisions.

d. <u>Workers’ Compensation Insurance</u>. Owner shall take out and maintain during the term of this Agreement, the statutorily required minimum amount of workers’ compensation insurance in accordance with applicable state workers’ compensation laws for all of Owner’s employees employed at or on the Project, and in the event any of the work is subcontracted, Owner shall require any general contractor or subcontractor similarly to provide workers’ compensation insurance for such contractor’s or subcontractor’s employees, unless such employees are covered by the protection afforded by Owner. In case any class of employee engaged in work on the Project is not protected under any workers’ compensation law, Owner shall provide and shall cause each contractor and subcontractor to provide adequate insurance for the protection of employees not otherwise protected. Owner hereby indemnifies City for any damage resulting from failure of Owner, its agents, employees, contractors, or subcontractors to take out or maintain such insurance. Workers’ compensation insurance with statutory limits and employer's liability insurance of not less than the required statutory limits for each accident shall be maintained.

e. Other Insurance Requirements. Owners shall do all of the following:

1) Prior to taking any actions under this Agreement, furnish City with properly executed certificates of insurance that clearly evidenced all insurance required in this Section, including evidenced that such insurance will not be canceled, allowed to expire, or be materially reduced in coverage without thirty (30) days prior written notice to City.

2) Provide to City, upon request, and within seven (7) calendar days of said request, certified copies of endorsements and policies, and properly executed certificates of insurance evidencing the insurance required herein.

3) Replace or require the replacement of certificates, policies and endorsements for any insurance required herein expiring prior the termination of this Agreement.

4) Maintain all insurance required herein from the Effective Date of this Agreement to the earlier of the expiration of the term or the mutual written termination of this Agreement.

5) Place all insurance required herein with insurers licensed to do business in California with a current Best's Key Rating Guide reasonably acceptable to City.

f. Indemnity. Owner agrees to indemnify, defend, and hold City, and its elected and appointed council, boards, commissions, officers, agents, employees, contractors, consultants and representatives, harmless from any and all claims costs and liability for any personal injury or property damage which may arise as a result of any actions or negligent omissions by Owner or Owner's contractors, subcontractors, agents, or employees in connection with the construction, improvement, or operation of the Project.

10. Termination

a. Termination upon End of Term. This Agreement shall terminate upon the expiration of the term, unless it is terminated earlier pursuant to the terms of this Agreement.

b. Effect of Termination on Owner's Obligations. Termination of this Agreement shall eliminate any further obligation of Owner to comply with this Agreement, or some portion thereof, if such termination relates to only part of the Site or Project. Termination of this Agreement, in whole or in part, shall not, however, eliminate or otherwise limit the rights of Owner to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

c. Effect of Termination on City's Obligations. Termination of this Agreement shall eliminate any further obligation of City to comply with this Agreement, or some portion thereof. Termination of this Agreement shall not, however, eliminate the rights of City to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

d. Survival after Termination. The rights and obligations of the Parties set forth in Section 14, Section 20, and Subsection 22(c), and Subsection 22(e), and any right or obligation of the Parties in this Agreement which, by its express terms or nature and context is intended to survive termination of this Agreement, will survive any such termination.

11. Resources Efficiency

Owner shall in good faith endeavor to reduce its environmental impact when possible. The design of the Site shall include reasonable water and energy conservation measures in accordance with applicable State regulations and the CUP.

12. Standard Conditions for Construction

During any on-site construction activities related to development of the Site and any buildings thereon, or renovation or remodeling of existing buildings, Owner shall comply with all applicable terms and conditions of City's standard conditions for construction and the CUP. The Project shall comply with the applicable parking standards in accordance with the CUP.

13. Defaults and Remedies

a. Remedies in general. It is acknowledged by the Parties that City would not have entered into this Agreement if it were to be liable in damages under this Agreement, or with respect to this Agreement or the application thereof, except as hereinafter expressly provided. Subject to extensions of time by mutual consent in writing, failure to delay by either party to perform any term or provision of this Agreement beyond a reasonable notice and cure period shall constitute a default. In the event of alleged default or breach of any terms or conditions of this Agreement, the party alleging such default or breach shall give the other party not less than thirty (30) day notice in writing specifying the nature of the alleged default and the manner in which said default may be satisfactorily cured during any such thirty (30) day period, the party charged shall not be considered in default for purposes of termination or institution of legal proceedings. Notwithstanding the foregoing to the contrary, if the alleged default is of such a nature that it cannot be reasonably cured within thirty (30) days, the alleged defaulting party shall not be deemed in default as long as such party commences to cure such default within such thirty (30) day period and thereafter diligently prosecutes such cure to completion.

After notice and expiration of the thirty (30) day period, the other party to this Agreement, at its option, may institute legal proceedings pursuant to this Agreement.

In general, each of the parties hereto may pursue any remedy at law or equity available for the breach of any provision of this Agreement, except that City shall not be liable for monetary damages, unless expressly provided for this Agreement, to Owner, to any mortgagee or lender, or to any successors in interest of Owner or mortgagee or lender, or to any other person, and Owner covenants on behalf of itself and all successors in interest to the Property or any portion thereof, not to sue for damages or claim any damages.

1) For any breach of this Agreement or for any cause of action which arises out of this Agreement; or

2) For the impairment or restriction of any right or interest conveyed or provided under, with, or pursuant to this Agreement, including, without limitation, any impairment or restriction which Owner characterizes as a regulatory taking or inverse condemnation; or

3) Arising out of or connected with any dispute, controversy or issue regarding the application or interpretation or effect of the provisions of this Agreement.

Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from the exercise by City of its power of eminent domain. Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from bad faith intentional acts, the grossly negligent or malicious acts of City and its officials, officers, agents and employees. Nothing herein shall modify or abridge any defenses or immunities available to City and its employees pursuant to the Government Liability Act and all other applicable statutes and decisional law.

Except as set forth in the preceding paragraph relating to eminent domain, Owner's remedies shall be limited to those set forth in this Subsection 13(a), Subsection 13(b), and Subsection 13(c).

Notwithstanding anything to the contrary contained herein, City covenants as provided in Civil Code Section 3300 not to sue for or claim any consequential damages or, in the event all or a portion of the Site is not developed, for lost profits or revenues which would have accrued to City as a result of the development of the Site.

b. Specific Performance. The Parties acknowledge that money damages and remedies at law are inadequate, and specific performance and other non-monetary relief are particularly appropriate remedies for the enforcement of this Agreement and should be available to all parties for the following reasons:

Due to the size, nature and scope of the Project, it may not be practical or possible to restore the Site to its natural condition once implementation of this Agreement has begun. After such implementation, Owner may be foreclosed from other choices it may have had to use the Site or portions thereof. Owner has invested significant time and resources and performed extensive planning and processing of the Project in agreeing to the terms of this Agreement and will be investing even more significant time and resources in implementing the Project in reliance upon the terms of this Agreement, and it is not possible to determine the sum of money which would adequately compensate Owner for such efforts; the parties acknowledge and agree that any injunctive relief may be ordered on an expedited, priority basis.

c. Release. Except for those remedies set forth in Subsections 13(a), 13(b), and 13(c), Owner, for itself, its successors and assignees, hereby releases City, its officers, agents and employees from any and all claims, demands, actions, or suits of any kind or nature arising out of any liability, known or unknown, present or future, based or asserted, pursuant to Article 1, Section 19 of the California Constitution, the Fifth Amendment of the United States Constitution, or any other law or ordinance which seeks to impose any other liability or damage, whatsoever, upon City because it entered into this Agreement or because of the terms of this Agreement.

Owner acknowledges that it may have suffered, or may suffer, damages and other injuries that are unknown to it, or unknowable to it, at the time of its execution of this Agreement. Such fact notwithstanding, Owner agrees that the release provided in this Subsection 13(c) shall apply to such unknown or unknowable claims and damages. Without limiting the generality of the foregoing, Owner acknowledges the provisions of California Civil Code Section 1542, which provide:

> ***"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor*."**

Owner hereby waives, to the maximum legal extent, the provisions of California Civil Code Section 1542 and all other statutes and judicial decisions of similar effect.

____
Owners' Initials

d. Termination of Agreement for Default of City. Owner may terminate this Agreement in the event of a default by City in the performance of a material term of this Agreement and only after providing written notice to City of default setting forth the nature of the default and the actions, if any, required by City to cure such default and, where the default can be cured, City has failed to take such actions and cure such default within thirty (30) days after the effective date of such notice or, in the event that such default cannot be cured within such thirty (30) day period but can be cured within a longer time, has failed to commence the actions necessary to cure such default within such thirty (30) day period and to diligently proceed to complete such actions and cure such default. Notwithstanding anything to the contrary, in the event that Owner deem it is necessary and/or advisable to cease operations in Montebello, then Owner may terminate this Agreement, and such termination shall be effective upon the date of written notice to the City.

e. Attorneys' Fees and Costs. In any action or proceeding between City and Owner brought to interpret or enforce this Agreement, or which in any way arises out of the existence of this Agreement or is based upon any term or provision contained herein, the "prevailing party" in such action or proceeding shall be entitled to recover from the non-prevailing party, in addition to all other relief to which the prevailing party may be entitled pursuant to this Agreement, the prevailing party's reasonable attorneys' fees and litigation costs, in an amount to be determined by the court. The prevailing party shall be determined by the court in accordance with California Code of Civil Procedure Section 1032. Fees and costs recoverable pursuant to this Subsection 13(e) include those incurred during any appeal from an underlying judgment and in the enforcement of any judgment rendered in any such action or proceeding.

f. Owner Default. No building permit shall be issued or building permit application accepted for any structure on the Site after Owner is determined by City to be in default of the terms and conditions of this Agreement until such default thereafter is cured by Owner or is waived by City. If City terminates this Agreement because of Owner's default, then City shall retain any and all benefits, including money or land received by City hereunder.

14. Third Party Litigation

a. General Plan Litigation. City has determined that this Agreement is consistent with its General Plan. Owner has reviewed the General Plan and concurs with City's determination.

City shall have no liability under this Agreement or otherwise for any failure of City to perform under this Agreement, or for the inability of Owner to develop the Site as contemplated by the Agreement, which failure to perform or inability to develop is as the result of a judicial determination that the General Plan, or portions thereof, are invalid or inadequate or not in compliance with law, or that this Agreement or any of City's actions in adopting it were invalid, inadequate, or not in compliance with the law.

b. Hold Harmless Agreement. Owner hereby agrees to, and shall hold City, its elective and appointive boards, commissions, officers, agents, attorneys, contractors, consultants and employees harmless from any liability for damage or claims for damage for personal injury, including death, as well as from claims for property damage which may arise from Owner or Owner's contractors, subcontractors, agents, or employees' operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, agents, or employees operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, or by any one or more persons directly or indirectly employed by, or acting as agent for Owner or any of Owner's contractors or subcontractors. Owner agrees to and shall defend City and its elective and appointive boards, commissions, officers, agents and employees from any suits or actions at law or in equity for damage caused, or alleged to have been caused, by reason of any of the aforesaid operations.

c. Indemnification. Owner shall defend, indemnify, and hold harmless City and its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees against and from any and all liabilities, demands, claims, actions or proceedings and costs and expenses incidental thereto (including costs of defense, settlement and reasonable attorneys' fees)which any or all of them may suffer, incur, be responsible for or pay out as a result of or in connection with any challenge to the legality, validity or adequacy of any of the following: (i) this Agreement and the concurrent and subsequent permits, licenses and entitlements approved for the Project or Site; (ii) the environmental impact report, mitigated negative declaration or negative declaration, as the case may be, prepared in connection with the development of the Site; and (iii) the proceedings undertaken in connection with the adoption or approval of any of the above. In the event of any legal or equitable action or other proceeding instituted by any third party (including a governmental entity or official) challenging the validity of any provision of this Agreement or any portion thereof as set forth herein, the parties shall mutually cooperate with each other in defense of said action or proceeding. Notwithstanding the above, City, at is sole option, may tender the complete defense of any third-party challenge as described herein. In the event City elects to contract with special counsel to provide for such a defense, City shall meet and confer with Owner regarding the selection of counsel, and Owner shall pay all costs related to retention of such counsel.

d. Environmental Contamination. Owner shall indemnify and hold City, its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees free and harmless from any liability, based or asserted, upon any act or omission of Owner, its officers, agents, employees, subcontractors, predecessors in interest, successors, assigns and independent contractors, excepting and acts or omissions of City as successor to any portions of the Site dedicated or transferred to City by Owner and further excepting any environmental conditions not within Owner's control nor directly associated with a Permitted Use, for any violation of any federal, state or local law, ordinance or regulation relating to industrial hygiene or to environmental conditions on, under or about the Property, including, but not limited to, soil and groundwater conditions, and Owner shall defend, at its expense, including attorneys' fees, City, its officers, agents and employees in any action based or asserted upon any such alleged act or omission. City may in its discretion participate in the defense of any such claim, action or proceeding.

The provisions of this Section 14(d) do not apply to environmental conditions that predate Owner's ownership or control of the Site or applicable portion; provided, however, that the foregoing limitation shall not operate to bar, limit or modify any of Owner's statutory or equitable obligations as an owner or seller of the Site.

e. City to Approve Counsel. With respect to Subsections 14(a) through 14(d) only, City reserves the right to approve the attorney(s) which Owner selects, hires or otherwise engages to defend City hereunder, which approval shall not be unreasonably withheld, conditioned, or delayed.

f. Accept Reasonable Good Faith Settlement. City shall not reject any reasonable good faith settlement offer regarding claims contemplated in this Section 14. If City does reject a reasonable, good faith settlement that is acceptable to Owner, Owner may enter into a settlement of the action, as it relates to Owner, and City shall thereafter defend such action (including appeals) at its own cost and be solely responsible for any judgment rendered in connection with such action. This Subsection 14(f) applies exclusively to settlements pertaining to monetary damages or damages which are remedial by the payment of monetary compensation. Owner and City expressly agree that this Subsection 14(f) does not apply to any settlement that requires an exercise of City's police powers, limits City's exercise of its police powers, or affects the conduct of City's municipal operations.

g. Survival. The provisions of Subsections 14(a) through 14(f) inclusive, shall survive the termination or expiration of the Agreement.

15. California Environmental Quality Act

Owner shall reimburse City for any and all reasonable costs incurred by City related to project review under the California Environmental Quality Act (CEQA), Public Resources Code, §§21000-21189.3, and the Guidelines for California Environmental Quality Act, California Code of Regulations, Title 14, §§15000-15387. If reasonably requested by City, Owner shall conduct and pay for any required CEQA reviews and analyses. The City has found that the proposed

Project is Categorically Exempt from California Environmental Quality Act (CEQA) requirements under provisions of CEQA Guidelines **Section 15301** – Existing Facilities. This exemption applies to projects characterized as alterations to existing facilities meeting the conditions described in **Section 15301**.

16. Rules, Regulations, and Official Policies

Except as otherwise provided in this Agreement, the rules, regulations, and official policies of City governing permitted uses of the land, governing density, and governing the design, improvements, and construction standards and specifications applicable to the development of the Project subject of this Agreement, shall be those rules, regulations, and official policies of City in force as of the Effective Date of this Agreement. This Agreement does not prevent City, in subsequent actions applicable to the Site, from applying new rules, regulations, and policies which do not conflict with those rules, regulations, and policies applicable to the property as set forth herein, nor does this Agreement prevent City from denying or conditionally approving any subsequent development project application (i.e. not the Project) based on such existing or new rules, regulations, or policies.

17. CUP Conditions of Approval

Owner shall comply with all conditions of approval of the City-issued CUP. If there is any conflict between a term of this Agreement and a condition of approval of the City-issued CUP, then the most restrictive shall apply.

18. Periodic Reviews

This Agreement shall be subject to annual review. The Owner executing this Agreement, or successor in interest thereto, shall demonstrate good faith compliance with the terms of this Agreement. If, as a result of such periodic review, City finds and determines, based on substantial evidence, that Owner executing this Agreement, or successor in interest thereto, has not materially complied in good faith with the terms or conditions of this Agreement, City may terminate or modify this Agreement (except no modification shall increase Owner's liability nor reduce Owner's rights), provided that City shall first provide Owner notice of its intent to terminate, with a detailed explanation as to why, and provide Owner the reasonable right to cure the same.

a. Periodic Review. City Council shall review this Agreement annually, on or before each anniversary of the Effective Date, in order to ascertain Owner's good faith compliance with this Agreement. During the periodic review Owner shall be required to demonstrate good faith compliance with the terms of the Agreement, through submitting an annual monitoring report, records, or equivalent written materials to the Planning Department. The Planning Department will schedule a hearing on the periodic review of the Development

Agreement on or following the anniversary of the Effective Date, but Owner has no obligation to compel such hearing, and no implication will be made to Owner's detriment if a hearing is not in fact held. Owner shall document any request for an extension of the term due to delays beyond the control of Owner (see Subsection 22(g), "Force Majeure"). Owner shall submit an annual review and administration fee deposit not to exceed City's estimated internal and third-party costs associated with the review and administration of this Agreement during the succeeding year. City shall provide Owner said estimate a reasonable time in advance of the annual review and administration fee deposit being due.

b. Conditional Use Permit. The operation of the business at all times shall be required to comply with the CUP and this Agreement.

c. Special Review. City Council may order a special review of compliance with this Agreement at any time. The City Manager, Community Development Director, or his or her designee(s) shall conduct such special review. During a special review, Owner shall be required to demonstrate good faith compliance with the terms of the Agreement. The burden of proof on this issue shall be on Owner.

d. Review Hearing. At the time and place set for the special or periodic review hearing, Owner shall be given an opportunity to be heard. If City Council finds, based upon substantial evidence, that Owner has not complied in good faith with the terms or conditions of this Agreement, City Council may terminate this Agreement notwithstanding any other provision of this Agreement to the contrary, or modify this Agreement and impose such conditions as are reasonably necessary to protect the interests of City. The decision of City Council shall be final, subject only to judicial review pursuant to Code of Civil Procedure Section 1094.5.

e. Certificate of Agreement Compliance. If, after a periodic or special review, Owner is found to be in compliance with this Agreement, and if Owner requests it, City shall issue a Certificate of Agreement Compliance ("Certificate") to Owner stating that after the most recent periodic or special review, and based upon the information known or made known to the Planning Director and City Council, that (i) this Agreement remains in effect and (ii) Owner is not in default. City shall not be bound by a Certificate if a default existed at the time of the periodic or special review, but was concealed from or otherwise not known to the Planning Director and City Council, regardless of whether the Certificate is relied upon by assignees or other transferees or Owner.

f. Failure to Conduct Review. City's failure to conduct a periodic review of this Agreement shall not constitute a breach of this Agreement.

g. Cost of Review. The reasonable costs incurred by City in connection with the periodic reviews shall be borne by Owner.

19. Assignment

Assignment by Owner. Owner shall not transfer, delegate, sublet or assign its interest, rights, duties, and obligations under this Agreement without the prior written consent of City, which consent shall not be unreasonably withheld. Owner shall submit a transfer application to the City Manager or City Manager's designee and pay any applicable transfer fee. The proposed transferee must show proof of lawful transfer of possession of the applicable location as may be acceptable to the City. Owner is aware it may take the City approximately six (6) months to process a transfer application.

Any assignment, delegation, subletting or assignment without the prior written consent of City shall be null and void. Any transfer, delegation, subletting or assignment by Owner as authorized herein shall be effective only if and upon the party to whom such transfer, delegation, subletting or assignment is made is issued a CUP as required under Montebello Municipal Code Chapters 5.90 and 17.71.

Owner shall also comply with all proposed assignments and changes, including assignment and changes impacting a Development Agreement or a CUP, as required pursuant to state law, and Montebello Municipal Code Chapters 5.90 and 17.71.

20. Operating Commercial Cannabis Facility

Any Party to this Agreement, or successor in interest thereto, shall not operate a commercial cannabis facility authorized under the municipal code unless:

a. It is the holder of a valid CUP issued by City in accordance with the procedures and requirements of Montebello Municipal Code Chapters 5.90 and 17.71; and,

b. At such time as the State of California requires commercial cannabis facilities and businesses to hold a valid license or permit issued by the State of California, it also holds such license or permit, unless, however, such permit or license is not required by the State of California for the type of commercial cannabis facility or business operation that is the subject of this Agreement.

21. Notices

Any notice or communication required hereunder between City and Owner must be in writing, and may be given either personally, by registered or certified mail (return receipt requested), or by Federal Express, UPS or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered, as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to City:	City of Montebello 1600 W. Beverly Blvd Montebello, California 90640 Attention: City Manager
With a copy to:	City Attorney 13181 Crossroads Parkway North Suite 400 – West Tower City of Industry, California 91746
If to Owner:	Prime Care Inc. 180 S Lakeview Ave Anaheim, California 90807

22. Miscellaneous Provisions

Amendment or Cancellation. This Agreement may be amended, or canceled in whole or in part, only by the written mutual consent of the parties to this Agreement or their successors in interest, except that minor amendments that do not affect a substantive provision of this Agreement may be approved by the City Manager on behalf of the City. The decision whether a proposed amendment is “minor” shall be in the reasonable good faith discretion of the City Manager, and consistent with Montebello Municipal Code Chapters 5.90 and 17.71.

a. Waiver. Waiver by City of any one or more of the terms or conditions of this Agreement shall not be construed as waiver of any other term or condition under this Agreement.

b. Enforcement/Reserved Powers. Unless amended or canceled pursuant hereto, this Agreement shall be enforceable by any Party hereto, or successor in interest thereto, notwithstanding any subsequent change in any applicable general or specific plan, zoning, subdivision or building regulation, or municipal code amendment adopted by City that conflicts with the terms of this Agreement. However, this Agreement is subject to the City's "Reserved Powers." For purposes of this Agreement, "Reserved Powers" means the rights and authority excepted from this Agreement's restrictions on the City's police powers and which are instead reserved to the City. The Reserved Powers include the powers to enact regulations or take future discretionary actions after the Effective Date of this Agreement that: (1) are necessary to protect the public health and safety, and are generally applicable on a City-wide basis (except in the event of natural disasters as found by the City Council such as floods, earthquakes and similar acts of God); (2) are amendments to California Marijuana Laws or California Uniform Codes, as adopted by the City of Montebello, and/or the Montebello Municipal Code, as applicable, regarding the construction, engineering and design standards for private and public improvements to be constructed on the Site; (3) are necessary to comply with state or federal laws and regulations; or (4) involve sign and parking ordinances and guidelines, changes to the City's zoning laws, Specific Plan or the City's General Plan, whether adopted previous or subsequent to the Effective Date of this Agreement).

If any City ordinance, rule or regulation or addition to the Montebello Municipal Code is enacted or imposed by a citizen-sponsored initiative or referendum after the Effective Date that would conflict with this Agreement or an associated CUP, business license or other authorizations and City approvals, or reduce development rights or assurances provided to the Owner in this Agreement, then such changes, additions or deletions to the Montebello Municipal Code shall not be applied to the Site or Project. The parties shall cooperate with each other and undertake such reasonable actions as may be appropriate to ensure this Agreement remains in full force and effect and is implemented in accordance with its terms and to the fullest extent permitted by state or federal law.

Notwithstanding anything to the contrary in this Agreement, site improvements contemplated by this Agreement shall be completed pursuant to the development standards and design guidelines to be adopted by the zoning code amendment.

c. <u>Severability</u>. If any part of this Agreement is found to conflict with applicable state laws or regulations, such part shall be inoperative, null, and void insofar as it conflicts with said laws or regulations, or modified or suspended as may be necessary to comply with such state laws or regulations, but the remainder of this Agreement shall continue to be in full force and effect.

d. <u>Counterparts</u>. 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. The execution of this Agreement may be by actual, facsimile, or electronic signature.

e. Jurisdiction. The law governing this Agreement shall be that of the State of California. Any suit brought by any party against any other party arising out of the performance of this Agreement or the breach, termination, enforcement, interpretation or validity thereof, shall be filed and maintained in the County of Los Angeles Superior Court.

f. Disclaimer. Despite California's commercial cannabis laws and the terms and conditions of this Agreement, or any CUP issued pertaining to Owner or the property specified herein, California commercial cannabis manufacturers, retailers, transporters, distributors, or possessors may still be subject to arrest by state or federal officers and prosecuted under state or federal law. The Federal Controlled Substances Act, 21 USC § 801, prohibits the manufacture, distribution, and possession of cannabis without any exemptions for medical use.

g. Force Majeure. If delays are caused by unforeseen events beyond the control of Owner, such delays will entitle Owner to an extension of time as provided in this Section 22. Such unforeseen events ("Force Majeure") shall mean war, insurrection, acts of God, local, state or national emergencies, strikes and other labor difficulties beyond the party's control, or any default by City hereunder, which Force Majeure event substantially interferes with the development, construction or operation of the Project.

h. Costs and Fees. Intentionally omitted.

i. Constructive Notice and Acceptance. Every person who after the Effective Date of this Agreement owns or acquires any right, title, or interest to any portion of the Site, is and shall be conclusively deemed to have consented and agreed to every provision contained herein, whether or not any reference to this Agreement is contained in the instrument by which such person acquired an interest in the Site, and all rights and interests of such person in the Site shall be subject to the terms, requirements, and provisions of this Agreement.

j. Binding Effect of Recitals. The Parties agree that the Recitals above are true and correct and intend to be bound by same.

k. Project as a Private Undertaking. It is specifically understood and agreed by and between the parties hereto that the development of the Project is a private development, that neither party is acting as the agent of the other in any respect hereunder, and that each party is an independent contracting entity with respect to the terms, covenants and conditions contained in this Agreement. No partnership, joint venture or other association of any kind is formed by this Agreement. The only relationship between the City and the Owner is that of a government entity regulating the development of private property and the owner of such property.

l. Changes to Project. The parties acknowledge that changes to the Project and related approvals may be appropriate and mutually desirable to carry out the intent and purpose of this Agreement. This Agreement shall not prevent the City from applying, with the consent or at the request of the Owner, *Subsequent Land Use Regulations* or *Subsequent Development Approvals* that do not directly conflict with the Site authorized under this Agreement. The granting of one such change or request shall not obligate the City to grant other similar changes or requests. As used herein, "*Subsequent Development Approvals*" include, without limitation, all excavation, grading, building, construction, demolition, encroachment or street improvement permits, occupancy certificates, utility connection authorizations, or other non-discretionary permits or approvals necessary, convenient or appropriate for the Project. As used herein, "*Subsequent Land Use Regulations*" means ordinances, resolutions and codes adopted or approved by the City after the Effective Date of this Agreement governing the development and use of the land, including general plan amendments, zone changes, variances or conditional use permits affecting the permitted use of the land including density or intensity of use, subdivision requirements, the maximum height and size of proposed buildings, the provisions of reservation or Dedication of land for public purposes, and the design, improvement and construction and initial occupancy standards and specifications applicable to the Development of the Property.

m. Conflicting Federal or State Rules. In the event that any conflicting federal or state laws or regulations, enacted after the Effective Date, prevent or preclude compliance with one or more provisions of this Agreement or require changes in plans, maps or permits approved by the City, *this Agreement shall remain in full force and effect as to those provisions not affected*; and

(i) Notice of Conflict. Either party, upon learning of any such matter, will provide the other party with written notice thereof and provide a copy of any such law, regulation or policy together with a statement of how any such matter conflicts with the provisions of this Agreement; and

(ii) Modification Conferences. The parties shall, within thirty (30) days of the notice referenced to in the preceding subsection, meet and confer in good faith and attempt to modify this Agreement to bring it into compliance with any such federal or state law or regulation.

(iii) City Council Hearings. In the event the City believes that an amendment to this Agreement is necessary due to the effect of any federal or state law or regulation, the proposed amendment shall be scheduled for hearing before the City Council. The City Council shall determine the exact nature of the amendment necessitated by such federal or state law or regulation. Owner shall have the right to offer oral and written testimony at the hearing. Any modification ordered by the City Council pursuant to such hearing is subject to judicial review in accordance with California law.

(iv) City Cooperation. The City shall cooperate with Owner in securing any City permits, licenses or other authorizations that may be required as a result of any amendment resulting from actions initiated by the City. As required by this Agreement, Owner shall be responsible to pay all applicable fees in connection with securing of such permits, licenses or other authorizations.

n. Effective Date. "Effective Date" means either the date of this Agreement approved by the City Council or the date of the CUP's approval by the City Planning Commission, whichever comes later.

o. Authority to Sign. Each Party or responsible officer or governing body therefore, has read this Agreement and understands and knows the contents thereof, and represents and warrants that each of the officers or agents executing this Agreement on behalf of their respective corporations, partnerships, or other organizations is empowered to do so and hereby binds the respective corporation, partnership, or other organization. Additionally, Owner represents and warrants that each of the officers or agents executing this Agreement on behalf of its corporation, partnership, or other organization is an "owner" as defined by California Business and Professions Code Section 26001 and hereby binds the respective corporation, partnership, or other organization.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

CITY OF MONTEBELLO

____
Jack Hadjinian
Mayor

PRIME CARE INC.

____
Name: Angad Pasricha
Title: CEO

APPROVED AS TO FORM:

____
City Attorney
City of Montebello

EXHIBITS

A. LEGAL DESCRIPTION [TO BE INSERTED]
B. PARCEL MAP [TO BE INSERTED]
C. SITE AND/OR FLOOR PLANS [TO BE INSERTED]
D. RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT [TO BE INSERTED]
E. PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM [TO BE INSERTED]
F. CONDITIONS OF APPROVAL [TO BE INSERTED]
G. LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT [TO BE INSERTED]

EXHIBIT A

LEGAL DESCRIPTION

EXHIBIT B

MAP

EXHIBIT C

SITE AND/OR FLOOR PLANS

EXHIBIT D

RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT

EXHIBIT E

PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM

EXHIBIT F

CONDITIONS OF APPROVAL

EXHIBIT G

LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT

COMMERCIAL CANNABIS BUSINESS DEVELOPMENT AGREEMENT NO. 13-19 BETWEEN THE CITY OF MONTEBELLO AND LEAN GREEN MACHINE, INC.

THIS DEVELOPMENT AGREEMENT (this “Agreement”) is made and entered into this 5TH day of August, 2019, (the “Execution Date”), by and between the **CITY OF MONTEBELLO**, a California municipal corporation (“City”), and **LEAN GREEN MACHINE, INC.**, a California corporation ("Owner"). City and Owner are sometimes referenced together herein as the “Parties.” In instances when a provision hereof applies to each of the Parties individually, either may be referenced as a “Party.” The Parties hereby jointly render the following statement as to the background facts and circumstances underlying this Agreement:

RECITALS

WHEREAS, Owner currently holds a legal or equitable interest in certain real property considered in this Agreement which has a development area of approximately **41,477** square feet located at 1724 Aeros Way, City of Montebello, State of California (the “Site”). The Site includes Assessor’s Parcel Number(s): 6354-028-025, and is more fully described in the Legal Description in Exhibit A, and shown on the map in Exhibit B. Both exhibits being attached hereto, respectively, and are incorporated herein by this reference;

WHEREAS, presently, Owner has a leasehold interest in a portion of the Site for the purpose of conducting commercial cannabis related activities which shall include, but not be limited to commercial cannabis cultivation, manufacturing, delivery-only retail, and distribution. Such commercial cannabis facilities shall operate in accordance with all applicable provisions of California Business and Professions Code §§26000-26231.2; California Health and Safety Code Safety Code §§ 11357-11362.9 and 11362.7- 11362.85; California Revenue and Taxation Code §§ 34010-34021.5; California Vehicle Code §§ 2429.7 and 23222; California Water Code §§ 1831, 1847, and 13276; Cal. Code Regs. tit. 16, div. 4 (2019); Cal. Code Regs. tit. 3, div. 8, Ch. 1 (2019); Cal. Code Regs. tit. 17, div. 1, ch. 13 (2019); and the City of Montebello Municipal Code as it applies to such facilities, as such provisions may be amended from time to time (collectively the “Applicable Cannabis Laws”). Prior to operating a cannabis manufacture site, cultivation site, delivery-only retailer site, and distribution site, as those terms are defined in the Montebello Municipal Code (“Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility”), Owner shall be required to obtain a Conditional Use Permit from the City, and any and all related permits and licenses prior to the operation of same, pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, ultimately, Owner intends upon obtaining one or more permanent annual California State License(s), pursuant to Applicable Cannabis Laws, to operate a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility at the Site. The

definition of "Owner" hereunder shall mean and refer to the fee simple owner and/or any authorized tenant of the Site to the extent such party holds or is covered by a City Conditional Use Permit; and is not intended to necessarily be coextensive with the definition of that term as defined in California Business & Professions Code Section 26001(al);

WHEREAS, on March 4, 2019, Owner applied to this City for a Conditional Use Permit *(hereinafter* "CUP") to conduct commercial cannabis activities. No such activities are allowed or authorized without this Agreement, a CUP, and all requirements having been satisfied pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, Owner presently intends to develop and open a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility on the Site consistent with the Applicable Cannabis Laws and project approvals (known as the "Project"). The Project will include indoor cannabis manufacturing, cultivation, delivery-only retail, and distribution in accordance with the Applicable Cannabis Laws;

WHEREAS, the Project will consist of one 41,477 square foot building, with such final square footage to be consistent with Owner's final approved CUP, as many be amended pursuant to the CUP and/or this Agreement. The building will be divided into major spaces for cultivation, manufacturing, delivery and distribution as follows:

Cultivation: The Project's cultivation area includes the following uses: flowering rooms, a drying and trimming room, a vegetation room and a cloning room. Total area of each of these uses will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. Cultivation operations would occur 24-hours daily.

Manufacturing: The Project will include a manufacturing room that would be used initially for packaging products. Under the manufacturing license, the Owner will conduct additional manufacturing activities including, volatile extraction (Type 7 Manufacturing). The total area of these uses will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. Manufacturing operations would occur 24-hours daily.

Non-storefront Retail Delivery: The retail delivery activities will occur within the delivery office located near the facility's main entry. The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All delivery activities will be conducted in accordance with Applicable Cannabis Laws, including, but not limited to specified hours of operation.

Distribution: The distribution activities will occur within the distribution area. The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All distribution activities will be conducted in accordance with Applicable Cannabis Laws, including, but not

limited to specified hours of operation.

General Business Offices: The Project will be open from 8:00 a.m. to 8:00 p.m., Monday through Friday.

Parking/Loading/Access: The proposed project provides parking spaces in accordance with the City-approved Site Plan.

Security: The Project will secure the facility against unauthorized entry by installing security lights on the exterior of the building to illuminate the side yards and parking area, installing commercial-grade locks, installing an alarm and video surveillance system, establishing procedures for identifying authorized persons, establish inventory controls, and install a secure surveillance vault to maintain the integrity of records. In addition, the applicant will engage a licensed security company to provide an operational security plan in compliance with Montebello Municipal Code Chapters 5.90 and 17.71.

The proposed layout of the site is as shown in the attached Site and/or Floor Plans, in Exhibit C.

The Project will consist of a vertically integrated commercial cannabis facility compliant with Applicable Cannabis Laws that will provide several levels of cannabis production, processing, and distribution

This includes:

1) Cultivation and processing of young and mature cannabis plants.
2) Research and development of cannabis plants and strains.
3) Manufacturing of cannabis and its derivatives through volatile and non-volatile extraction.
4) Manufacturing of cannabis food products.
5) Packaging and storage of cannabis products.
6) Distribution of cannabis products.
7) Retail delivery of cannabis products.

Proposed Hours of Operation (subject to final approval pursuant to the CUP):
8:00AM to 8:00PM for general business hours, 24-hours for internal operations

[x] Co-location, check if applicable:

Note: Applicable Cannabis Laws authorize a person to apply for and be issued more than one State annual license at one location provided the licenses premises are separate and distinct.

Owner has applied for State cannabis licenses.

Please see the Recitals of this Development Agreement for details for separate and distinct locations of each operation within the Premises.

WHEREAS, On February 14, 2018, Ordinances No. 2399 and No. 2400 came into effect authorizing specified commercial cannabis activities within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, On June 13, 2018, Ordinances No. 2404 and 2405 came into effect amending specified commercial cannabis activities authorized by Ordinances No. 2399 and No. 2400 within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, all procedures of the California Environmental Quality Act ("CEQA"), California Public Resources Code §21000 et seq., and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 et seq. have been satisfied;

WHEREAS, the City has given public notice of its intention to approve this Agreement. The City has found that the provisions of this Agreement and its purposes are consistent with the objectives, policies, general land uses and programs specified in City's General Plan, zoning code and municipal ordinances;

WHEREAS, the City, in entering into this Agreement, acknowledges that certain City obligations hereby assumed shall survive beyond the terms of the present Council members, that this Agreement will serve to bind City and future Councils to the obligations hereby undertaken, and that this Agreement shall limit the future exercise of certain governmental and proprietary powers of City. By approving this Agreement, the Council has elected to exercise certain governmental powers at the time of entering into this Agreement rather than defer its actions to some undetermined future date. The terms and conditions of this Agreement have undergone extensive review by City and the Council and have been found to be fair, just and reasonable. City has concluded that the pursuit of the Project will serve the best interests of its citizens and that the public health, safety and welfare are best served by entering into this obligation. Owner has represented to City that it would not consider or engage in the Project absent City approving this Agreement;

WHEREAS, the City agrees that Owner's land use entitlements, if any, that have been applied for and approved by the City, for the Project shall vest for the term of this Agreement as described below, if applicable;

WHEREAS, after conducting a duly noticed CUP hearing on July 16, 2019, in conjunction with the City's applicable ordinances and resolutions, the Planning Commission of the City reviewed, considered and approved environmental clearance and approved the execution of the CUP. The Planning Commission found the Project consistent with the objectives, policies, general land uses and programs specified in the general plan; compatible with the uses authorized in the City's zoning laws; in conformity with the public necessity, public convenience, general welfare and good land use practices; will not be detrimental to the health, safety and general welfare of the city; will not adversely affect the orderly development of property or the preservation of property values; and will have a positive fiscal impact on the City;

WHEREAS, after conducting a duly noticed meeting on August 5, 2019, in conjunction with the City's applicable ordinances and resolutions, and after independent review and consideration, the City Council approved the execution of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

1. The Recitals above are true and correct and are hereby incorporated into and made a part of this Agreement. In the event of any inconsistency between the Recitals and the provisions of this Agreement, herein below, said provisions of this Agreement shall prevail.

2. Government Code and Municipal Code Required Elements

a. Description of Property. Land situated in the City of Montebello, County of Los Angeles, State of California; whose street address is 1724 Aeros Way, City of Montebello, State of California (the "Site"). The Site includes Assessor's Parcel Number: 6354-028-025.

b. Owner and Other Person with Legal or Equitable Interest.

Owner: **Lean Green Machine, Inc.**
Nature of Interest: *Lease for 10 years with Option to Renew for an additional 10 years.*

A true and correct copy of a recorded grant deed, or executed lease agreement, is attached hereto as Exhibit D, and incorporated herein by this reference.

If Owner is not the fee simple owner of the Site, check box below:

[x] Owner represents and warrants that the property owner has consented in writing to the execution of this Agreement against the Site. [See also attached Property Owner Signed and Notarized Consent Form wherein the property owner has acknowledged reading Montebello Municipal Code Chapters 5.90 and 17.71, incorporated herein by this reference (Exhibit E).]

c. Permitted Uses. The Site may be used for a Manufacturing, Cultivation,

Delivery-Only Retail and Distribution Facility as presently authorized under Montebello Municipal Code Chapters 5.90 and 17.71 and for any other use if authorized under applicable provisions of the Montebello Municipal Code ("Permitted Uses"). In the event that the Montebello Municipal Code, California law, and/or Federal law is amended in the future to permit additional commercial cannabis uses, Owner may apply for an amendment to this Agreement and to the issued CUP, both of which must receive approval by the City's Planning Commission or City Council, as required, to amend the Permitted Uses at the Site.

d. Zoning. Owner shall use commercially reasonable efforts to ensure that such activities outlined in Owner's CUP Application ("Application") are conducted pursuant to this Agreement and under the CUP shall comply with the Montebello Municipal Code, including the zoning ordinance, any applicable zoning development standards, and any and all development and construction requirements contained therein, and/or as required by the City. Owner shall not conduct any business under this Agreement or under the CUP without having obtained all necessary permits, licenses, and approvals from the City and State of California, as required by Applicable Cannabis Laws, including the City of Montebello Municipal Code.

e. Compliance with CUP conditions of approval. Owner shall comply with all Conditions of Approval imposed against this Agreement, as enumerated in the CUP and attached as Exhibit F, and incorporated herein by reference.

3. Term

This Agreement shall commence on either the date of this Agreement's approval by the City Council or the date of the CUP approval by the City Planning Commission, whichever comes later ("Effective Date"), and end **ten (10)** years from the Effective Date, and it shall remain in full force and effect so long as the Site is used for a commercial cannabis facility as authorized under Montebello Municipal Code Chapters 5.90 and 17.71; provided, however, such use is not abandoned for a period of more than ninety (90) days.

This Agreement may be extended for one (1) additional **five (5)** year period following the expiration of the initial **ten (10)** year term upon the occurrence of all of the following:

(i) The Owner shall give written notice to the City no later than ninety (90) days before the expiration of the initial ten (10) year term that the Owner desires to extend this Agreement for an additional **five (5)** year period;

(ii) The Owner shows reasonably satisfactory evidence to the City that it has, and continues to have a legal and/or equitable interest in the Site and/or will have such interests for the duration of the extended term of the

Agreement;

(iii) The Owner shall deposit all fees required by the City necessary for processing the extension request and drafting necessary documentation;

(iv) The Owner shall be in compliance with all provisions of Montebello Municipal Code Chapters 5.90 and 17.71, and all terms imposed by the City-issued CUP, including the timely renewal of a CUP if required; and

(v) The Owner shall not be in material default of any provision of any agreement between City and Owner relative to the development of the Site, the business operations as allowed by a CUP, or of any conditions of approval imposed upon any entitlement or CUP granted by the City relative to the development of the Site for which Owner has been given a written notice to cure by the City and for which Owner has not cured or commenced to cure such material default within thirty (30) days, if and as provided by such agreement or condition of approval.

4. Owner's Site and Floor Plans

a. Owner's site plan and floor plan for the facility are attached hereto as Exhibit C and incorporated into the Agreement.

b. A preliminary landscape plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works and Director of Community Development, or their respective designees, if required by the CUP. A final landscape plan shall be prepared and submitted in conjunction with building and site improvement plans prior to issuance of building permits for construction activities, if required by the CUP.

c. An exterior signage plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works & Director of Community Development, or their respective designees, in accordance with the procedures and requirements of the Montebello Municipal Code.

5. Facility Operations

a. Standard Operating Procedures. Owner is a lawful entity that will only sell to other legally permitted persons and entities under the Applicable Cannabis Laws, as may be amended from time to time and in accordance with Subsection 2(c) of this Agreement. Prior to operating a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility, Owner shall be required to obtain a CUP, and all requirements pursuant to said permit, from the City pursuant to Montebello Municipal Code Chapters 5.90 and 17.71. Further, and notwithstanding anything to the contrary, Owner may operate such cannabis-related activities as permitted in accordance with Applicable Cannabis Laws,

including without limitation, as long as such activity is not inconsistent with Montebello Municipal Code Chapters 5.90 and 17.71, this Development Agreement, the City-issued CUP, and the Montebello Municipal Code.

During the term of its CUP and the term of this Agreement, Owner shall operate in accordance with all Applicable Cannabis Laws. Owner shall employ industry standard operating procedures to comply with Applicable Cannabis Laws. Owner's facility shall employ adequate safety and security measures for the safety and security of its employees, visitors, vendors, and neighboring communities and properties.

Owner shall fully comply with the minimum operating standards regulating the proposed commercial cannabis activity, including, but not limited to those, as set forth in Montebello Municipal Code Chapters 5.90 and 17.71, and such more specific operational requirements as applied by the CUP and this Agreement.

b. Security Plan. Owner shall secure approval of its proposed security plan by the Montebello Police Department or the City prior to operating, which approval shall not be unreasonably withheld, conditioned, or delayed. The security plan shall include, at a minimum and as appropriate, provisions for video surveillance, perimeter fencing and security, protection of the building(s) from vehicle intrusion, cash handling procedures, internal accounting controls, product handling and storage procedures, and a professionally monitored alarm system. Equipment and systems used for video surveillance and building alarms shall be approved by City.

Video surveillance shall include, at a minimum, all site and facility entrances and access points, all spaces accessible by the public, all secured areas of the facility with restricted access, all interior spaces and rooms where cannabis products are handled and processed, shipping and receiving areas, cash storage areas, and other areas necessary to protect the safety of employees and the public and to ensure cannabis products are received, handled, stored, packaged, shipped, and distributed in compliance with Applicable Cannabis Laws. The video surveillance system shall be web-based with direct access provided to the Montebello Police Department upon request.

The security system shall also include sensors to detect entry and exit from all secure areas, panic buttons in appropriate locations, and a professionally monitored alarm system.

Owner shall employ properly trained and licensed third-party security personnel to protect the welfare and safety of Owner and employees, and to ensure public safety to the neighboring community. Owner shall use security personnel during hours of operation, pursuant to Applicable Cannabis Laws. Security personnel may be armed so long as proper licensing and insurance requirements are followed and met by the third-party operator providing such security services.

c. Fire Department Approval. Owner shall not operate any facility, and no permit, license, or other approval issued by City shall be valid unless and until the Montebello Fire Department has approved Owner's site plan, floor plan, safety plan, and any other plans that require its approval, which approval shall not be unreasonably withheld, conditioned, or delayed.

d. Possession of Firearms. Except for licensed and bonded security personnel, no person employed by Owner shall be in possession of any firearm while on the Site without having first obtained a license from the appropriate state or local agency authorizing the person to be in possession of such firearm. Every such person in possession of a firearm while on the Site must provide the City Manager and the Montebello Police Department, ten (10) calendar days' notice before bringing the firearm onto the premises, with the following:

1) A copy of the license issued to the person by the appropriate state or local agency authorizing him or her to possess such firearm;

2) A copy of his or her law enforcement identification (if he or she is employed by a law enforcement agency);

3) A copy of his or her California driver's license or California identification card; and

4) Any other information reasonably required by the Montebello Police Department to show that the individual is in compliance with the provisions of all laws regarding the possession and use of a firearm.

e. Identification Display. Each owner, manager, employee, and individual member engaged in the cultivation, processing, manufacturing, distribution, or transporting of cannabis shall at all times while engaged in the duties of his or her position wear in plain sight, on his or her person and at chest level, a valid identification badge, issued by Owner.

f. Employee Background Checks/Procedures for Inventory Control to Prevent Illegal Diversion of Cannabis. Only employees who receive clearance from the Montebello Police Department shall be permitted to enter Owner's facility. Each employee will have to meet a criminal background investigation, which at minimum shall include a LiveScan criminal history check conducted and provided by each employee. The City shall make a good faith effort to facilitate within a reasonable time following the issuance of a CUP to Owner Employees shall not be disqualified for any conviction which would no longer be a felony under California law at the time of the LiveScan criminal history check.

Owner shall not permit and shall take all necessary and reasonable steps to prevent the distribution of any of its cannabis products to minors; prevent revenue from the sale or distribution of its cannabis and/or infused products

from going to criminal enterprises, gangs and cartels; prevent the diversion of cannabis from California to any other state; prevent state-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity; prevent violence and the use of firearms in the manufacturing, distribution, cultivation, and delivery-only retail of cannabis; discourage and educate against drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use; disavow growing cannabis on public lands that creates attendant public safety and environmental dangers posed by such illegal uses; and discourage and educate against cannabis possession or use on federal property.

g. Quality Control and Testing. Owner shall utilize industry standardized quality control measures and testing to ensure only the highest quality of commercial cannabis and infused products will be produced. Owner shall inspect the product to ensure its identity and quantity, and shall have a testing lab perform testing of random samples prior to distribution. Inspection and testing will be conducted by a state-licensed testing lab off-site, except for licensed distributors authorized to conduct testing on-site with a testing lab field representative present. Testing standards and procedures shall be in accordance with Applicable Cannabis Laws.

All commercial cannabis products will undergo a quality assurance review in accordance with state law prior to distribution. Inventory procedures will be utilized for tracking and taxing purposes by the state. Owner shall employ an efficient record-keeping system to make transparent its financing, testing, and adverse effect recording, as well as recall procedures.

h. Packaging of Commercial Cannabis and Infused Products. All Owner commercial cannabis products shall be packaged and labeled strictly in accordance with Applicable Cannabis Laws.

Owner intends to produce infused products and shall secure any approval from the County of Los Angeles Health Department required for manufacturing and handling such products. Owner infused products shall not be produced, manufactured, stored or packaged in private homes. All commercial cannabis infused products shall be individually wrapped at the original point of preparation strictly in accordance with Applicable Cannabis Laws.

i. Point of Sale Tracking System. Owner shall maintain an inventory control and reporting system that accurately documents the location of cannabis products from inception through distribution, including descriptions, weight, and quantity. The inventory control and reporting system shall comply with the California Cannabis Track and Trace System ("CCTT") required by Applicable Cannabis Laws.

Owner shall employ an electronic point of donation/sale system in accordance

with Applicable Cannabis Laws for all point of donations/sales tracking from seed or inception to product distribution to other licensed commercial cannabis facilities, or otherwise in compliance with state and local law and in accordance with Subsection 2(c) of this Agreement. Such approved system shall track all commercial cannabis products, each edible, harvested flower, and/or manufactured concentrate, as well as gross sales (by weight and sale). Owner's point of sale system shall have the capacity to produce historical transactional data in accordance with City's requirements.

j. Record Keeping. Owner shall maintain records for all commercial cannabis and/or infused products. Owner shall comply with all record-keeping responsibilities that are set forth in Applicable Cannabis Laws and complete and up-to-date records regarding the amount of commercial cannabis cultivated, produced, manufactured, harvested, stored, tested, distributed, delivered or packaged at Owner's facility.

k. Processing, Handling, Storing, and Distribution of Commercial Cannabis and Related Products. Commercial cannabis cultivation, handling, storing, and processing shall be concealed from public view at all stages of growth and processing, and there shall be no exterior evidence of cultivation or processing occurring at the premises from a public right-of-way or from an adjacent parcel. Commercial cannabis cultivation, handling, storing, processing, or distribution shall not create offensive odors; create excessive dust, heat, noise, smoke, traffic, or other impacts that are disturbing to people of normal sensitivity residing or present on adjacent or nearby property or areas open to the public; or be hazardous due to use or storage of materials, processes, products, or wastes.

Owner shall store its commercial cannabis and/or commercial cannabis products in a secured storage room with T-card identification access for management only. The storage room shall be constructed of fire-rated walls with an appropriate number of cameras installed to view all entries and exits from the storage room, as well as all other activities performed within Owner's facility. Owner will not conduct outdoor operations except as related to lawful delivery and transportation of commercial cannabis and infused products. Owner will not store commercial cannabis or related products in its delivery vehicle outside normal operating hours of the facility.

Commercial cannabis products shall be sold or distributed only to licensed facilities in California, in compliance with state and local law in accordance with Subsection 2(c) of this Agreement. Excess or contaminated product will be securely stored on-site until it is properly disposed. Disposal may include composting, incineration, land-fill disposal through the local waste management hauler, or other disposal methodology in accordance with state and county health and safety codes and regulations.

l. Odor Control. All structures shall have adequate ventilation and filtration systems installed that minimize and control commercial cannabis plant odors from exiting the interior of the structure. The ventilation and filtration system shall be approved by the City Building Official and installed prior to commencing cultivation or manufacturing within the allowable structure. Facility air intake, exhaust, and recirculating system shall be of industrial grade. Activated charcoal, recirculating, and closed loop aeration systems will be utilized as necessary for effective odor control and management.

m. Transportation Plan. Owner shall comply with all Applicable Cannabis Laws regarding transportation, including the rules governing delivery service. Owner shall retain a list of names and cellular contact numbers for all employees engaged in transportation of commercial cannabis products and provide it to the applicable oversight authority, keeping the list current and up to date.

Owner will keep complete and up-to-date records documenting each transfer of commercial cannabis to other licensed entities, including the amount provided, the form or product category in which the commercial cannabis was provided, the date and time provided, the name of the employee making the transfer, the name and address of each lawful licensed entity to whom delivery is made, and the amount of any related donation or other monetary transaction.

6. Community Relations, Employment, and Wages

a. Public Outreach and Education Program. The Owner shall coordinate and cooperate with City and other owners of commercial cannabis facilities located within City of Montebello in the establishment and implementation of appropriate public outreach and education programs. The public outreach and education programs shall be reasonably approved by City.

b. Community Benefits Program. The Owner shall fund the establishment and implementation of a community benefits program which may include such items as senior citizen programs, City beautification efforts, funding for enforcement against illegal cannabis operations, public safety, housing programs, economic development, infrastructure, capital improvements, including expansion and/or improvement to existing facilities or other physical improvements that provide a benefit to the community, support of holiday and special community events, and support of local public service, public safety, litigation defense, and special social and community organizations (“Community Benefits Program”).

To fulfill its funding obligation for the Community Benefits Program, Owner agrees to pay the City of Montebello the yearly sum of **$50,000.00 (“Montebello Community Benefits Program Fee” or “MCBPF”)**. The first annual MCBPF shall be payable to the City on the date that the Certificate of Occupancy is

issued to the Owner. Thereafter, the annual MCBPF shall be payable to the City on every July 1 for the term of the Agreement, and shall be pro-rated for any partial days during such period(s) of the Agreement.

The MCBPF is separate and apart from any Cannabis Operation Fee, or penalties therefrom. If the original term of this Agreement is mutually extended by the Parties, the annual minimum payment to this program will be amended accordingly.

c. Designation of Community Relations Liaison. Pursuant to Montebello Municipal Code Chapters 5.90 and 17.71, at the time of this Agreement, Owner's day-to-day operations manager, _______________, will be responsible for community inquiries and complaints and on-site management during normal business hours.

d. Interface with Montebello Municipal Code / Inspections. Owner's day-to-day operations manager, and/or the Owner's Community Relations Liaison, _____________, will interface with the Montebello Police Department's assigned designee to ensure its operation complies with state and local laws and regulations. The City Manager, or designee, or the Montebello Police Department's assigned designee acting at the City Manager's request and per his specific and limiting instructions, shall have the right to enter all portions of the Site from time to time unannounced during hours of operation for the purpose of making reasonable inspections to observe and enforce compliance with this Agreement and Applicable Cannabis Laws, without the requirement of a search warrant, subpoena, or court order, and subject to appropriate cost recovery fees set forth in this Agreement, or adopted by the City.

____________________ Owner's Initials

e. Local Recruitment, Hiring, and Training Programs. Owner is committed to making a good-faith effort to recruit, hire, and train City residents for employment by Owner. A good-faith effort means Owner shall take the following or similar actions to recruit and employ City residents: 1) Contact local recruitment sources to identify qualified individuals who are City residents, 2) Advertise for qualified City residents in trade papers and newspapers of general circulation in the area, and 3) Develop a written plan to recruit and employ City residents as a part of the its workforce. At a minimum, the Owner endeavors to achieve a targeted local annual hiring goal of approximately 45% of total operational jobs for permanent and apprentice employees. This goal shall apply horizontally, across all departments and managerial positions. The Owner shall not be penalized or deemed in default under this Agreement if it is unable to achieve such a goal. "Local" is defined as within a 3-mile radius of the boundaries of the City's boundaries. The Owner may contact and work with a job referral agency assigned by the City Manager to implement a local hiring policy for permanent and apprentice employees. The purpose of the hiring policy

is to facilitate the training and employment of local and disadvantaged job applicants for jobs within the City's jurisdiction, and 3-mile radius of City boundaries. Applicants for jobs shall not be disqualified from hiring solely on the basis of an arrest or conviction for a Cannabis-related crime that occurred prior to November 8, 2016, and could have been prosecuted as a misdemeanor or citation under current California law. The Owner shall periodically report on compliance with the local hiring goals as part of its annual audit report.

f. Living Wages. Living Wages. Owner shall pay make a good-faith effort all employees of the Facility, at a minimum, a Living Wage. A "Living Wage" is the higher of whatever the Owner currently pays its employees for similar work elsewhere or the following: the Full Cash Wage required to be paid by an employer to any similarly situated, educated, and/or credentialed individual under the City of Los Angeles Minimum Wage Ordinance [LAMC Sections 187 and 188], as adjusted annually.

g. Full-time Work. Owner shall make its best efforts to fill every position with a full-time employee. However, at no time shall Owner have a labor force that is composed of less than 50% full-time employees within its labor force, and Owner shall make a good faith effort to maintain a full-time employee level of more than 50%. Owner agrees to provide to its eligible employees leave benefits, health and wellness benefits and other employee benefits to the extent such benefits are required to be paid for by Owner under applicable state and federal employment laws.

h. Labor Peace Agreement. If Owner has twenty (20) or more employees at the time of this Agreement's signing, then Owner shall in good faith work with any labor organization for the purpose of collective bargaining and shall enter into and provide the City a copy of a labor peace agreement no later than one hundred and twenty (120) days after this Agreement's signing. Such Owner with twenty (20) or more employees but without a labor peace agreement at the time of this Agreement's signing shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization no later than one hundred and twenty (120) days after this Agreement's signing.

If Owner has less than twenty (20) employees at the time of this Agreement's signing, such Owner shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization if and when Owner has twenty (20) or more employees at any time during the Term of this Agreement. Such Owner with less than twenty (20) employees at the time of this Agreement's signing shall also provide the City a copy of the labor peace agreement no later than one hundred and twenty (120) days from hiring its twentieth (20^{th}) employee, if and when such event occurs

during the Term of this Agreement. Attached as Exhibit G, and incorporated herein is a true and correct copy of the actual Labor Peace Agreement; or applicable Notarized Statement of Intent. Owner shall abide by the terms of the labor peace agreement if and when so adopted in accordance with this Subsection. If Owner fails to comply with the labor peace agreement requirement in accordance with this Subsection, such failure shall constitute a default in accordance with Section 13 of this Agreement.

7. Payment of City Fees

a. Permit and Application Fees. Owner agrees to pay all permit fees and charges referenced in Montebello Municipal Code Chapters 5.90 and 17.71, and the amounts adopted by City Council by Resolution No. 19-14, effective February 13, 2019, as well as any fees set forth in this Agreement. Permit application, processing, and renewal fees shall be due and payable at the time application is made.

b. Cannabis Operation Fees.

As used herein, "**Premises**" means the designated structure or structures and land specified in the application that is owned, leased, or otherwise held under the control of the Owner where the commercial cannabis activities will be or are conducted.

As used herein, "canopy" means the designated area(s), except nurseries, that will contain mature plants at any point in time, as follows:

(1) Canopy shall be calculated in square feet and measured using clearly identifiable boundaries of all area(s) that will contain mature plants at any point in time, including all of the space(s) within the boundaries;

(2) Canopy may be noncontiguous but each unique area included in the total canopy calculation shall be separated by an identifiable boundary that includes, but is not limited to, interior walls, shelves, greenhouse walls, hoop house walls, garden benches, hedgerows, fencing, garden beds, or garden plots; and

(3) If mature plants are being cultivated using a shelving system, the surface area of each level shall be included in the total canopy calculation.

As used herein, "**commercial cannabis activities**" means all permitted activities: e.g., cultivation, possession, manufacture, processing, storing, packaging, labeling, transportation, sale, delivery or distribution of cannabis and/or cannabis products.

As used herein, "**Gross receipts**" shall mean the total amount of receipts actually received or receivable in accordance with GAAP or other comprehensive version of accounting in the course of business in a calendar year or calendar month from sales or the performance of acts or services for which charge is made or credit allowed. "**Gross receipts**" include, without limitation, all receipts, cash, credit, property received in lieu of cash, and any other valuable consideration taken in exchange for goods, services or other valuable consideration.

As used herein, "**Production Space**" means the area on or within the **Premises** intended for **commercial cannabis activities** excluding non-operational common areas such as restrooms, cafeterias, break rooms, hallways, corridors, vestibules, parking structures or surface street lots. The parties stipulate and agree that the square footage for the **Production Space** shall be determined by the City Manager in his sole and complete discretion as the Project is completed.

The City Manager is specifically authorized to increase the square footage for the Production Space up to an increase in size of ten percent (10%) administratively and to determine the corresponding operating fee as the Project is completed.

Owner agrees to pay to City ninety (90) days after a Certificate of Occupancy is granted, in order to enable City to promote, protect, and enhance the health, safety, and welfare of the community and its residents and its quality of life., Owner agrees to pay the following percentage of gross receipts and the following square footage for cannabis operations, as follows, paid on a quarterly basis to the City ("Cannabis Operation Fee"):

1. Manufacturing: 2% of gross receipts
2. Distribution: 2.5% of gross receipts, excluding distribution of products manufactured at the Site as well as distribution activities solely to licensed entities under common ownership or otherwise affiliated with Owner so long as distribution is not the only commercial cannabis activity conducted at the Site
3. Delivery-Only Retail: 2% of gross receipts
4. Cultivation: $10.00 per square foot of canopy space, as may be amended from time to time pursuant to the CUP and/or this Agreement

Any subsequent years of operation after the first ten (10) year term of this Agreement shall be negotiated in good faith by the parties.

A Site with multiple licenses must not commingle respective sales proceeds, and blend percentage rate of **Gross Receipts**.

The Cannabis Operation Fee shall begin to accrue **ninety (90)** days after a Certificate of Occupancy is granted. Owner shall make payments to the City on a quarterly basis, within ninety (90) calendar days after the last day of each quarter. The first quarter is defined as January 1 through March 31, the second quarter as April 1 through June 30, the third quarter as July 1 through September 30, and the fourth quarter as October 1 through December 31. First payment to the City may be prorated, if applicable, to adhere to the latter, uniform quarterly payment schedule.

Failure to pay the Cannabis Operation Fee within thirty (30) calendar days after the due date shall result in a penalty for nonpayment in a sum equal to 10% of the total amount due. Additional penalties will be assessed in the following manner: an additional 10% shall be added to the first day of each calendar month following the month of the imposition of the 10% penalty if these fees remain unpaid in whole or in part – up to a maximum of 100% of the total fee payable on the due date.

c. Owner understands and agrees that the fees set forth above shall be paid in a manner and in accordance with a payment schedule set or modified by City. The cultivation, manufacturing, testing, distribution, and delivery space to which the Cannabis Operation Fee applies is as identified on the City-issued final approved floor plan.

d. If Owner makes any changes to the interior layout of the Site that increases the amount of space allocated to those uses to which the per-square-foot Cannabis Operation Fee applies, Owner shall notify City in writing of such changes at least fourteen (14) calendar days prior to making such changes, and if approved by the City the per-square-foot fee shall be modified accordingly. If Owner fails to give City notice as required herein, Owner shall be responsible for paying to City a per-square-foot fee based on any increase in the amount of space allocated to those uses to which the per-square-foot fee applies retroactive to the date the CUP became effective.

8. Additional Owner Obligations

a. Reporting of Gross Receipts from Operations

1) Quarterly Receipts. No later than one-hundred twenty (120) days from the date Owner secures a CUP and every three months thereafter (Owner shall deliver to City a report (the “Quarterly Report”), pursuant to the quarterly payment schedule discussed hereinabove) showing (i) Gross Receipts from commercial cannabis activities for the immediate prior three months received by Owner, and a cumulative total of all amounts of Gross Receipts from commercial cannabis activities received by Owner for the calendar year, (ii) a calculation of the quarterly payment due to City for the prior three months, and (iii) a calculation of the cumulative total of all quarterly payments for the calendar year.

2) Statement of Receipts/Annual Audit. The Owner shall keep complete, accurate and appropriate books and records of all receipts from

operations in accordance with generally accepted accounting principles ("GAAP") or other comprehensive version of accounting. For purposes herein, "books and records" shall mean all bookkeeping or accounting documents Owner typically utilizes in managing its business operations relating to the Project. Such books and records, as well as all other relevant documents as the City Manager may reasonably require, shall, upon reasonable written notice, be open for inspection by City, its auditors or other authorized representatives. If at any time during the term such books and records prove inadequate in the reasonable judgment of City to record the Gross Receipts from commercial cannabis activities as herein required, Owner shall, upon the written request of the City, procure and maintain such books and records as shall be of a character and from adequate for such purpose. City shall have the right to audit and examine such books, records and documents and other relevant items in the possession of Owner, on no more than an annual basis, or at any time other upon reasonable basis therefor substantiated the City, to the extent necessary for a proper determination of Gross Receipts from commercial cannabis activities, and all such books, records, documents and other items shall be held available for such audit and examination. The City's audit shall be performed by a non-contingency fee, regionally recognized independent auditor approved in advance by the City. Upon request by City, Owner shall make all such books, records and documents available to the City Manager, his designee, or to the City approved auditor, and provide removable copies thereof, within thirty (30) days of the date of City's request. Owner shall pay all reasonable costs of such audits. Owner shall preserve such books, records, documents, and other items in Montebello for a period of not less than one (1) years for the purpose of auditing or re-auditing these accounts upon reasonable notice; except that, if an audit is made within the seven-year period and Owner claims that errors or omissions have occurred, the books and records shall be retained and made available until those matters are resolved. City shall keep strictly confidential all statements of revenue furnished by Owner and all other information concerning Owner's operation of the Site obtained by City as a result of the inspection audit and examination privileges of City hereunder (i.e. receipts and tax filings), except as otherwise required by a court order. If City receives a request for such information pursuant to the Public Records Act (California Government Code Section 6250, et seq.), City shall provide Owner notice of any such request prior to disclosing any such information and shall refuse to disclose such information until such time as Owner has been given notice and afforded the opportunity to obtain a protective order. Within seven (7) years after the receipt of any statement of receipts under this Agreement, City at any time shall be entitled to carry out an audit of such revenue either by City or agent to be designated by City. If it shall be determined as a result of such audit that there has been a deficiency in any payment due under this Agreement made on the basis of such statement, then such deficiency shall become immediately due and payable within thirty (30) days of such determination.

3) Copies of Tax Filings. Owner shall provide the City with courtesy copies of each and every report Owner is required to provide to the County of Los Angeles or the State of California for sales, use, cannabis excise, or other gross receipts type taxes at the time such filings are required to be made, including any lawful extensions thereof.

b. Future Revenue Mechanisms. During the term of this Agreement, if the City imposes (by Citizen Initiative) an alternative revenue mechanism specifically related to commercial cannabis activities (e.g., a cannabis tax), Owner agrees to renegotiate in good faith the terms of this Development Agreement with the City so as to comply with an alternative revenue mechanism to the extent the alternative revenue mechanism does not result in higher annual fees than the fees required under this Agreement. As used in this section, “alternative revenue mechanism” does not include taxes, fees, or assessments levied on or collected from both cannabis and non- cannabis operations.

9. Insurance and Indemnity

a. Insurance. Owner shall require all persons doing work on the Project, including its contractors and subcontractors (collectively, “Owner” for purposes of this Section 9 only), to obtain and maintain insurance of the types and in the amounts described in this section and its subsections with carriers reasonably satisfactory to City.

b. General Liability Insurance. Owner shall maintain commercial general liability insurance or equivalent form with a limit of not less than One Million Dollars ($1,000,000) (or as otherwise approved, in writing, by City) per occurrence and Two Million Dollars ($2,000,000) in the aggregate. Such insurance shall also:

1) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as “Additional Insureds” by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insured.

2) Be primary with respect to any insurance of self-insurance programs covering City, its officials, employees, agents, and representatives.

3) Contain standard separation of insured provisions.

c. Automobile Liability Insurance. Owner shall maintain business automobile liability insurance or equivalent form with policy limits that are in commercially reasonable amounts and in compliance with state law for such automotive liability insurance for each accident for the vehicles Owner operates in connection with its cannabis business. Such insurance shall include coverage for owned, hired, and non-owned automobiles. Such insurance shall also:

1) Name City, and work in good faith with the City and the insurers to name additional insureds as deemed reasonably necessary. "Additional Insureds" by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insureds;

2) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives;

3) Contain standard separation of insured provisions.

d. Workers' Compensation Insurance. Owner shall take out and maintain during the term of this Agreement, the statutorily required minimum amount of workers' compensation insurance in accordance with applicable state workers' compensation laws for all of Owner's employees employed at or on the Project, and in the event any of the work is subcontracted, Owner shall require any general contractor or subcontractor similarly to provide workers' compensation insurance for such contractor's or subcontractor's employees, unless such employees are covered by the protection afforded by Owner. In case any class of employee engaged in work on the Project is not protected under any workers' compensation law, Owner shall provide and shall cause each contractor and subcontractor to provide adequate insurance for the protection of employees not otherwise protected. Owner hereby indemnifies City for any damage resulting from failure of Owner, its agents, employees, contractors, or subcontractors to take out or maintain such insurance. Workers' compensation insurance with statutory limits and employer's liability insurance of not less than the required statutory limits for each accident shall be maintained.

e. Other Insurance Requirements. Owners shall do all of the following:

1) Prior to taking any actions under this Agreement, furnish City with properly executed certificates of insurance that clearly evidenced all insurance required in this Section, including evidenced that such insurance will not be canceled, allowed to expire, or be materially reduced in coverage without thirty (30) days prior written notice to City.

2) Provide to City, upon request, and within seven (7) calendar days of said request, certified copies of endorsements and policies, and properly executed certificates of insurance evidencing the insurance required herein.

3) Replace or require the replacement of certificates, policies and endorsements for any insurance required herein expiring prior the termination of this Agreement.

4) Maintain all insurance required herein from the Effective Date of this Agreement to the earlier of the expiration of the term or the mutual written termination of this Agreement.

5) Place all insurance required herein with insurers licensed to do business in California with a current Best's Key Rating Guide reasonably acceptable to City.

f. Indemnity. Owner agrees to indemnify, defend, and hold City, and its elected and appointed council, boards, commissions, officers, agents, employees, contractors, consultants and representatives, harmless from any and all claims costs and liability for any personal injury or property damage which may arise as a result of any actions or negligent omissions by Owner or Owner's contractors, subcontractors, agents, or employees in connection with the construction, improvement, or operation of the Project.

10. Termination

a. Termination upon End of Term. This Agreement shall terminate upon the expiration of the term, unless it is terminated earlier pursuant to the terms of this Agreement.

b. Effect of Termination on Owner's Obligations. Termination of this Agreement shall eliminate any further obligation of Owner to comply with this Agreement, or some portion thereof, if such termination relates to only part of the Site or Project. Termination of this Agreement, in whole or in part, shall not, however, eliminate or otherwise limit the rights of Owner to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

c. Effect of Termination on City's Obligations. Termination of this Agreement shall eliminate any further obligation of City to comply with this Agreement, or some portion thereof. Termination of this Agreement shall not, however, eliminate the rights of City to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

d. Survival after Termination. The rights and obligations of the Parties set forth in Section 14, Section 20, and Subsection 22(c), and Subsection 22(e), and any right or obligation of the Parties in this Agreement which, by its express terms or nature and context is intended to survive termination of this Agreement, will survive any such termination.

11. Resources Efficiency

Owner shall in good faith endeavor to reduce its environmental impact when possible. The design of the Site shall include reasonable water and energy conservation measures in accordance with applicable State regulations and the CUP.

12. Standard Conditions for Construction

During any on-site construction activities related to development of the Site and any buildings thereon, or renovation or remodeling of existing buildings, Owner shall comply with all applicable terms and conditions of City's standard conditions for construction and the CUP. The Project shall comply with the applicable parking standards in accordance with the CUP.

13. Defaults and Remedies

a. Remedies in general. It is acknowledged by the Parties that City would not have entered into this Agreement if it were to be liable in damages under this Agreement, or with respect to this Agreement or the application thereof, except as hereinafter expressly provided. Subject to extensions of time by mutual consent in writing, failure to delay by either party to perform any term or provision of this Agreement beyond a reasonable notice and cure period shall constitute a default. In the event of alleged default or breach of any terms or conditions of this Agreement, the party alleging such default or breach shall give the other party not less than thirty (30) day notice in writing specifying the nature of the alleged default and the manner in which said default may be satisfactorily cured during any such thirty (30) day period, the party charged shall not be considered in default for purposes of termination or institution of legal proceedings. Notwithstanding the foregoing to the contrary, if the alleged default is of such a nature that it cannot be reasonably cured within thirty (30) days, the alleged defaulting party shall not be deemed in default as long as such party commences to cure such default within such thirty (30) day period and thereafter diligently prosecutes such cure to completion.

After notice and expiration of the thirty (30) day period, the other party to this Agreement, at its option, may institute legal proceedings pursuant to this Agreement.

In general, each of the parties hereto may pursue any remedy at law or equity available for the breach of any provision of this Agreement, except that City shall not be liable for monetary damages, unless expressly provided for this Agreement, to Owner, to any mortgagee or lender, or to any successors in interest of Owner or mortgagee or lender, or to any other person, and Owner covenants on behalf of itself and all successors in interest to the Property or any portion thereof, not to sue for damages or claim any damages.

1) For any breach of this Agreement or for any cause of action which

arises out of this Agreement; or

2) For the impairment or restriction of any right or interest conveyed or provided under, with, or pursuant to this Agreement, including, without limitation, any impairment or restriction which Owner characterizes as a regulatory taking or inverse condemnation; or

3) Arising out of or connected with any dispute, controversy or issue regarding the application or interpretation or effect of the provisions of this Agreement.

Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from the exercise by City of its power of eminent domain. Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from bad faith intentional acts, the grossly negligent or malicious acts of City and its officials, officers, agents and employees. Nothing herein shall modify or abridge any defenses or immunities available to City and its employees pursuant to the Government Liability Act and all other applicable statutes and decisional law.

Except as set forth in the preceding paragraph relating to eminent domain, Owner's remedies shall be limited to those set forth in this Subsection 13(a), Subsection 13(b), and Subsection 13(c).

Notwithstanding anything to the contrary contained herein, City covenants as provided in Civil Code Section 3300 not to sue for or claim any consequential damages or, in the event all or a portion of the Site is not developed, for lost profits or revenues which would have accrued to City as a result of the development of the Site.

b. Specific Performance. The Parties acknowledge that money damages and remedies at law are inadequate, and specific performance and other non-monetary relief are particularly appropriate remedies for the enforcement of this Agreement and should be available to all parties for the following reasons:

Due to the size, nature and scope of the Project, it may not be practical or possible to restore the Site to its natural condition once implementation of this Agreement has begun. After such implementation, Owner may be foreclosed from other choices it may have had to use the Site or portions thereof. Owner has invested significant time and resources and performed extensive planning and processing of the Project in agreeing to the terms of this Agreement and will be investing even more significant time and resources in implementing the Project in reliance upon the terms of this Agreement, and it is not possible to determine the sum of money which would adequately compensate Owner for such efforts; the parties acknowledge and agree that any injunctive relief may be

ordered on an expedited, priority basis.

c. Release. Except for those remedies set forth in Subsections 13(a), 13(b), and 13(c), Owner, for itself, its successors and assignees, hereby releases City, its officers, agents and employees from any and all claims, demands, actions, or suits of any kind or nature arising out of any liability, known or unknown, present or future, based or asserted, pursuant to Article 1, Section 19 of the California Constitution, the Fifth Amendment of the United States Constitution, or any other law or ordinance which seeks to impose any other liability or damage, whatsoever, upon City because it entered into this Agreement or because of the terms of this Agreement.

Owner acknowledges that it may have suffered, or may suffer, damages and other injuries that are unknown to it, or unknowable to it, at the time of its execution of this Agreement. Such fact notwithstanding, Owner agrees that the release provided in this Subsection 13(c) shall apply to such unknown or unknowable claims and damages. Without limiting the generality of the foregoing, Owner acknowledges the provisions of California Civil Code Section 1542, which provide:

> ***"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor*****."**

Owner hereby waives, to the maximum legal extent, the provisions of California Civil Code Section 1542 and all other statutes and judicial decisions of similar effect.

____
Owners' Initials

d. Termination of Agreement for Default of City. Owner may terminate this Agreement in the event of a default by City in the performance of a material term of this Agreement and only after providing written notice to City of default setting forth the nature of the default and the actions, if any, required by City to cure such default and, where the default can be cured, City has failed to take such actions and cure such default within thirty (30) days after the effective date of such notice or, in the event that such default cannot be cured within such thirty (30) day period but can be cured within a longer time, has failed to commence the actions necessary to cure such default within such thirty (30) day period and to diligently proceed to complete such actions and cure such default. Notwithstanding anything to the contrary, in the event that Owner deem it is necessary and/or advisable to cease operations in Montebello, then Owner may terminate this Agreement, and such termination shall be effective upon the date of written notice to the City.

e. Attorneys' Fees and Costs. In any action or proceeding between City and Owner brought to interpret or enforce this Agreement, or which in any way arises out of the existence of this Agreement or is based upon any term or provision contained herein, the "prevailing party" in such action or proceeding shall be entitled to recover from the non-prevailing party, in addition to all other relief to which the prevailing party may be entitled pursuant to this Agreement, the prevailing party's reasonable attorneys' fees and litigation costs, in an amount to be determined by the court. The prevailing party shall be determined by the court in accordance with California Code of Civil Procedure Section 1032. Fees and costs recoverable pursuant to this Subsection 13(e) include those incurred during any appeal from an underlying judgment and in the enforcement of any judgment rendered in any such action or proceeding.

f. Owner Default. No building permit shall be issued or building permit application accepted for any structure on the Site after Owner is determined by City to be in default of the terms and conditions of this Agreement until such default thereafter is cured by Owner or is waived by City. If City terminates this Agreement because of Owner's default, then City shall retain any and all benefits, including money or land received by City hereunder.

14. Third Party Litigation

a. General Plan Litigation. City has determined that this Agreement is consistent with its General Plan. Owner has reviewed the General Plan and concurs with City's determination.

City shall have no liability under this Agreement or otherwise for any failure of City to perform under this Agreement, or for the inability of Owner to develop the Site as contemplated by the Agreement, which failure to perform or inability to develop is as the result of a judicial determination that the General Plan, or portions thereof, are invalid or inadequate or not in compliance with law, or that this Agreement or any of City's actions in adopting it were invalid, inadequate, or not in compliance with the law.

b. Hold Harmless Agreement. Owner hereby agrees to, and shall hold City, its elective and appointive boards, commissions, officers, agents, attorneys, contractors, consultants and employees harmless from any liability for damage or claims for damage for personal injury, including death, as well as from claims for property damage which may arise from Owner or Owner's contractors, subcontractors, agents, or employees' operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, agents, or employees operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, or by any one or more persons directly or indirectly employed by, or acting as agent for Owner or any of Owner's contractors or subcontractors. Owner agrees to and shall defend City and its elective and appointive boards, commissions, officers, agents and employees from any suits or actions at law or in equity for

damage caused, or alleged to have been caused, by reason of any of the aforesaid operations.

c. Indemnification. Owner shall defend, indemnify, and hold harmless City and its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees against and from any and all liabilities, demands, claims, actions or proceedings and costs and expenses incidental thereto (including costs of defense, settlement and reasonable attorneys' fees)which any or all of them may suffer, incur, be responsible for or pay out as a result of or in connection with any challenge to the legality, validity or adequacy of any of the following: (i) this Agreement and the concurrent and subsequent permits, licenses and entitlements approved for the Project or Site; (ii) the environmental impact report, mitigated negative declaration or negative declaration, as the case may be, prepared in connection with the development of the Site; and (iii) the proceedings undertaken in connection with the adoption or approval of any of the above. In the event of any legal or equitable action or other proceeding instituted by any third party (including a governmental entity or official) challenging the validity of any provision of this Agreement or any portion thereof as set forth herein, the parties shall mutually cooperate with each other in defense of said action or proceeding. Notwithstanding the above, City, at is sole option, may tender the complete defense of any third-party challenge as described herein. In the event City elects to contract with special counsel to provide for such a defense, City shall meet and confer with Owner regarding the selection of counsel, and Owner shall pay all costs related to retention of such counsel.

d. Environmental Contamination. Owner shall indemnify and hold City, its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees free and harmless from any liability, based or asserted, upon any act or omission of Owner, its officers, agents, employees, subcontractors, predecessors in interest, successors, assigns and independent contractors, excepting and acts or omissions of City as successor to any portions of the Site dedicated or transferred to City by Owner and further excepting any environmental conditions not within Owner's control nor directly associated with a Permitted Use, for any violation of any federal, state or local law, ordinance or regulation relating to industrial hygiene or to environmental conditions on, under or about the Property, including, but not limited to, soil and groundwater conditions, and Owner shall defend, at its expense, including attorneys' fees, City, its officers, agents and employees in any action based or asserted upon any such alleged act or omission. City may in its discretion participate in the defense of any such claim, action or proceeding.

The provisions of this Section 14(d) do not apply to environmental conditions that predate Owner's ownership or control of the Site or applicable portion; provided, however, that the foregoing limitation shall not operate to bar, limit or modify any of Owner's statutory or equitable obligations as an owner or seller of

the Site.

e. City to Approve Counsel. With respect to Subsections 14(a) through 14(d) only, City reserves the right to approve the attorney(s) which Owner selects, hires or otherwise engages to defend City hereunder, which approval shall not be unreasonably withheld, conditioned, or delayed.

f. Accept Reasonable Good Faith Settlement. City shall not reject any reasonable good faith settlement offer regarding claims contemplated in this Section 14. If City does reject a reasonable, good faith settlement that is acceptable to Owner, Owner may enter into a settlement of the action, as it relates to Owner, and City shall thereafter defend such action (including appeals) at its own cost and be solely responsible for any judgment rendered in connection with such action. This Subsection 14(f) applies exclusively to settlements pertaining to monetary damages or damages which are remedial by the payment of monetary compensation. Owner and City expressly agree that this Subsection 14(f) does not apply to any settlement that requires an exercise of City's police powers, limits City's exercise of its police powers, or affects the conduct of City's municipal operations.

g. Survival. The provisions of Subsections 14(a) through 14(f) inclusive, shall survive the termination or expiration of the Agreement.

15. California Environmental Quality Act

Owner shall reimburse City for any and all reasonable costs incurred by City related to project review under the California Environmental Quality Act (CEQA), Public Resources Code, §§21000-21189.3, and the Guidelines for California Environmental Quality Act, California Code of Regulations, Title 14, §§15000-15387. If reasonably requested by City, Owner shall conduct and pay for any required CEQA reviews and analyses. The City has found that the proposed Project is Categorically Exempt from California Environmental Quality Act (CEQA) requirements under provisions of CEQA Guidelines **Section 15301** – Existing Facilities. This exemption applies to projects characterized as alterations to existing facilities meeting the conditions described in **Section 15301**.

16. Rules, Regulations, and Official Policies

Except as otherwise provided in this Agreement, the rules, regulations, and official policies of City governing permitted uses of the land, governing density, and governing the design, improvements, and construction standards and specifications applicable to the development of the Project subject of this Agreement, shall be those rules, regulations, and official policies of City in force as of the Effective Date of this Agreement. This Agreement does not prevent City, in subsequent actions applicable to the Site, from applying new rules, regulations, and policies which do not conflict with those rules, regulations, and

policies applicable to the property as set forth herein, nor does this Agreement prevent City from denying or conditionally approving any subsequent development project application (i.e. not the Project) based on such existing or new rules, regulations, or policies.

17. CUP Conditions of Approval

Owner shall comply with all conditions of approval of the City-issued CUP. If there is any conflict between a term of this Agreement and a condition of approval of the City-issued CUP, then the most restrictive shall apply.

18. Periodic Reviews

This Agreement shall be subject to annual review. The Owner executing this Agreement, or successor in interest thereto, shall demonstrate good faith compliance with the terms of this Agreement. If, as a result of such periodic review, City finds and determines, based on substantial evidence, that Owner executing this Agreement, or successor in interest thereto, has not materially complied in good faith with the terms or conditions of this Agreement, City may terminate or modify this Agreement (except no modification shall increase Owner's liability nor reduce Owner's rights), provided that City shall first provide Owner notice of its intent to terminate, with a detailed explanation as to why, and provide Owner the reasonable right to cure the same.

a. Periodic Review. City Council shall review this Agreement annually, on or before each anniversary of the Effective Date, in order to ascertain Owner's good faith compliance with this Agreement. During the periodic review Owner shall be required to demonstrate good faith compliance with the terms of the Agreement, through submitting an annual monitoring report, records, or equivalent written materials to the Planning Department. The Planning Department will schedule a hearing on the periodic review of the Development Agreement on or following the anniversary of the Effective Date, but Owner has no obligation to compel such hearing, and no implication will be made to Owner's detriment if a hearing is not in fact held. Owner shall document any request for an extension of the term due to delays beyond the control of Owner (see Subsection 22(g), "Force Majeure"). Owner shall submit an annual review and administration fee deposit not to exceed City's estimated internal and third-party costs associated with the review and administration of this Agreement during the succeeding year. City shall provide Owner said estimate a reasonable time in advance of the annual review and administration fee deposit being due.

b. Conditional Use Permit. The operation of the business at all times shall be required to comply with the CUP and this Agreement.

c. Special Review. City Council may order a special review of compliance with this Agreement at any time. The City Manager, Community Development

Director, or his or her designee(s) shall conduct such special review. During a special review, Owner shall be required to demonstrate good faith compliance with the terms of the Agreement. The burden of proof on this issue shall be on Owner.

d. Review Hearing. At the time and place set for the special or periodic review hearing, Owner shall be given an opportunity to be heard. If City Council finds, based upon substantial evidence, that Owner has not complied in good faith with the terms or conditions of this Agreement, City Council may terminate this Agreement notwithstanding any other provision of this Agreement to the contrary, or modify this Agreement and impose such conditions as are reasonably necessary to protect the interests of City. The decision of City Council shall be final, subject only to judicial review pursuant to Code of Civil Procedure Section 1094.5.

e. Certificate of Agreement Compliance. If, after a periodic or special review, Owner is found to be in compliance with this Agreement, and if Owner requests it, City shall issue a Certificate of Agreement Compliance ("Certificate") to Owner stating that after the most recent periodic or special review, and based upon the information known or made known to the Planning Director and City Council, that (i) this Agreement remains in effect and (ii) Owner is not in default. City shall not be bound by a Certificate if a default existed at the time of the periodic or special review, but was concealed from or otherwise not known to the Planning Director and City Council, regardless of whether the Certificate is relied upon by assignees or other transferees or Owner.

f. Failure to Conduct Review. City's failure to conduct a periodic review of this Agreement shall not constitute a breach of this Agreement.

g. Cost of Review. The reasonable costs incurred by City in connection with the periodic reviews shall be borne by Owner.

19. Assignment

Assignment by Owner. Owner shall not transfer, delegate, sublet or assign its interest, rights, duties, and obligations under this Agreement without the prior written consent of City, which consent shall not be unreasonably withheld. Owner shall submit a transfer application to the City Manager or City Manager's designee and pay any applicable transfer fee. The proposed transferee must show proof of lawful transfer of possession of the applicable location as may be acceptable to the City. Owner is aware it may take the City approximately six (6) months to process a transfer application.

Any assignment, delegation, subletting or assignment without the prior written consent of City shall be null and void. Any transfer, delegation, subletting or assignment by Owner as authorized herein shall be effective only if and upon

the party to whom such transfer, delegation, subletting or assignment is made is issued a CUP as required under Montebello Municipal Code Chapters 5.90 and 17.71.

Owner shall also comply with all proposed assignments and changes, including assignment and changes impacting a Development Agreement or a CUP, as required pursuant to state law, and Montebello Municipal Code Chapters 5.90 and 17.71.

20. Operating Commercial Cannabis Facility

Any Party to this Agreement, or successor in interest thereto, shall not operate a commercial cannabis facility authorized under the municipal code unless:

a. It is the holder of a valid CUP issued by City in accordance with the procedures and requirements of Montebello Municipal Code Chapters 5.90 and 17.71; and,

b. At such time as the State of California requires commercial cannabis facilities and businesses to hold a valid license or permit issued by the State of California, it also holds such license or permit, unless, however, such permit or license is not required by the State of California for the type of commercial cannabis facility or business operation that is the subject of this Agreement.

21. Notices

Any notice or communication required hereunder between City and Owner must be in writing, and may be given either personally, by registered or certified mail (return receipt requested), or by Federal Express, UPS or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered, as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to City:	City of Montebello 1600 W. Beverly Blvd Montebello, California 90640 Attention: City Manager
With a copy to:	City Attorney 13181 Crossroads Parkway North Suite 400 – West Tower City of Industry, California 91746
If to Owner:	[NAME AND ADDRESS OF OPERATOR]
With a copy to:	

22. Miscellaneous Provisions

Amendment or Cancellation. This Agreement may be amended, or canceled in whole or in part, only by the written mutual consent of the parties to this Agreement or their successors in interest, except that minor amendments that do not affect a substantive provision of this Agreement may be approved by the City Manager on behalf of the City. The decision whether a proposed amendment is "minor" shall be in the reasonable good faith discretion of the City Manager, and consistent with Montebello Municipal Code Chapters 5.90 and 17.71.

a. Waiver. Waiver by City of any one or more of the terms or conditions of this Agreement shall not be construed as waiver of any other term or condition under this Agreement.

b. Enforcement/Reserved Powers. Unless amended or canceled pursuant hereto, this Agreement shall be enforceable by any Party hereto, or successor in interest thereto, notwithstanding any subsequent change in any applicable general or specific plan, zoning, subdivision or building regulation, or municipal code amendment adopted by City that conflicts with the terms of this Agreement. However, this Agreement is subject to the City's "Reserved Powers." For purposes of this Agreement, "Reserved Powers" means the rights and authority excepted from this Agreement's restrictions on the City's police powers and which are instead reserved to the City. The Reserved Powers include the powers to enact regulations or take future discretionary actions after the Effective Date of this Agreement that: (1) are necessary to protect the public health and safety, and are generally applicable on a City-wide basis (except in the event of natural disasters as found by the City Council such as floods, earthquakes and similar acts of God); (2) are amendments to California Marijuana Laws or California Uniform Codes, as adopted by the City of

Montebello, and/or the Montebello Municipal Code, as applicable, regarding the construction, engineering and design standards for private and public improvements to be constructed on the Site; (3) are necessary to comply with state or federal laws and regulations; or (4) involve sign and parking ordinances and guidelines, changes to the City's zoning laws, Specific Plan or the City's General Plan, whether adopted previous or subsequent to the Effective Date of this Agreement).

If any City ordinance, rule or regulation or addition to the Montebello Municipal Code is enacted or imposed by a citizen-sponsored initiative or referendum after the Effective Date that would conflict with this Agreement or an associated CUP, business license or other authorizations and City approvals, or reduce development rights or assurances provided to the Owner in this Agreement, then such changes, additions or deletions to the Montebello Municipal Code shall not be applied to the Site or Project. The parties shall cooperate with each other and undertake such reasonable actions as may be appropriate to ensure this Agreement remains in full force and effect and is implemented in accordance with its terms and to the fullest extent permitted by state or federal law.

Notwithstanding anything to the contrary in this Agreement, site improvements contemplated by this Agreement shall be completed pursuant to the development standards and design guidelines to be adopted by the zoning code amendment.

c. Severability. If any part of this Agreement is found to conflict with applicable state laws or regulations, such part shall be inoperative, null, and void insofar as it conflicts with said laws or regulations, or modified or suspended as may be necessary to comply with such state laws or regulations, but the remainder of this Agreement shall continue to be in full force and effect.

d. Counterparts. 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. The execution of this Agreement may be by actual, facsimile, or electronic signature.

e. Jurisdiction. The law governing this Agreement shall be that of the State of California. Any suit brought by any party against any other party arising out of the performance of this Agreement or the breach, termination, enforcement, interpretation or validity thereof, shall be filed and maintained in the County of Los Angeles Superior Court.

f. Disclaimer. Despite California's commercial cannabis laws and the terms and conditions of this Agreement, or any CUP issued pertaining to Owner

or the property specified herein, California commercial cannabis cultivators, manufacturers, retailers, transporters, distributors, or possessors may still be subject to arrest by state or federal officers and prosecuted under state or federal law. The Federal Controlled Substances Act, 21 USC § 801, prohibits the manufacture, distribution, and possession of cannabis without any exemptions for medical use.

g. Force Majeure. If delays are caused by unforeseen events beyond the control of Owner, such delays will entitle Owner to an extension of time as provided in this Section 22. Such unforeseen events ("Force Majeure") shall mean war, insurrection, acts of God, local, state or national emergencies, strikes and other labor difficulties beyond the party's control, or any default by City hereunder, which Force Majeure event substantially interferes with the development, construction or operation of the Project.

h. Costs and Fees. Intentionally omitted.

i. Constructive Notice and Acceptance. Every person who after the Effective Date of this Agreement owns or acquires any right, title, or interest to any portion of the Site, is and shall be conclusively deemed to have consented and agreed to every provision contained herein, whether or not any reference to this Agreement is contained in the instrument by which such person acquired an interest in the Site, and all rights and interests of such person in the Site shall be subject to the terms, requirements, and provisions of this Agreement.

j. Binding Effect of Recitals. The Parties agree that the Recitals above are true and correct and intend to be bound by same.

k. Project as a Private Undertaking. It is specifically understood and agreed by and between the parties hereto that the development of the Project is a private development, that neither party is acting as the agent of the other in any respect hereunder, and that each party is an independent contracting entity with respect to the terms, covenants and conditions contained in this Agreement. No partnership, joint venture or other association of any kind is formed by this Agreement. The only relationship between the City and the Owner is that of a government entity regulating the development of private property and the owner of such property.

l. Changes to Project. The parties acknowledge that changes to the Project and related approvals may be appropriate and mutually desirable to carry out the intent and purpose of this Agreement. This Agreement shall not prevent the City from applying, with the consent or at the request of the Owner, *Subsequent Land Use Regulations* or *Subsequent Development*

Approvals that do not directly conflict with the Site authorized under this Agreement. The granting of one such change or request shall not obligate the City to grant other similar changes or requests. As used herein, "*Subsequent Development Approvals*" include, without limitation, all excavation, grading, building, construction, demolition, encroachment or street improvement permits, occupancy certificates, utility connection authorizations, or other non-discretionary permits or approvals necessary, convenient or appropriate for the Project. As used herein, "*Subsequent Land Use Regulations*" means ordinances, resolutions and codes adopted or approved by the City after the Effective Date of this Agreement governing the development and use of the land, including general plan amendments, zone changes, variances or conditional use permits affecting the permitted use of the land including density or intensity of use, subdivision requirements, the maximum height and size of proposed buildings, the provisions of reservation or Dedication of land for public purposes, and the design, improvement and construction and initial occupancy standards and specifications applicable to the Development of the Property.

m. <u>Conflicting Federal or State Rules</u>. In the event that any conflicting federal or state laws or regulations, enacted after the Effective Date, prevent or preclude compliance with one or more provisions of this Agreement or require changes in plans, maps or permits approved by the City, *this Agreement shall remain in full force and effect as to those provisions not affected*; and

(i) <u>Notice of Conflict</u>. Either party, upon learning of any such matter, will provide the other party with written notice thereof and provide a copy of any such law, regulation or policy together with a statement of how any such matter conflicts with the provisions of this Agreement; and

(ii) <u>Modification Conferences</u>. The parties shall, within thirty (30) days of the notice referenced to in the preceding subsection, meet and confer in good faith and attempt to modify this Agreement to bring it into compliance with any such federal or state law or regulation.

(iii) <u>City Council Hearings</u>. In the event the City believes that an amendment to this Agreement is necessary due to the effect of any federal or state law or regulation, the proposed amendment shall be scheduled for hearing before the City Council. The City Council shall determine the exact nature of the amendment necessitated by such federal or state law or regulation. Owner shall have the right to offer oral and written testimony at the hearing. Any modification ordered by the City Council pursuant to such hearing is subject to judicial review in accordance with California law.

(iv) <u>City Cooperation</u>. The City shall cooperate with Owner in securing any City permits, licenses or other authorizations that may be required as a

result of any amendment resulting from actions initiated by the City. As required by this Agreement, Owner shall be responsible to pay all applicable fees in connection with securing of such permits, licenses or other authorizations.

n. Effective Date. "Effective Date" means either the date of this Agreement approved by the City Council or the date of the CUP's approval by the City Planning Commission, whichever comes later.

o. Authority to Sign. Each Party or responsible officer or governing body therefore, has read this Agreement and understands and knows the contents thereof, and represents and warrants that each of the officers or agents executing this Agreement on behalf of their respective corporations, partnerships, or other organizations is empowered to do so and hereby binds the respective corporation, partnership, or other organization. Additionally, Owner represents and warrants that each of the officers or agents executing this Agreement on behalf of its corporation, partnership, or other organization is an "owner" as defined by California Business and Professions Code Section 26001 and hereby binds the respective corporation, partnership, or other organization.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

CITY OF MONTEBELLO	**LEAN GREEN MACHINE, INC.**
____________________	____________________
Jack Hadjinian	Name: XXXXXXX
Mayor	Title: XXXXXXXX

APPROVED AS TO FORM:

____

City Attorney
City of Montebello

EXHIBITS

A. LEGAL DESCRIPTION [TO BE INSERTED]

B. PARCEL MAP [TO BE INSERTED]

C. SITE AND/OR FLOOR PLANS [TO BE INSERTED]

D. RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT [TO BE INSERTED]

E. PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM [TO BE INSERTED]

F. CONDITIONS OF APPROVAL [TO BE INSERTED]

G. LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT [TO BE INSERTED]

<u>EXHIBIT A</u>

LEGAL DESCRIPTION

EXHIBIT B

MAP

EXHIBIT C

SITE AND/OR FLOOR PLANS

EXHIBIT D

RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT

EXHIBIT E

PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM

EXHIBIT F

CONDITIONS OF APPROVAL

EXHIBIT G

LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT

COMMERCIAL CANNABIS BUSINESS DEVELOPMENT AGREEMENT NO. 14-19 BETWEEN THE CITY OF MONTEBELLO AND BELLO MONTE FARMS LLC

THIS DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this 5TH day of August, 2019, (the "Execution Date"), by and between the **CITY OF MONTEBELLO**, a California municipal corporation ("City"), and **BELLO MONTE FARMS LLC**, a California limited liability company ("Owner"). City and Owner are sometimes referenced together herein as the "Parties." In instances when a provision hereof applies to each of the Parties individually, either may be referenced as a "Party." The Parties hereby jointly render the following statement as to the background facts and circumstances underlying this Agreement:

RECITALS

WHEREAS, Owner currently holds a legal or equitable interest in certain real property considered in this Agreement which has a development area of approximately **5,320** square feet located at 7131 Telegraph Road, City of Montebello, State of California (the "Site"). The Site includes Assessor's Parcel Number(s): 6354-024-044, and is more fully described in the Legal Description in Exhibit A, and shown on the map in Exhibit B. Both exhibits being attached hereto, respectively, and are incorporated herein by this reference;

WHEREAS, presently, Owner has a leasehold interest in a portion of the Site for the purpose of conducting commercial cannabis related activities which shall include, but not be limited to commercial cannabis cultivation, manufacturing, delivery-only retail, and distribution. Such commercial cannabis facilities shall operate in accordance with all applicable provisions of California Business and Professions Code §§26000-26231.2; California Health and Safety Code Safety Code §§ 11357-11362.9 and 11362.7- 11362.85; California Revenue and Taxation Code §§ 34010-34021.5; California Vehicle Code §§ 2429.7 and 23222; California Water Code §§ 1831, 1847, and 13276; Cal. Code Regs. tit. 16, div. 4 (2019); Cal. Code Regs. tit. 3, div. 8, Ch. 1 (2019); Cal. Code Regs. tit. 17, div. 1, ch. 13 (2019); and the City of Montebello Municipal Code as it applies to such facilities, as such provisions may be amended from time to time (collectively the "Applicable Cannabis Laws"). Prior to operating a cannabis manufacture site, cultivation site, delivery-only retailer site, and distribution site, as those terms are defined in the Montebello Municipal Code ("Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility"), Owner shall be required to obtain a Conditional Use Permit from the City, and any and all related permits and licenses prior to the operation of same, pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, ultimately, Owner intends upon obtaining one or more permanent annual California State License(s), pursuant to Applicable Cannabis Laws, to operate a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility at the Site. The

definition of "Owner" hereunder shall mean and refer to the fee simple owner and/or any authorized tenant of the Site to the extent such party holds or is covered by a City Conditional Use Permit; and is not intended to necessarily be coextensive with the definition of that term as defined in California Business & Professions Code Section 26001(al);

WHEREAS, on March 4, 2019, Owner applied to this City for a Conditional Use Permit *(hereinafter* "CUP") to conduct commercial cannabis activities. No such activities are allowed or authorized without this Agreement, a CUP, and all requirements having been satisfied pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, Owner presently intends to develop and open a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility on the Site consistent with the Applicable Cannabis Laws and project approvals (known as the "Project"). The Project will include indoor cannabis manufacturing, cultivation, delivery-only retail, and distribution in accordance with the Applicable Cannabis Laws;

WHEREAS, the Project will consist of one 5,320 square foot building, with such final square footage to be consistent with Owner's final approved CUP, as many be amended pursuant to the CUP and/or this Agreement. The building will be divided into major spaces for cultivation, manufacturing, delivery and distribution as follows:

Cultivation: The Project's cultivation area includes the following uses: flowering rooms, a drying and trimming room, a vegetation room and a cloning room. Total area of each of these uses will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. Cultivation operations would occur 24-hours daily.

Manufacturing: The Project will include a manufacturing room that would be used initially for packaging products. Under the manufacturing license, the Owner will conduct additional manufacturing activities including, volatile extraction (Type 7 Manufacturing). The total area of these uses will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. Manufacturing operations would occur 24-hours daily.

Non-storefront Retail Delivery: The retail delivery activities will occur within the delivery office located near the facility's main entry. The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All delivery activities will be conducted in accordance with Applicable Cannabis Laws, including, but not limited to specified hours of operation.

Distribution: The distribution activities will occur within the distribution area. The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All distribution activities will be conducted in accordance with Applicable Cannabis Laws, including, but not

limited to specified hours of operation.

General Business Offices: The Project will be open from 8:00 a.m. to 8:00 p.m., Monday through Friday.

Parking/Loading/Access: The proposed project provides parking spaces in accordance with the City-approved Site Plan.

Security: The Project will secure the facility against unauthorized entry by installing security lights on the exterior of the building to illuminate the side yards and parking area, installing commercial-grade locks, installing an alarm and video surveillance system, establishing procedures for identifying authorized persons, establish inventory controls, and install a secure surveillance vault to maintain the integrity of records. In addition, the applicant will engage a licensed security company to provide an operational security plan in compliance with Montebello Municipal Code Chapters 5.90 and 17.71.

The proposed layout of the site is as shown in the attached Site and/or Floor Plans, in Exhibit C.

The Project will consist of a vertically integrated commercial cannabis facility compliant with Applicable Cannabis Laws that will provide several levels of cannabis production, processing, and distribution

This includes:

1) Cultivation and processing of young and mature cannabis plants.
2) Research and development of cannabis plants and strains.
3) Manufacturing of cannabis and its derivatives through volatile and non-volatile extraction.
4) Manufacturing of cannabis food products.
5) Packaging and storage of cannabis products.
6) Distribution of cannabis products.
7) Retail delivery of cannabis products.

Proposed Hours of Operation (subject to final approval pursuant to the CUP):
8:00AM to 8:00PM for general business hours, 24-hours for internal operations

[x] Co-location, check if applicable:

Note: Applicable Cannabis Laws authorize a person to apply for and be issued more than one State annual license at one location provided the licenses premises are separate and distinct.

Owner has applied for State cannabis licenses.

Please see the Recitals of this Development Agreement for details for separate and distinct locations of each operation within the Premises.

WHEREAS, On February 14, 2018, Ordinances No. 2399 and No. 2400 came into effect authorizing specified commercial cannabis activities within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, On June 13, 2018, Ordinances No. 2404 and 2405 came into effect amending specified commercial cannabis activities authorized by Ordinances No. 2399 and No. 2400 within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, all procedures of the California Environmental Quality Act ("CEQA"), California Public Resources Code §21000 et seq., and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 et seq. have been satisfied;

WHEREAS, the City has given public notice of its intention to approve this Agreement. The City has found that the provisions of this Agreement and its purposes are consistent with the objectives, policies, general land uses and programs specified in City's General Plan, zoning code and municipal ordinances;

WHEREAS, the City, in entering into this Agreement, acknowledges that certain City obligations hereby assumed shall survive beyond the terms of the present Council members, that this Agreement will serve to bind City and future Councils to the obligations hereby undertaken, and that this Agreement shall limit the future exercise of certain governmental and proprietary powers of City. By approving this Agreement, the Council has elected to exercise certain governmental powers at the time of entering into this Agreement rather than defer its actions to some undetermined future date. The terms and conditions of this Agreement have undergone extensive review by City and the Council and have been found to be fair, just and reasonable. City has concluded that the pursuit of the Project will serve the best interests of its citizens and that the public health, safety and welfare are best served by entering into this obligation. Owner has represented to City that it would not consider or engage in the Project absent City approving this Agreement;

WHEREAS, the City agrees that Owner's land use entitlements, if any, that have been applied for and approved by the City, for the Project shall vest for the term of this Agreement as described below, if applicable;

WHEREAS, after conducting a duly noticed CUP hearing on July 2, 2019, in conjunction with the City's applicable ordinances and resolutions, the Planning Commission of the City reviewed, considered and approved environmental clearance and approved the execution of the CUP. The Planning Commission found the Project consistent with the objectives, policies, general land uses and programs specified in the general plan; compatible with the uses authorized in the City's zoning laws; in conformity with the public necessity, public convenience, general welfare and good land use practices; will not be detrimental to the health, safety and general welfare of the city; will not adversely affect the orderly development of property or the preservation of property values; and will have a positive fiscal impact on the City;

WHEREAS, after conducting a duly noticed meeting on August 5, 2019, in conjunction with the City's applicable ordinances and resolutions, and after independent review and consideration, the City Council approved the execution of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

1. The Recitals above are true and correct and are hereby incorporated into and made a part of this Agreement. In the event of any inconsistency between the Recitals and the provisions of this Agreement, herein below, said provisions of this Agreement shall prevail.

2. <u>Government Code and Municipal Code Required Elements</u>

a. <u>Description of Property</u>. Land situated in the City of Montebello, County of Los Angeles, State of California; whose street address is 7131 Telegraph Road, City of Montebello, State of California (the "Site"). The Site includes Assessor's Parcel Number: 6354-024-044.

b. <u>Owner and Other Person with Legal or Equitable Interest</u>.

Owner: **Bello Monte Farms LLC**
Nature of Interest: *Lease for 10 years with Option to Renew for an additional 10 years.*

A true and correct copy of a recorded grant deed, or executed lease agreement, is attached hereto as Exhibit D, and incorporated herein by this reference.

If Owner is not the fee simple owner of the Site, check box below:

[x] Owner represents and warrants that the property owner has consented in writing to the execution of this Agreement against the Site. [See also attached Property Owner Signed and Notarized Consent Form wherein the property owner has acknowledged reading Montebello Municipal Code Chapters 5.90 and 17.71, incorporated herein by this reference (Exhibit E).]

c. <u>Permitted Uses</u>. The Site may be used for a Manufacturing, Cultivation,

Delivery-Only Retail and Distribution Facility as presently authorized under Montebello Municipal Code Chapters 5.90 and 17.71 and for any other use if authorized under applicable provisions of the Montebello Municipal Code ("Permitted Uses"). In the event that the Montebello Municipal Code, California law, and/or Federal law is amended in the future to permit additional commercial cannabis uses, Owner may apply for an amendment to this Agreement and to the issued CUP, both of which must receive approval by the City's Planning Commission or City Council, as required, to amend the Permitted Uses at the Site.

d. Zoning. Owner shall use commercially reasonable efforts to ensure that such activities outlined in Owner's CUP Application ("Application") are conducted pursuant to this Agreement and under the CUP shall comply with the Montebello Municipal Code, including the zoning ordinance, any applicable zoning development standards, and any and all development and construction requirements contained therein, and/or as required by the City. Owner shall not conduct any business under this Agreement or under the CUP without having obtained all necessary permits, licenses, and approvals from the City and State of California, as required by Applicable Cannabis Laws, including the City of Montebello Municipal Code.

e. Compliance with CUP conditions of approval. Owner shall comply with all Conditions of Approval imposed against this Agreement, as enumerated in the CUP and attached as Exhibit F, and incorporated herein by reference.

3. Term

This Agreement shall commence on either the date of this Agreement's approval by the City Council or the date of the CUP approval by the City Planning Commission, whichever comes later ("Effective Date"), and end **ten (10)** years from the Effective Date, and it shall remain in full force and effect so long as the Site is used for a commercial cannabis facility as authorized under Montebello Municipal Code Chapters 5.90 and 17.71; provided, however, such use is not abandoned for a period of more than ninety (90) days.

This Agreement may be extended for one (1) additional **five (5)** year period following the expiration of the initial **ten (10)** year term upon the occurrence of all of the following:

(i) The Owner shall give written notice to the City no later than ninety (90) days before the expiration of the initial ten (10) year term that the Owner desires to extend this Agreement for an additional **five (5)** year period;

(ii) The Owner shows reasonably satisfactory evidence to the City that it has, and continues to have a legal and/or equitable interest in the Site and/or will have such interests for the duration of the extended term of the

Agreement;

(iii) The Owner shall deposit all fees required by the City necessary for processing the extension request and drafting necessary documentation;

(iv) The Owner shall be in compliance with all provisions of Montebello Municipal Code Chapters 5.90 and 17.71, and all terms imposed by the City-issued CUP, including the timely renewal of a CUP if required; and

(v) The Owner shall not be in material default of any provision of any agreement between City and Owner relative to the development of the Site, the business operations as allowed by a CUP, or of any conditions of approval imposed upon any entitlement or CUP granted by the City relative to the development of the Site for which Owner has been given a written notice to cure by the City and for which Owner has not cured or commenced to cure such material default within thirty (30) days, if and as provided by such agreement or condition of approval.

4. Owner's Site and Floor Plans

a. Owner's site plan and floor plan for the facility are attached hereto as Exhibit C and incorporated into the Agreement.

b. A preliminary landscape plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works and Director of Community Development, or their respective designees, if required by the CUP. A final landscape plan shall be prepared and submitted in conjunction with building and site improvement plans prior to issuance of building permits for construction activities, if required by the CUP.

c. An exterior signage plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works & Director of Community Development, or their respective designees, in accordance with the procedures and requirements of the Montebello Municipal Code.

5. Facility Operations

a. Standard Operating Procedures. Owner is a lawful entity that will only sell to other legally permitted persons and entities under the Applicable Cannabis Laws, as may be amended from time to time and in accordance with Subsection 2(c) of this Agreement. Prior to operating a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility, Owner shall be required to obtain a CUP, and all requirements pursuant to said permit, from the City pursuant to Montebello Municipal Code Chapters 5.90 and 17.71. Further, and notwithstanding anything to the contrary, Owner may operate such cannabis-related activities as permitted in accordance with Applicable Cannabis Laws, including without limitation, as long as such activity is not inconsistent with

Montebello Municipal Code Chapters 5.90 and 17.71, this Development Agreement, the City-issued CUP, and the Montebello Municipal Code.

During the term of its CUP and the term of this Agreement, Owner shall operate in accordance with all Applicable Cannabis Laws. Owner shall employ industry standard operating procedures to comply with Applicable Cannabis Laws. Owner's facility shall employ adequate safety and security measures for the safety and security of its employees, visitors, vendors, and neighboring communities and properties.

Owner shall fully comply with the minimum operating standards regulating the proposed commercial cannabis activity, including, but not limited to those, as set forth in Montebello Municipal Code Chapters 5.90 and 17.71, and such more specific operational requirements as applied by the CUP and this Agreement.

b. <u>Security Plan</u>. Owner shall secure approval of its proposed security plan by the Montebello Police Department or the City prior to operating, which approval shall not be unreasonably withheld, conditioned, or delayed. The security plan shall include, at a minimum and as appropriate, provisions for video surveillance, perimeter fencing and security, protection of the building(s) from vehicle intrusion, cash handling procedures, internal accounting controls, product handling and storage procedures, and a professionally monitored alarm system. Equipment and systems used for video surveillance and building alarms shall be approved by City.

Video surveillance shall include, at a minimum, all site and facility entrances and access points, all spaces accessible by the public, all secured areas of the facility with restricted access, all interior spaces and rooms where cannabis products are handled and processed, shipping and receiving areas, cash storage areas, and other areas necessary to protect the safety of employees and the public and to ensure cannabis products are received, handled, stored, packaged, shipped, and distributed in compliance with Applicable Cannabis Laws. The video surveillance system shall be web-based with direct access provided to the Montebello Police Department upon request.

The security system shall also include sensors to detect entry and exit from all secure areas, panic buttons in appropriate locations, and a professionally monitored alarm system.

Owner shall employ properly trained and licensed third-party security personnel to protect the welfare and safety of Owner and employees, and to ensure public safety to the neighboring community. Owner shall use security personnel during hours of operation, pursuant to Applicable Cannabis Laws. Security personnel may be armed so long as proper licensing and insurance requirements are followed and met by the third-party operator providing such security services.

c. <u>Fire Department Approval</u>. Owner shall not operate any facility, and no permit, license, or other approval issued by City shall be valid unless and until the Montebello Fire Department has approved Owner's site plan, floor plan, safety plan, and any other plans that require its approval, which approval shall not be unreasonably withheld, conditioned, or delayed.

d. <u>Possession of Firearms</u>. Except for licensed and bonded security personnel, no person employed by Owner shall be in possession of any firearm while on the Site without having first obtained a license from the appropriate state or local agency authorizing the person to be in possession of such firearm. Every such person in possession of a firearm while on the Site must provide the City Manager and the Montebello Police Department, ten (10) calendar days' notice before bringing the firearm onto the premises, with the following:

1) A copy of the license issued to the person by the appropriate state or local agency authorizing him or her to possess such firearm;

2) A copy of his or her law enforcement identification (if he or she is employed by a law enforcement agency);

3) A copy of his or her California driver's license or California identification card; and

4) Any other information reasonably required by the Montebello Police Department to show that the individual is in compliance with the provisions of all laws regarding the possession and use of a firearm.

e. <u>Identification Display</u>. Each owner, manager, employee, and individual member engaged in the cultivation, processing, manufacturing, distribution, or transporting of cannabis shall at all times while engaged in the duties of his or her position wear in plain sight, on his or her person and at chest level, a valid identification badge, issued by Owner.

f. <u>Employee Background Checks/Procedures for Inventory Control to Prevent Illegal Diversion of Cannabis</u>. Only employees who receive clearance from the Montebello Police Department shall be permitted to enter Owner's facility. Each employee will have to meet a criminal background investigation, which at minimum shall include a LiveScan criminal history check conducted and provided by each employee. The City shall make a good faith effort to facilitate within a reasonable time following the issuance of a CUP to Owner Employees shall not be disqualified for any conviction which would no longer be a felony under California law at the time of the LiveScan criminal history check.

Owner shall not permit and shall take all necessary and reasonable steps to prevent the distribution of any of its cannabis products to minors; prevent revenue from the sale or distribution of its cannabis and/or infused products

from going to criminal enterprises, gangs and cartels; prevent the diversion of cannabis from California to any other state; prevent state-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity; prevent violence and the use of firearms in the manufacturing, distribution, cultivation, and delivery-only retail of cannabis; discourage and educate against drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use; disavow growing cannabis on public lands that creates attendant public safety and environmental dangers posed by such illegal uses; and discourage and educate against cannabis possession or use on federal property.

g. Quality Control and Testing. Owner shall utilize industry standardized quality control measures and testing to ensure only the highest quality of commercial cannabis and infused products will be produced. Owner shall inspect the product to ensure its identity and quantity, and shall have a testing lab perform testing of random samples prior to distribution. Inspection and testing will be conducted by a state-licensed testing lab off-site, except for licensed distributors authorized to conduct testing on-site with a testing lab field representative present. Testing standards and procedures shall be in accordance with Applicable Cannabis Laws.

All commercial cannabis products will undergo a quality assurance review in accordance with state law prior to distribution. Inventory procedures will be utilized for tracking and taxing purposes by the state. Owner shall employ an efficient record-keeping system to make transparent its financing, testing, and adverse effect recording, as well as recall procedures.

h. Packaging of Commercial Cannabis and Infused Products. All Owner commercial cannabis products shall be packaged and labeled strictly in accordance with Applicable Cannabis Laws.

Owner intends to produce infused products and shall secure any approval from the County of Los Angeles Health Department required for manufacturing and handling such products. Owner infused products shall not be produced, manufactured, stored or packaged in private homes. All commercial cannabis infused products shall be individually wrapped at the original point of preparation strictly in accordance with Applicable Cannabis Laws.

i. Point of Sale Tracking System. Owner shall maintain an inventory control and reporting system that accurately documents the location of cannabis products from inception through distribution, including descriptions, weight, and quantity. The inventory control and reporting system shall comply with the California Cannabis Track and Trace System (“CCTT”) required by Applicable Cannabis Laws.

Owner shall employ an electronic point of donation/sale system in accordance

with Applicable Cannabis Laws for all point of donations/sales tracking from seed or inception to product distribution to other licensed commercial cannabis facilities, or otherwise in compliance with state and local law and in accordance with Subsection 2(c) of this Agreement. Such approved system shall track all commercial cannabis products, each edible, harvested flower, and/or manufactured concentrate, as well as gross sales (by weight and sale). Owner's point of sale system shall have the capacity to produce historical transactional data in accordance with City's requirements.

j. Record Keeping. Owner shall maintain records for all commercial cannabis and/or infused products. Owner shall comply with all record-keeping responsibilities that are set forth in Applicable Cannabis Laws and complete and up-to-date records regarding the amount of commercial cannabis cultivated, produced, manufactured, harvested, stored, tested, distributed, delivered or packaged at Owner’s facility.

k. Processing, Handling, Storing, and Distribution of Commercial Cannabis and Related Products. Commercial cannabis cultivation, handling, storing, and processing shall be concealed from public view at all stages of growth and processing, and there shall be no exterior evidence of cultivation or processing occurring at the premises from a public right-of-way or from an adjacent parcel. Commercial cannabis cultivation, handling, storing, processing, or distribution shall not create offensive odors; create excessive dust, heat, noise, smoke, traffic, or other impacts that are disturbing to people of normal sensitivity residing or present on adjacent or nearby property or areas open to the public; or be hazardous due to use or storage of materials, processes, products, or wastes.

Owner shall store its commercial cannabis and/or commercial cannabis products in a secured storage room with T-card identification access for management only. The storage room shall be constructed of fire-rated walls with an appropriate number of cameras installed to view all entries and exits from the storage room, as well as all other activities performed within Owner’s facility. Owner will not conduct outdoor operations except as related to lawful delivery and transportation of commercial cannabis and infused products. Owner will not store commercial cannabis or related products in its delivery vehicle outside normal operating hours of the facility.

Commercial cannabis products shall be sold or distributed only to licensed facilities in California, in compliance with state and local law in accordance with Subsection 2(c) of this Agreement. Excess or contaminated product will be securely stored on-site until it is properly disposed. Disposal may include composting, incineration, land-fill disposal through the local waste management hauler, or other disposal methodology in accordance with state and county health and safety codes and regulations.

l. Odor Control. All structures shall have adequate ventilation and filtration systems installed that minimize and control commercial cannabis plant odors from exiting the interior of the structure. The ventilation and filtration system shall be approved by the City Building Official and installed prior to commencing cultivation or manufacturing within the allowable structure. Facility air intake, exhaust, and recirculating system shall be of industrial grade. Activated charcoal, recirculating, and closed loop aeration systems will be utilized as necessary for effective odor control and management.

m. Transportation Plan. Owner shall comply with all Applicable Cannabis Laws regarding transportation, including the rules governing delivery service. Owner shall retain a list of names and cellular contact numbers for all employees engaged in transportation of commercial cannabis products and provide it to the applicable oversight authority, keeping the list current and up to date.

Owner will keep complete and up-to-date records documenting each transfer of commercial cannabis to other licensed entities, including the amount provided, the form or product category in which the commercial cannabis was provided, the date and time provided, the name of the employee making the transfer, the name and address of each lawful licensed entity to whom delivery is made, and the amount of any related donation or other monetary transaction.

6. Community Relations, Employment, and Wages

a. Public Outreach and Education Program. The Owner shall coordinate and cooperate with City and other owners of commercial cannabis facilities located within City of Montebello in the establishment and implementation of appropriate public outreach and education programs. The public outreach and education programs shall be reasonably approved by City.

b. Community Benefits Program. The Owner shall fund the establishment and implementation of a community benefits program which may include such items as senior citizen programs, City beautification efforts, funding for enforcement against illegal cannabis operations, public safety, housing programs, economic development, infrastructure, capital improvements, including expansion and/or improvement to existing facilities or other physical improvements that provide a benefit to the community, support of holiday and special community events, and support of local public service, public safety, litigation defense, and special social and community organizations ("Community Benefits Program").

To fulfill its funding obligation for the Community Benefits Program, Owner agrees to pay the City of Montebello the yearly sum of **$50,000.00 ("Montebello Community Benefits Program Fee" or "MCBPF")**. The first annual MCBPF shall be payable to the City on the date that the Certificate of Occupancy is

issued to the Owner. Thereafter, the annual MCBPF shall be payable to the City on every July 1 for the term of the Agreement, and shall be pro-rated for any partial days during such period(s) of the Agreement.

The MCBPF is separate and apart from any Cannabis Operation Fee, or penalties therefrom. If the original term of this Agreement is mutually extended by the Parties, the annual minimum payment to this program will be amended accordingly.

c. Designation of Community Relations Liaison. Pursuant to Montebello Municipal Code Chapters 5.90 and 17.71, at the time of this Agreement, Owner's day-to-day operations manager, ________________, will be responsible for community inquiries and complaints and on-site management during normal business hours.

d. Interface with Montebello Municipal Code / Inspections. Owner's day-to-day operations manager, and/or the Owner's Community Relations Liaison, ______________, will interface with the Montebello Police Department's assigned designee to ensure its operation complies with state and local laws and regulations. The City Manager, or designee, or the Montebello Police Department's assigned designee acting at the City Manager's request and per his specific and limiting instructions, shall have the right to enter all portions of the Site from time to time unannounced during hours of operation for the purpose of making reasonable inspections to observe and enforce compliance with this Agreement and Applicable Cannabis Laws, without the requirement of a search warrant, subpoena, or court order, and subject to appropriate cost recovery fees set forth in this Agreement, or adopted by the City.

_____________________ Owner's Initials

e. Local Recruitment, Hiring, and Training Programs. Owner is committed to making a good-faith effort to recruit, hire, and train City residents for employment by Owner. A good-faith effort means Owner shall take the following or similar actions to recruit and employ City residents: 1) Contact local recruitment sources to identify qualified individuals who are City residents, 2) Advertise for qualified City residents in trade papers and newspapers of general circulation in the area, and 3) Develop a written plan to recruit and employ City residents as a part of the its workforce. At a minimum, the Owner endeavors to achieve a targeted local annual hiring goal of approximately 45% of total operational jobs for permanent and apprentice employees. This goal shall apply horizontally, across all departments and managerial positions. The Owner shall not be penalized or deemed in default under this Agreement if it is unable to achieve such a goal. "Local" is defined as within a 3-mile radius of the boundaries of the City's boundaries. The Owner may contact and work with a job referral agency assigned by the City Manager to implement a local hiring policy for permanent and apprentice employees. The purpose of the hiring policy

is to facilitate the training and employment of local and disadvantaged job applicants for jobs within the City's jurisdiction, and 3-mile radius of City boundaries. Applicants for jobs shall not be disqualified from hiring solely on the basis of an arrest or conviction for a Cannabis-related crime that occurred prior to November 8, 2016, and could have been prosecuted as a misdemeanor or citation under current California law. The Owner shall periodically report on compliance with the local hiring goals as part of its annual audit report.

f. Living Wages. Living Wages. Owner shall pay make a good-faith effort all employees of the Facility, at a minimum, a Living Wage. A "Living Wage" is the higher of whatever the Owner currently pays its employees for similar work elsewhere or the following: the Full Cash Wage required to be paid by an employer to any similarly situated, educated, and/or credentialed individual under the City of Los Angeles Minimum Wage Ordinance [LAMC Sections 187 and 188], as adjusted annually.

g. Full-time Work. Owner shall make its best efforts to fill every position with a full-time employee. However, at no time shall Owner have a labor force that is composed of less than 50% full-time employees within its labor force, and Owner shall make a good faith effort to maintain a full-time employee level of more than 50%. Owner agrees to provide to its eligible employees leave benefits, health and wellness benefits and other employee benefits to the extent such benefits are required to be paid for by Owner under applicable state and federal employment laws.

h. Labor Peace Agreement. If Owner has twenty (20) or more employees at the time of this Agreement's signing, then Owner shall in good faith work with any labor organization for the purpose of collective bargaining and shall enter into and provide the City a copy of a labor peace agreement no later than one hundred and twenty (120) days after this Agreement's signing. Such Owner with twenty (20) or more employees but without a labor peace agreement at the time of this Agreement's signing shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization no later than one hundred and twenty (120) days after this Agreement's signing.

If Owner has less than twenty (20) employees at the time of this Agreement's signing, such Owner shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization if and when Owner has twenty (20) or more employees at any time during the Term of this Agreement. Such Owner with less than twenty (20) employees at the time of this Agreement's signing shall also provide the City a copy of the labor peace agreement no later than one hundred and twenty (120) days from hiring its twentieth (20^{th}) employee, if and when such event occurs

during the Term of this Agreement. Attached as Exhibit G, and incorporated herein is a true and correct copy of the actual Labor Peace Agreement; or applicable Notarized Statement of Intent. Owner shall abide by the terms of the labor peace agreement if and when so adopted in accordance with this Subsection. If Owner fails to comply with the labor peace agreement requirement in accordance with this Subsection, such failure shall constitute a default in accordance with Section 13 of this Agreement.

7. Payment of City Fees

a. Permit and Application Fees. Owner agrees to pay all permit fees and charges referenced in Montebello Municipal Code Chapters 5.90 and 17.71, and the amounts adopted by City Council by Resolution No. 19-14, effective February 13, 2019, as well as any fees set forth in this Agreement. Permit application, processing, and renewal fees shall be due and payable at the time application is made.

b. Cannabis Operation Fees.

As used herein, "**Premises**" means the designated structure or structures and land specified in the application that is owned, leased, or otherwise held under the control of the Owner where the commercial cannabis activities will be or are conducted.

As used herein, "canopy" means the designated area(s), except nurseries, that will contain mature plants at any point in time, as follows:

(1) Canopy shall be calculated in square feet and measured using clearly identifiable boundaries of all area(s) that will contain mature plants at any point in time, including all of the space(s) within the boundaries;

(2) Canopy may be noncontiguous but each unique area included in the total canopy calculation shall be separated by an identifiable boundary that includes, but is not limited to, interior walls, shelves, greenhouse walls, hoop house walls, garden benches, hedgerows, fencing, garden beds, or garden plots; and

(3) If mature plants are being cultivated using a shelving system, the surface area of each level shall be included in the total canopy calculation.

As used herein, "**commercial cannabis activities**" means all permitted activities: e.g., cultivation, possession, manufacture, processing, storing, packaging, labeling, transportation, sale, delivery or distribution of cannabis and/or cannabis products.

As used herein, "**Gross receipts**" shall mean the total amount of receipts actually received or receivable in accordance with GAAP or other comprehensive version of accounting in the course of business in a calendar year or calendar month from sales or the performance of acts or services for which charge is made or credit allowed. “**Gross receipts**” include, without limitation, all receipts, cash, credit, property received in lieu of cash, and any other valuable consideration taken in exchange for goods, services or other valuable consideration.

As used herein, "**Production Space**" means the area on or within the **Premises** intended for **commercial cannabis activities** excluding non-operational common areas such as restrooms, cafeterias, break rooms, hallways, corridors, vestibules, parking structures or surface street lots. The parties stipulate and agree that the square footage for the **Production Space** shall be determined by the City Manager in his sole and complete discretion as the Project is completed.

The City Manager is specifically authorized to increase the square footage for the Production Space up to an increase in size of ten percent (10%) administratively and to determine the corresponding operating fee as the Project is completed.

Owner agrees to pay to City ninety (90) days after a Certificate of Occupancy is granted, in order to enable City to promote, protect, and enhance the health, safety, and welfare of the community and its residents and its quality of life., Owner agrees to pay the following percentage of gross receipts and the following square footage for cannabis operations, as follows, paid on a quarterly basis to the City (“Cannabis Operation Fee”):

1. Manufacturing: 2% of gross receipts
2. Distribution: 2.5% of gross receipts, excluding distribution of products manufactured at the Site as well as distribution activities solely to licensed entities under common ownership or otherwise affiliated with Owner so long as distribution is not the only commercial cannabis activity conducted at the Site
3. Delivery-Only Retail: 2% of gross receipts
4. Cultivation: $10.00 per square foot of canopy space, as may be amended from time to time pursuant to the CUP and/or this Agreement

Any subsequent years of operation after the first ten (10) year term of this Agreement shall be negotiated in good faith by the parties.

A Site with multiple licenses must not commingle respective sales proceeds, and blend percentage rate of **Gross Receipts**.

The Cannabis Operation Fee shall begin to accrue **ninety (90)** days after a Certificate of Occupancy is granted. Owner shall make payments to the City on a quarterly basis, within ninety (90) calendar days after the last day of each quarter. The first quarter is defined as January 1 through March 31, the second quarter as April 1 through June 30, the third quarter as July 1 through September 30, and the fourth quarter as October 1 through December 31. First payment to the City may be prorated, if applicable, to adhere to the latter, uniform quarterly payment schedule.

Failure to pay the Cannabis Operation Fee within thirty (30) calendar days after the due date shall result in a penalty for nonpayment in a sum equal to 10% of the total amount due. Additional penalties will be assessed in the following manner: an additional 10% shall be added to the first day of each calendar month following the month of the imposition of the 10% penalty if these fees remain unpaid in whole or in part – up to a maximum of 100% of the total fee payable on the due date.

c. Owner understands and agrees that the fees set forth above shall be paid in a manner and in accordance with a payment schedule set or modified by City. The cultivation, manufacturing, testing, distribution, and delivery space to which the Cannabis Operation Fee applies is as identified on the City-issued final approved floor plan.

d. If Owner makes any changes to the interior layout of the Site that increases the amount of space allocated to those uses to which the per-square-foot Cannabis Operation Fee applies, Owner shall notify City in writing of such changes at least fourteen (14) calendar days prior to making such changes, and if approved by the City the per-square-foot fee shall be modified accordingly. If Owner fails to give City notice as required herein, Owner shall be responsible for paying to City a per-square-foot fee based on any increase in the amount of space allocated to those uses to which the per-square-foot fee applies retroactive to the date the CUP became effective.

8. Additional Owner Obligations

a. Reporting of Gross Receipts from Operations

1) Quarterly Receipts. No later than one-hundred twenty (120) days from the date Owner secures a CUP and every three months thereafter (Owner shall deliver to City a report (the "Quarterly Report"), pursuant to the quarterly payment schedule discussed hereinabove) showing (i) Gross Receipts from commercial cannabis activities for the immediate prior three months received by Owner, and a cumulative total of all amounts of Gross Receipts from commercial cannabis activities received by Owner for the calendar year, (ii) a calculation of the quarterly payment due to City for the prior three months, and (iii) a calculation of the cumulative total of all quarterly payments for the calendar year.

2) Statement of Receipts/Annual Audit. The Owner shall keep complete, accurate and appropriate books and records of all receipts from

operations in accordance with generally accepted accounting principles ("GAAP") or other comprehensive version of accounting. For purposes herein, "books and records" shall mean all bookkeeping or accounting documents Owner typically utilizes in managing its business operations relating to the Project. Such books and records, as well as all other relevant documents as the City Manager may reasonably require, shall, upon reasonable written notice, be open for inspection by City, its auditors or other authorized representatives. If at any time during the term such books and records prove inadequate in the reasonable judgment of City to record the Gross Receipts from commercial cannabis activities as herein required, Owner shall, upon the written request of the City, procure and maintain such books and records as shall be of a character and from adequate for such purpose. City shall have the right to audit and examine such books, records and documents and other relevant items in the possession of Owner, on no more than an annual basis, or at any time other upon reasonable basis therefor substantiated the City, to the extent necessary for a proper determination of Gross Receipts from commercial cannabis activities, and all such books, records, documents and other items shall be held available for such audit and examination. The City's audit shall be performed by a non-contingency fee, regionally recognized independent auditor approved in advance by the City. Upon request by City, Owner shall make all such books, records and documents available to the City Manager, his designee, or to the City approved auditor, and provide removable copies thereof, within thirty (30) days of the date of City's request. Owner shall pay all reasonable costs of such audits. Owner shall preserve such books, records, documents, and other items in Montebello for a period of not less than one (1) years for the purpose of auditing or re-auditing these accounts upon reasonable notice; except that, if an audit is made within the seven-year period and Owner claims that errors or omissions have occurred, the books and records shall be retained and made available until those matters are resolved. City shall keep strictly confidential all statements of revenue furnished by Owner and all other information concerning Owner's operation of the Site obtained by City as a result of the inspection audit and examination privileges of City hereunder (i.e. receipts and tax filings), except as otherwise required by a court order. If City receives a request for such information pursuant to the Public Records Act (California Government Code Section 6250, et seq.), City shall provide Owner notice of any such request prior to disclosing any such information and shall refuse to disclose such information until such time as Owner has been given notice and afforded the opportunity to obtain a protective order. Within seven (7) years after the receipt of any statement of receipts under this Agreement, City at any time shall be entitled to carry out an audit of such revenue either by City or agent to be designated by City. If it shall be determined as a result of such audit that there has been a deficiency in any payment due under this Agreement made on the basis of such statement, then such deficiency shall become immediately due and payable within thirty (30) days of such determination.

3) Copies of Tax Filings. Owner shall provide the City with courtesy copies of each and every report Owner is required to provide to the County of Los Angeles or the State of California for sales, use, cannabis excise, or other gross receipts type taxes at the time such filings are required to be made, including any lawful extensions thereof.

b. Future Revenue Mechanisms. During the term of this Agreement, if the City imposes (by Citizen Initiative) an alternative revenue mechanism specifically related to commercial cannabis activities (e.g., a cannabis tax), Owner agrees to renegotiate in good faith the terms of this Development Agreement with the City so as to comply with an alternative revenue mechanism to the extent the alternative revenue mechanism does not result in higher annual fees than the fees required under this Agreement. As used in this section, "alternative revenue mechanism" does not include taxes, fees, or assessments levied on or collected from both cannabis and non- cannabis operations.

9. Insurance and Indemnity

a. Insurance. Owner shall require all persons doing work on the Project, including its contractors and subcontractors (collectively, "Owner" for purposes of this Section 9 only), to obtain and maintain insurance of the types and in the amounts described in this section and its subsections with carriers reasonably satisfactory to City.

b. General Liability Insurance. Owner shall maintain commercial general liability insurance or equivalent form with a limit of not less than One Million Dollars ($1,000,000) (or as otherwise approved, in writing, by City) per occurrence and Two Million Dollars ($2,000,000) in the aggregate. Such insurance shall also:

1) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as "Additional Insureds" by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insured.

2) Be primary with respect to any insurance of self-insurance programs covering City, its officials, employees, agents, and representatives.

3) Contain standard separation of insured provisions.

c. Automobile Liability Insurance. Owner shall maintain business automobile liability insurance or equivalent form with policy limits that are in commercially reasonable amounts and in compliance with state law for such automotive liability insurance for each accident for the vehicles Owner operates in connection with its cannabis business. Such insurance shall include coverage for owned, hired, and non-owned automobiles. Such insurance shall also:

1) Name City, and work in good faith with the City and the insurers to name additional insureds as deemed reasonably necessary. "Additional Insureds" by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insureds;

2) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives;

3) Contain standard separation of insured provisions.

d. Workers' Compensation Insurance. Owner shall take out and maintain during the term of this Agreement, the statutorily required minimum amount of workers' compensation insurance in accordance with applicable state workers' compensation laws for all of Owner's employees employed at or on the Project, and in the event any of the work is subcontracted, Owner shall require any general contractor or subcontractor similarly to provide workers' compensation insurance for such contractor's or subcontractor's employees, unless such employees are covered by the protection afforded by Owner. In case any class of employee engaged in work on the Project is not protected under any workers' compensation law, Owner shall provide and shall cause each contractor and subcontractor to provide adequate insurance for the protection of employees not otherwise protected. Owner hereby indemnifies City for any damage resulting from failure of Owner, its agents, employees, contractors, or subcontractors to take out or maintain such insurance. Workers' compensation insurance with statutory limits and employer's liability insurance of not less than the required statutory limits for each accident shall be maintained.

e. Other Insurance Requirements. Owners shall do all of the following:

1) Prior to taking any actions under this Agreement, furnish City with properly executed certificates of insurance that clearly evidenced all insurance required in this Section, including evidenced that such insurance will not be canceled, allowed to expire, or be materially reduced in coverage without thirty (30) days prior written notice to City.

2) Provide to City, upon request, and within seven (7) calendar days of said request, certified copies of endorsements and policies, and properly executed certificates of insurance evidencing the insurance required herein.

3) Replace or require the replacement of certificates, policies and endorsements for any insurance required herein expiring prior the termination of this Agreement.

4) Maintain all insurance required herein from the Effective Date of this Agreement to the earlier of the expiration of the term or the mutual written termination of this Agreement.

5) Place all insurance required herein with insurers licensed to do business in California with a current Best's Key Rating Guide reasonably acceptable to City.

f. Indemnity. Owner agrees to indemnify, defend, and hold City, and its elected and appointed council, boards, commissions, officers, agents, employees, contractors, consultants and representatives, harmless from any and all claims costs and liability for any personal injury or property damage which may arise as a result of any actions or negligent omissions by Owner or Owner's contractors, subcontractors, agents, or employees in connection with the construction, improvement, or operation of the Project.

10. Termination

a. Termination upon End of Term. This Agreement shall terminate upon the expiration of the term, unless it is terminated earlier pursuant to the terms of this Agreement.

b. Effect of Termination on Owner's Obligations. Termination of this Agreement shall eliminate any further obligation of Owner to comply with this Agreement, or some portion thereof, if such termination relates to only part of the Site or Project. Termination of this Agreement, in whole or in part, shall not, however, eliminate or otherwise limit the rights of Owner to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

c. Effect of Termination on City's Obligations. Termination of this Agreement shall eliminate any further obligation of City to comply with this Agreement, or some portion thereof. Termination of this Agreement shall not, however, eliminate the rights of City to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

d. Survival after Termination. The rights and obligations of the Parties set forth in Section 14, Section 20, and Subsection 22(c), and Subsection 22(e), and any right or obligation of the Parties in this Agreement which, by its express terms or nature and context is intended to survive termination of this Agreement, will survive any such termination.

11. Resources Efficiency

Owner shall in good faith endeavor to reduce its environmental impact when possible. The design of the Site shall include reasonable water and energy conservation measures in accordance with applicable State regulations and the CUP.

12. Standard Conditions for Construction

During any on-site construction activities related to development of the Site and any buildings thereon, or renovation or remodeling of existing buildings, Owner shall comply with all applicable terms and conditions of City's standard conditions for construction and the CUP. The Project shall comply with the applicable parking standards in accordance with the CUP.

13. Defaults and Remedies

a. Remedies in general. It is acknowledged by the Parties that City would not have entered into this Agreement if it were to be liable in damages under this Agreement, or with respect to this Agreement or the application thereof, except as hereinafter expressly provided. Subject to extensions of time by mutual consent in writing, failure to delay by either party to perform any term or provision of this Agreement beyond a reasonable notice and cure period shall constitute a default. In the event of alleged default or breach of any terms or conditions of this Agreement, the party alleging such default or breach shall give the other party not less than thirty (30) day notice in writing specifying the nature of the alleged default and the manner in which said default may be satisfactorily cured during any such thirty (30) day period, the party charged shall not be considered in default for purposes of termination or institution of legal proceedings. Notwithstanding the foregoing to the contrary, if the alleged default is of such a nature that it cannot be reasonably cured within thirty (30) days, the alleged defaulting party shall not be deemed in default as long as such party commences to cure such default within such thirty (30) day period and thereafter diligently prosecutes such cure to completion.

After notice and expiration of the thirty (30) day period, the other party to this Agreement, at its option, may institute legal proceedings pursuant to this Agreement.

In general, each of the parties hereto may pursue any remedy at law or equity available for the breach of any provision of this Agreement, except that City shall not be liable for monetary damages, unless expressly provided for this Agreement, to Owner, to any mortgagee or lender, or to any successors in interest of Owner or mortgagee or lender, or to any other person, and Owner covenants on behalf of itself and all successors in interest to the Property or any portion thereof, not to sue for damages or claim any damages.

1) For any breach of this Agreement or for any cause of action which

arises out of this Agreement; or

2) For the impairment or restriction of any right or interest conveyed or provided under, with, or pursuant to this Agreement, including, without limitation, any impairment or restriction which Owner characterizes as a regulatory taking or inverse condemnation; or

3) Arising out of or connected with any dispute, controversy or issue regarding the application or interpretation or effect of the provisions of this Agreement.

Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from the exercise by City of its power of eminent domain. Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from bad faith intentional acts, the grossly negligent or malicious acts of City and its officials, officers, agents and employees. Nothing herein shall modify or abridge any defenses or immunities available to City and its employees pursuant to the Government Liability Act and all other applicable statutes and decisional law.

Except as set forth in the preceding paragraph relating to eminent domain, Owner's remedies shall be limited to those set forth in this Subsection 13(a), Subsection 13(b), and Subsection 13(c).

Notwithstanding anything to the contrary contained herein, City covenants as provided in Civil Code Section 3300 not to sue for or claim any consequential damages or, in the event all or a portion of the Site is not developed, for lost profits or revenues which would have accrued to City as a result of the development of the Site.

b. Specific Performance. The Parties acknowledge that money damages and remedies at law are inadequate, and specific performance and other non-monetary relief are particularly appropriate remedies for the enforcement of this Agreement and should be available to all parties for the following reasons:

Due to the size, nature and scope of the Project, it may not be practical or possible to restore the Site to its natural condition once implementation of this Agreement has begun. After such implementation, Owner may be foreclosed from other choices it may have had to use the Site or portions thereof. Owner has invested significant time and resources and performed extensive planning and processing of the Project in agreeing to the terms of this Agreement and will be investing even more significant time and resources in implementing the Project in reliance upon the terms of this Agreement, and it is not possible to determine the sum of money which would adequately compensate Owner for such efforts; the parties acknowledge and agree that any injunctive relief may be

ordered on an expedited, priority basis.

c. Release. Except for those remedies set forth in Subsections 13(a), 13(b), and 13(c), Owner, for itself, its successors and assignees, hereby releases City, its officers, agents and employees from any and all claims, demands, actions, or suits of any kind or nature arising out of any liability, known or unknown, present or future, based or asserted, pursuant to Article 1, Section 19 of the California Constitution, the Fifth Amendment of the United States Constitution, or any other law or ordinance which seeks to impose any other liability or damage, whatsoever, upon City because it entered into this Agreement or because of the terms of this Agreement.

Owner acknowledges that it may have suffered, or may suffer, damages and other injuries that are unknown to it, or unknowable to it, at the time of its execution of this Agreement. Such fact notwithstanding, Owner agrees that the release provided in this Subsection 13(c) shall apply to such unknown or unknowable claims and damages. Without limiting the generality of the foregoing, Owner acknowledges the provisions of California Civil Code Section 1542, which provide:

> ***"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor*."**

Owner hereby waives, to the maximum legal extent, the provisions of California Civil Code Section 1542 and all other statutes and judicial decisions of similar effect.

____
Owners' Initials

d. Termination of Agreement for Default of City. Owner may terminate this Agreement in the event of a default by City in the performance of a material term of this Agreement and only after providing written notice to City of default setting forth the nature of the default and the actions, if any, required by City to cure such default and, where the default can be cured, City has failed to take such actions and cure such default within thirty (30) days after the effective date of such notice or, in the event that such default cannot be cured within such thirty (30) day period but can be cured within a longer time, has failed to commence the actions necessary to cure such default within such thirty (30) day period and to diligently proceed to complete such actions and cure such default. Notwithstanding anything to the contrary, in the event that Owner deem it is necessary and/or advisable to cease operations in Montebello, then Owner may terminate this Agreement, and such termination shall be effective upon the date of written notice to the City.

e. Attorneys' Fees and Costs. In any action or proceeding between City and Owner brought to interpret or enforce this Agreement, or which in any way arises out of the existence of this Agreement or is based upon any term or provision contained herein, the "prevailing party" in such action or proceeding shall be entitled to recover from the non-prevailing party, in addition to all other relief to which the prevailing party may be entitled pursuant to this Agreement, the prevailing party's reasonable attorneys' fees and litigation costs, in an amount to be determined by the court. The prevailing party shall be determined by the court in accordance with California Code of Civil Procedure Section 1032. Fees and costs recoverable pursuant to this Subsection 13(e) include those incurred during any appeal from an underlying judgment and in the enforcement of any judgment rendered in any such action or proceeding.

f. Owner Default. No building permit shall be issued or building permit application accepted for any structure on the Site after Owner is determined by City to be in default of the terms and conditions of this Agreement until such default thereafter is cured by Owner or is waived by City. If City terminates this Agreement because of Owner's default, then City shall retain any and all benefits, including money or land received by City hereunder.

14. Third Party Litigation

a. General Plan Litigation. City has determined that this Agreement is consistent with its General Plan. Owner has reviewed the General Plan and concurs with City's determination.

City shall have no liability under this Agreement or otherwise for any failure of City to perform under this Agreement, or for the inability of Owner to develop the Site as contemplated by the Agreement, which failure to perform or inability to develop is as the result of a judicial determination that the General Plan, or portions thereof, are invalid or inadequate or not in compliance with law, or that this Agreement or any of City's actions in adopting it were invalid, inadequate, or not in compliance with the law.

b. Hold Harmless Agreement. Owner hereby agrees to, and shall hold City, its elective and appointive boards, commissions, officers, agents, attorneys, contractors, consultants and employees harmless from any liability for damage or claims for damage for personal injury, including death, as well as from claims for property damage which may arise from Owner or Owner's contractors, subcontractors, agents, or employees' operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, agents, or employees operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, or by any one or more persons directly or indirectly employed by, or acting as agent for Owner or any of Owner's contractors or subcontractors. Owner agrees to and shall defend City and its elective and appointive boards, commissions, officers, agents and employees from any suits or actions at law or in equity for

damage caused, or alleged to have been caused, by reason of any of the aforesaid operations.

c. Indemnification. Owner shall defend, indemnify, and hold harmless City and its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees against and from any and all liabilities, demands, claims, actions or proceedings and costs and expenses incidental thereto (including costs of defense, settlement and reasonable attorneys' fees)which any or all of them may suffer, incur, be responsible for or pay out as a result of or in connection with any challenge to the legality, validity or adequacy of any of the following: (i) this Agreement and the concurrent and subsequent permits, licenses and entitlements approved for the Project or Site; (ii) the environmental impact report, mitigated negative declaration or negative declaration, as the case may be, prepared in connection with the development of the Site; and (iii) the proceedings undertaken in connection with the adoption or approval of any of the above. In the event of any legal or equitable action or other proceeding instituted by any third party (including a governmental entity or official) challenging the validity of any provision of this Agreement or any portion thereof as set forth herein, the parties shall mutually cooperate with each other in defense of said action or proceeding. Notwithstanding the above, City, at is sole option, may tender the complete defense of any third-party challenge as described herein. In the event City elects to contract with special counsel to provide for such a defense, City shall meet and confer with Owner regarding the selection of counsel, and Owner shall pay all costs related to retention of such counsel.

d. Environmental Contamination. Owner shall indemnify and hold City, its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees free and harmless from any liability, based or asserted, upon any act or omission of Owner, its officers, agents, employees, subcontractors, predecessors in interest, successors, assigns and independent contractors, excepting and acts or omissions of City as successor to any portions of the Site dedicated or transferred to City by Owner and further excepting any environmental conditions not within Owner's control nor directly associated with a Permitted Use, for any violation of any federal, state or local law, ordinance or regulation relating to industrial hygiene or to environmental conditions on, under or about the Property, including, but not limited to, soil and groundwater conditions, and Owner shall defend, at its expense, including attorneys' fees, City, its officers, agents and employees in any action based or asserted upon any such alleged act or omission. City may in its discretion participate in the defense of any such claim, action or proceeding.

The provisions of this Section 14(d) do not apply to environmental conditions that predate Owner's ownership or control of the Site or applicable portion; provided, however, that the foregoing limitation shall not operate to bar, limit or modify any of Owner's statutory or equitable obligations as an owner or seller of

the Site.

e. City to Approve Counsel. With respect to Subsections 14(a) through 14(d) only, City reserves the right to approve the attorney(s) which Owner selects, hires or otherwise engages to defend City hereunder, which approval shall not be unreasonably withheld, conditioned, or delayed.

f. Accept Reasonable Good Faith Settlement. City shall not reject any reasonable good faith settlement offer regarding claims contemplated in this Section 14. If City does reject a reasonable, good faith settlement that is acceptable to Owner, Owner may enter into a settlement of the action, as it relates to Owner, and City shall thereafter defend such action (including appeals) at its own cost and be solely responsible for any judgment rendered in connection with such action. This Subsection 14(f) applies exclusively to settlements pertaining to monetary damages or damages which are remedial by the payment of monetary compensation. Owner and City expressly agree that this Subsection 14(f) does not apply to any settlement that requires an exercise of City's police powers, limits City's exercise of its police powers, or affects the conduct of City's municipal operations.

g. Survival. The provisions of Subsections 14(a) through 14(f) inclusive, shall survive the termination or expiration of the Agreement.

15. California Environmental Quality Act

Owner shall reimburse City for any and all reasonable costs incurred by City related to project review under the California Environmental Quality Act (CEQA), Public Resources Code, §§21000-21189.3, and the Guidelines for California Environmental Quality Act, California Code of Regulations, Title 14, §§15000-15387. If reasonably requested by City, Owner shall conduct and pay for any required CEQA reviews and analyses. The City has found that the proposed Project is Categorically Exempt from California Environmental Quality Act (CEQA) requirements under provisions of CEQA Guidelines **Section 15301** – Existing Facilities. This exemption applies to projects characterized as alterations to existing facilities meeting the conditions described in **Section 15301**.

16. Rules, Regulations, and Official Policies

Except as otherwise provided in this Agreement, the rules, regulations, and official policies of City governing permitted uses of the land, governing density, and governing the design, improvements, and construction standards and specifications applicable to the development of the Project subject of this Agreement, shall be those rules, regulations, and official policies of City in force as of the Effective Date of this Agreement. This Agreement does not prevent City, in subsequent actions applicable to the Site, from applying new rules, regulations, and policies which do not conflict with those rules, regulations, and

policies applicable to the property as set forth herein, nor does this Agreement prevent City from denying or conditionally approving any subsequent development project application (i.e. not the Project) based on such existing or new rules, regulations, or policies.

17. CUP Conditions of Approval

Owner shall comply with all conditions of approval of the City-issued CUP. If there is any conflict between a term of this Agreement and a condition of approval of the City-issued CUP, then the most restrictive shall apply.

18. Periodic Reviews

This Agreement shall be subject to annual review. The Owner executing this Agreement, or successor in interest thereto, shall demonstrate good faith compliance with the terms of this Agreement. If, as a result of such periodic review, City finds and determines, based on substantial evidence, that Owner executing this Agreement, or successor in interest thereto, has not materially complied in good faith with the terms or conditions of this Agreement, City may terminate or modify this Agreement (except no modification shall increase Owner's liability nor reduce Owner's rights), provided that City shall first provide Owner notice of its intent to terminate, with a detailed explanation as to why, and provide Owner the reasonable right to cure the same.

a. Periodic Review. City Council shall review this Agreement annually, on or before each anniversary of the Effective Date, in order to ascertain Owner's good faith compliance with this Agreement. During the periodic review Owner shall be required to demonstrate good faith compliance with the terms of the Agreement, through submitting an annual monitoring report, records, or equivalent written materials to the Planning Department. The Planning Department will schedule a hearing on the periodic review of the Development Agreement on or following the anniversary of the Effective Date, but Owner has no obligation to compel such hearing, and no implication will be made to Owner's detriment if a hearing is not in fact held. Owner shall document any request for an extension of the term due to delays beyond the control of Owner (see Subsection 22(g), "Force Majeure"). Owner shall submit an annual review and administration fee deposit not to exceed City's estimated internal and third-party costs associated with the review and administration of this Agreement during the succeeding year. City shall provide Owner said estimate a reasonable time in advance of the annual review and administration fee deposit being due.

b. Conditional Use Permit. The operation of the business at all times shall be required to comply with the CUP and this Agreement.

c. Special Review. City Council may order a special review of compliance with this Agreement at any time. The City Manager, Community Development

Director, or his or her designee(s) shall conduct such special review. During a special review, Owner shall be required to demonstrate good faith compliance with the terms of the Agreement. The burden of proof on this issue shall be on Owner.

d. Review Hearing. At the time and place set for the special or periodic review hearing, Owner shall be given an opportunity to be heard. If City Council finds, based upon substantial evidence, that Owner has not complied in good faith with the terms or conditions of this Agreement, City Council may terminate this Agreement notwithstanding any other provision of this Agreement to the contrary, or modify this Agreement and impose such conditions as are reasonably necessary to protect the interests of City. The decision of City Council shall be final, subject only to judicial review pursuant to Code of Civil Procedure Section 1094.5.

e. Certificate of Agreement Compliance. If, after a periodic or special review, Owner is found to be in compliance with this Agreement, and if Owner requests it, City shall issue a Certificate of Agreement Compliance ("Certificate") to Owner stating that after the most recent periodic or special review, and based upon the information known or made known to the Planning Director and City Council, that (i) this Agreement remains in effect and (ii) Owner is not in default. City shall not be bound by a Certificate if a default existed at the time of the periodic or special review, but was concealed from or otherwise not known to the Planning Director and City Council, regardless of whether the Certificate is relied upon by assignees or other transferees or Owner.

f. Failure to Conduct Review. City's failure to conduct a periodic review of this Agreement shall not constitute a breach of this Agreement.

g. Cost of Review. The reasonable costs incurred by City in connection with the periodic reviews shall be borne by Owner.

19. Assignment

Assignment by Owner. Owner shall not transfer, delegate, sublet or assign its interest, rights, duties, and obligations under this Agreement without the prior written consent of City, which consent shall not be unreasonably withheld. Owner shall submit a transfer application to the City Manager or City Manager's designee and pay any applicable transfer fee. The proposed transferee must show proof of lawful transfer of possession of the applicable location as may be acceptable to the City. Owner is aware it may take the City approximately six (6) months to process a transfer application.

Any assignment, delegation, subletting or assignment without the prior written consent of City shall be null and void. Any transfer, delegation, subletting or assignment by Owner as authorized herein shall be effective only if and upon

the party to whom such transfer, delegation, subletting or assignment is made is issued a CUP as required under Montebello Municipal Code Chapters 5.90 and 17.71.

Owner shall also comply with all proposed assignments and changes, including assignment and changes impacting a Development Agreement or a CUP, as required pursuant to state law, and Montebello Municipal Code Chapters 5.90 and 17.71.

20. Operating Commercial Cannabis Facility

Any Party to this Agreement, or successor in interest thereto, shall not operate a commercial cannabis facility authorized under the municipal code unless:

a. It is the holder of a valid CUP issued by City in accordance with the procedures and requirements of Montebello Municipal Code Chapters 5.90 and 17.71; and,

b. At such time as the State of California requires commercial cannabis facilities and businesses to hold a valid license or permit issued by the State of California, it also holds such license or permit, unless, however, such permit or license is not required by the State of California for the type of commercial cannabis facility or business operation that is the subject of this Agreement.

21. Notices

Any notice or communication required hereunder between City and Owner must be in writing, and may be given either personally, by registered or certified mail (return receipt requested), or by Federal Express, UPS or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered, as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to City:	City of Montebello 1600 W. Beverly Blvd Montebello, California 90640 Attention: City Manager
With a copy to:	City Attorney 13181 Crossroads Parkway North Suite 400 – West Tower City of Industry, California 91746
If to Owner:	[NAME AND ADDRESS OF OPERATOR]
With a copy to:	

22. Miscellaneous Provisions

Amendment or Cancellation. This Agreement may be amended, or canceled in whole or in part, only by the written mutual consent of the parties to this Agreement or their successors in interest, except that minor amendments that do not affect a substantive provision of this Agreement may be approved by the City Manager on behalf of the City. The decision whether a proposed amendment is "minor" shall be in the reasonable good faith discretion of the City Manager, and consistent with Montebello Municipal Code Chapters 5.90 and 17.71.

a. Waiver. Waiver by City of any one or more of the terms or conditions of this Agreement shall not be construed as waiver of any other term or condition under this Agreement.

b. Enforcement/Reserved Powers. Unless amended or canceled pursuant hereto, this Agreement shall be enforceable by any Party hereto, or successor in interest thereto, notwithstanding any subsequent change in any applicable general or specific plan, zoning, subdivision or building regulation, or municipal code amendment adopted by City that conflicts with the terms of this Agreement. However, this Agreement is subject to the City's "Reserved Powers." For purposes of this Agreement, "Reserved Powers" means the rights and authority excepted from this Agreement's restrictions on the City's police powers and which are instead reserved to the City. The Reserved Powers include the powers to enact regulations or take future discretionary actions after the Effective Date of this Agreement that: (1) are necessary to protect the public health and safety, and are generally applicable on a City-wide basis (except in the event of natural disasters as found by the City Council such as floods, earthquakes and similar acts of God); (2) are amendments to California Marijuana Laws or California Uniform Codes, as adopted by the City of

Montebello, and/or the Montebello Municipal Code, as applicable, regarding the construction, engineering and design standards for private and public improvements to be constructed on the Site; (3) are necessary to comply with state or federal laws and regulations; or (4) involve sign and parking ordinances and guidelines, changes to the City's zoning laws, Specific Plan or the City's General Plan, whether adopted previous or subsequent to the Effective Date of this Agreement).

If any City ordinance, rule or regulation or addition to the Montebello Municipal Code is enacted or imposed by a citizen-sponsored initiative or referendum after the Effective Date that would conflict with this Agreement or an associated CUP, business license or other authorizations and City approvals, or reduce development rights or assurances provided to the Owner in this Agreement, then such changes, additions or deletions to the Montebello Municipal Code shall not be applied to the Site or Project. The parties shall cooperate with each other and undertake such reasonable actions as may be appropriate to ensure this Agreement remains in full force and effect and is implemented in accordance with its terms and to the fullest extent permitted by state or federal law.

Notwithstanding anything to the contrary in this Agreement, site improvements contemplated by this Agreement shall be completed pursuant to the development standards and design guidelines to be adopted by the zoning code amendment.

c. Severability. If any part of this Agreement is found to conflict with applicable state laws or regulations, such part shall be inoperative, null, and void insofar as it conflicts with said laws or regulations, or modified or suspended as may be necessary to comply with such state laws or regulations, but the remainder of this Agreement shall continue to be in full force and effect.

d. Counterparts. 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. The execution of this Agreement may be by actual, facsimile, or electronic signature.

e. Jurisdiction. The law governing this Agreement shall be that of the State of California. Any suit brought by any party against any other party arising out of the performance of this Agreement or the breach, termination, enforcement, interpretation or validity thereof, shall be filed and maintained in the County of Los Angeles Superior Court.

f. Disclaimer. Despite California's commercial cannabis laws and the terms and conditions of this Agreement, or any CUP issued pertaining to Owner

or the property specified herein, California commercial cannabis cultivators, manufacturers, retailers, transporters, distributors, or possessors may still be subject to arrest by state or federal officers and prosecuted under state or federal law. The Federal Controlled Substances Act, 21 USC § 801, prohibits the manufacture, distribution, and possession of cannabis without any exemptions for medical use.

g. Force Majeure. If delays are caused by unforeseen events beyond the control of Owner, such delays will entitle Owner to an extension of time as provided in this Section 22. Such unforeseen events ("Force Majeure") shall mean war, insurrection, acts of God, local, state or national emergencies, strikes and other labor difficulties beyond the party's control, or any default by City hereunder, which Force Majeure event substantially interferes with the development, construction or operation of the Project.

h. Costs and Fees. Intentionally omitted.

i. Constructive Notice and Acceptance. Every person who after the Effective Date of this Agreement owns or acquires any right, title, or interest to any portion of the Site, is and shall be conclusively deemed to have consented and agreed to every provision contained herein, whether or not any reference to this Agreement is contained in the instrument by which such person acquired an interest in the Site, and all rights and interests of such person in the Site shall be subject to the terms, requirements, and provisions of this Agreement.

j. Binding Effect of Recitals. The Parties agree that the Recitals above are true and correct and intend to be bound by same.

k. Project as a Private Undertaking. It is specifically understood and agreed by and between the parties hereto that the development of the Project is a private development, that neither party is acting as the agent of the other in any respect hereunder, and that each party is an independent contracting entity with respect to the terms, covenants and conditions contained in this Agreement. No partnership, joint venture or other association of any kind is formed by this Agreement. The only relationship between the City and the Owner is that of a government entity regulating the development of private property and the owner of such property.

l. Changes to Project. The parties acknowledge that changes to the Project and related approvals may be appropriate and mutually desirable to carry out the intent and purpose of this Agreement. This Agreement shall not prevent the City from applying, with the consent or at the request of the Owner, *Subsequent Land Use Regulations* or *Subsequent Development*

Approvals that do not directly conflict with the Site authorized under this Agreement. The granting of one such change or request shall not obligate the City to grant other similar changes or requests. As used herein, "*Subsequent Development Approvals*" include, without limitation, all excavation, grading, building, construction, demolition, encroachment or street improvement permits, occupancy certificates, utility connection authorizations, or other non-discretionary permits or approvals necessary, convenient or appropriate for the Project. As used herein, "*Subsequent Land Use Regulations*" means ordinances, resolutions and codes adopted or approved by the City after the Effective Date of this Agreement governing the development and use of the land, including general plan amendments, zone changes, variances or conditional use permits affecting the permitted use of the land including density or intensity of use, subdivision requirements, the maximum height and size of proposed buildings, the provisions of reservation or Dedication of land for public purposes, and the design, improvement and construction and initial occupancy standards and specifications applicable to the Development of the Property.

m. Conflicting Federal or State Rules. In the event that any conflicting federal or state laws or regulations, enacted after the Effective Date, prevent or preclude compliance with one or more provisions of this Agreement or require changes in plans, maps or permits approved by the City, *this Agreement shall remain in full force and effect as to those provisions not affected*; and

(i) Notice of Conflict. Either party, upon learning of any such matter, will provide the other party with written notice thereof and provide a copy of any such law, regulation or policy together with a statement of how any such matter conflicts with the provisions of this Agreement; and

(ii) Modification Conferences. The parties shall, within thirty (30) days of the notice referenced to in the preceding subsection, meet and confer in good faith and attempt to modify this Agreement to bring it into compliance with any such federal or state law or regulation.

(iii) City Council Hearings. In the event the City believes that an amendment to this Agreement is necessary due to the effect of any federal or state law or regulation, the proposed amendment shall be scheduled for hearing before the City Council. The City Council shall determine the exact nature of the amendment necessitated by such federal or state law or regulation. Owner shall have the right to offer oral and written testimony at the hearing. Any modification ordered by the City Council pursuant to such hearing is subject to judicial review in accordance with California law.

(iv) City Cooperation. The City shall cooperate with Owner in securing any City permits, licenses or other authorizations that may be required as a

result of any amendment resulting from actions initiated by the City. As required by this Agreement, Owner shall be responsible to pay all applicable fees in connection with securing of such permits, licenses or other authorizations.

n. Effective Date. "Effective Date" means either the date of this Agreement approved by the City Council or the date of the CUP's approval by the City Planning Commission, whichever comes later.

o. Authority to Sign. Each Party or responsible officer or governing body therefore, has read this Agreement and understands and knows the contents thereof, and represents and warrants that each of the officers or agents executing this Agreement on behalf of their respective corporations, partnerships, or other organizations is empowered to do so and hereby binds the respective corporation, partnership, or other organization. Additionally, Owner represents and warrants that each of the officers or agents executing this Agreement on behalf of its corporation, partnership, or other organization is an "owner" as defined by California Business and Professions Code Section 26001 and hereby binds the respective corporation, partnership, or other organization.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

CITY OF MONTEBELLO

____
Jack Hadjinian
Mayor

BELLO MONTE FARMS LLC

____
Name: XXXXXXX
Title: XXXXXXXX

APPROVED AS TO FORM:

____
City Attorney
City of Montebello

EXHIBITS

A. LEGAL DESCRIPTION [TO BE INSERTED]
B. PARCEL MAP [TO BE INSERTED]
C. SITE AND/OR FLOOR PLANS [TO BE INSERTED]
D. RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT [TO BE INSERTED]
E. PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM [TO BE INSERTED]
F. CONDITIONS OF APPROVAL [TO BE INSERTED]
G. LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT [TO BE INSERTED]

EXHIBIT A

LEGAL DESCRIPTION

EXHIBIT B

MAP

EXHIBIT C

SITE AND/OR FLOOR PLANS

EXHIBIT D

RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT

EXHIBIT E

PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM

EXHIBIT F

CONDITIONS OF APPROVAL

EXHIBIT G

LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT

COMMERCIAL CANNABIS BUSINESS DEVELOPMENT AGREEMENT NO. 15-19 BETWEEN THE CITY OF MONTEBELLO AND RD MONTEBELLO, INC.

THIS DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this 5TH day of August, 2019, (the "Execution Date"), by and between the **CITY OF MONTEBELLO**, a California municipal corporation ("City"), and **RD MONTEBELLO, INC.**, a California corporation ("Owner"). City and Owner are sometimes referenced together herein as the "Parties." In instances when a provision hereof applies to each of the Parties individually, either may be referenced as a "Party." The Parties hereby jointly render the following statement as to the background facts and circumstances underlying this Agreement:

RECITALS

WHEREAS, Owner currently holds a legal or equitable interest in certain real property considered in this Agreement which has a development area of approximately **18,469** square feet located at 1801 South Bluff Road, City of Montebello, State of California (the "Site"). The Site includes Assessor's Parcel Number(s): 6354-030-002, and is more fully described in the Legal Description in Exhibit A, and shown on the map in Exhibit B. Both exhibits being attached hereto, respectively, and are incorporated herein by this reference;

WHEREAS, presently, Owner has a leasehold interest in a portion of the Site for the purpose of conducting commercial cannabis related activities which shall include, but not be limited to commercial cannabis manufacturing, delivery-only retail, and distribution. Such commercial cannabis facilities shall operate in accordance with all applicable provisions of California Business and Professions Code §§26000-26231.2; California Health and Safety Code Safety Code §§ 11357-11362.9 and 11362.7-11362.85; California Revenue and Taxation Code §§ 34010-34021.5; California Vehicle Code §§ 2429.7 and 23222; California Water Code §§ 1831, 1847, and 13276; Cal. Code Regs. tit. 16, div. 4 (2019); Cal. Code Regs. tit. 3, div. 8, Ch. 1 (2019); Cal. Code Regs. tit. 17, div. 1, ch. 13 (2019); and the City of Montebello Municipal Code as it applies to such facilities, as such provisions may be amended from time to time (collectively the "Applicable Cannabis Laws"). Prior to operating a cannabis manufacture site, delivery-only retailer site, and distribution site, as those terms are defined in the Montebello Municipal Code ("Manufacturing, Delivery-Only Retail and Distribution Facility"), Owner shall be required to obtain a Conditional Use Permit from the City, and any and all related permits and licenses prior to the operation of same, pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, ultimately, Owner intends upon obtaining one or more permanent annual California State License(s), pursuant to Applicable Cannabis Laws, to operate a Manufacturing, Delivery-Only Retail and Distribution Facility at the Site. The definition of "Owner" hereunder shall mean and refer to the fee simple owner and/or any authorized tenant of the Site to the extent such party holds or is covered by a City Conditional Use Permit; and is not intended to necessarily be coextensive with the definition of that term as defined in California Business & Professions Code Section 26001(al);

WHEREAS, on April 9, 2019, Owner applied to this City for a Conditional Use Permit *(hereinafter* "CUP") to conduct commercial cannabis activities. No such activities are allowed or authorized without this Agreement, a CUP, and all requirements having been satisfied pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, Owner presently intends to develop and open a Manufacturing, Delivery-Only Retail and Distribution Facility on the Site consistent with the Applicable Cannabis Laws and project approvals (known as the "Project"). The Project will include indoor cannabis manufacturing, delivery-only retail, and distribution in accordance with the Applicable Cannabis Laws;

WHEREAS, the Project will consist of one 18,469 square foot building, with such final square footage to be consistent with Owner's final approved CUP, as many be amended pursuant to the CUP and/or this Agreement. The building will be divided into major spaces for manufacturing, delivery and distribution as follows:

Manufacturing: The Project will include a manufacturing room that would be used initially for packaging products. Under the manufacturing license, the Owner will conduct additional manufacturing activities including, volatile extraction (Type 7 Manufacturing). The total area of these uses will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. Manufacturing operations would occur 24-hours daily.

Non-storefront Retail Delivery: The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All delivery activities will be conducted in accordance with Applicable Cannabis Laws, including, but not limited to specified hours of operation.

Distribution: The distribution activities will occur within the distribution area. The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All distribution activities will be conducted in accordance with Applicable Cannabis Laws, including, but not limited to specified hours of operation.

General Business Offices: The Project will be open from 6:00 a.m. to 8:00 p.m., Monday through Friday.

Parking/Loading/Access: The proposed project provides parking spaces in accordance with the City-approved Site Plan.

Security: The Project will secure the facility against unauthorized entry by installing security lights on the exterior of the building to illuminate the side yards and parking area, installing commercial-grade locks, installing an alarm and video surveillance system, establishing procedures for identifying authorized persons, establish inventory controls, and install a secure surveillance vault to maintain the integrity of records. In addition, the applicant will engage a licensed security company to provide an operational security plan in compliance with Montebello Municipal Code Chapters 5.90 and 17.71.

The proposed layout of the site is as shown in the attached Site and/or Floor Plans, in Exhibit C.

The Project will consist of a vertically integrated commercial cannabis facility compliant with Applicable Cannabis Laws that will provide several levels of cannabis production, processing, and distribution.

This includes:

1) Research and development of cannabis plants and strains.
2) Manufacturing of cannabis and its derivatives through volatile and non-volatile extraction.
3) Manufacturing of cannabis food products.
4) Packaging and storage of cannabis products.
5) Distribution of cannabis products.
6) Retail delivery of cannabis products.

Proposed Hours of Operation (subject to final approval pursuant to the CUP):
6:00AM to 8:00PM for general business hours, 24-hours for internal operations

[x] Co-location, check if applicable:

Note: Applicable Cannabis Laws authorize a person to apply for and be issued more than one State annual license at one location provided the licenses premises are separate and distinct.

Owner has applied for State cannabis licenses.

Please see the Recitals of this Development Agreement for details for separate and distinct locations of each operation within the Premises.

WHEREAS, On February 14, 2018, Ordinances No. 2399 and No. 2400 came into effect authorizing specified commercial cannabis activities within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, On June 13, 2018, Ordinances No. 2404 and 2405 came into effect amending specified commercial cannabis activities authorized by Ordinances No. 2399 and No. 2400 within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, all procedures of the California Environmental Quality Act ("CEQA"), California Public Resources Code §21000 et seq., and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 et seq. have been satisfied;

WHEREAS, the City has given public notice of its intention to approve this Agreement. The City has found that the provisions of this Agreement and its purposes are consistent with the objectives, policies, general land uses and programs specified in City's General Plan, zoning code and municipal ordinances;

WHEREAS, the City, in entering into this Agreement, acknowledges that certain City obligations hereby assumed shall survive beyond the terms of the present Council members, that this Agreement will serve to bind City and future Councils to the obligations hereby undertaken, and that this Agreement shall limit the future exercise of certain governmental and proprietary powers of City. By approving this Agreement, the Council has elected to exercise certain governmental powers at the time of entering into this Agreement rather than defer its actions to some undetermined future date. The terms and conditions of this Agreement have undergone extensive review by City and the Council and have been found to be fair, just and reasonable. City has concluded that the pursuit of the Project will serve the best interests of its citizens and that the public health, safety and welfare are best served by entering into this obligation. Owner has represented to City that it would not consider or engage in the Project absent City approving this Agreement;

WHEREAS, the City agrees that Owner's land use entitlements, if any, that have been applied for and approved by the City, for the Project shall vest for the term of this Agreement as described below, if applicable;

WHEREAS, after conducting a duly noticed CUP hearing on July 2, 2019, in conjunction with the City's applicable ordinances and resolutions, the Planning Commission of the City reviewed, considered and approved environmental clearance and approved the execution of the CUP. The Planning Commission found the Project consistent with the objectives, policies, general land uses and programs specified in the general plan; compatible with the uses authorized in the City's zoning laws; in conformity with the public necessity, public convenience, general welfare and good land use practices; will not be detrimental to the health, safety and general welfare of the city; will not adversely affect the orderly development of property or the preservation of property values; and will have a positive fiscal impact on the City;

WHEREAS, after conducting a duly noticed meeting on August 5, 2019, in conjunction with the City's applicable ordinances and resolutions, and after independent review and consideration, the City Council approved the execution of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

1. The Recitals above are true and correct and are hereby incorporated into and made a part of this Agreement. In the event of any inconsistency between the Recitals and the provisions of this Agreement, herein below, said provisions of this Agreement shall prevail.

2. Government Code and Municipal Code Required Elements

a. Description of Property. Land situated in the City of Montebello, County of Los Angeles, State of California; whose street address is 1801 South Bluff Road, City of Montebello, State of California (the "Site"). The Site includes Assessor's Parcel Number: 6354-030-002.

b. Owner and Other Person with Legal or Equitable Interest.

Owner: **RD Montebello, Inc.**
Nature of Interest: *Leasehold interest.*

A true and correct copy of a recorded grant deed, or executed lease agreement, is attached hereto as Exhibit D, and incorporated herein by this reference.

If Owner is not the fee simple owner of the Site, check box below:

[x] Owner represents and warrants that the property owner has consented in writing to the execution of this Agreement against the Site. [See also attached Property Owner Signed and Notarized Consent Form wherein the property owner has acknowledged reading Montebello Municipal Code Chapters 5.90 and 17.71, incorporated herein by this reference (Exhibit E).]

c. Permitted Uses. The Site may be used for a Manufacturing, Delivery-Only Retail and Distribution Facility as presently authorized under Montebello Municipal Code Chapters 5.90 and 17.71 and for any other use if authorized under applicable provisions of the Montebello Municipal Code ("Permitted Uses"). In the event that the Montebello Municipal Code, California law, and/or Federal law is amended in the future to permit additional commercial cannabis uses, Owner may apply for an amendment to this Agreement and to the issued CUP, both of which must receive approval by the City's Planning Commission or City Council, as required, to amend the Permitted Uses at the Site.

d. Zoning. Owner shall use commercially reasonable efforts to ensure that such activities outlined in Owner's CUP Application ("Application") are conducted pursuant to this Agreement and under the CUP shall comply with the Montebello Municipal Code, including the zoning ordinance, any applicable zoning development standards, and any and all development and construction requirements contained therein, and/or as required by the City. Owner shall not conduct any business under this Agreement or under the CUP without having obtained all necessary permits, licenses, and approvals from the City and State of California, as required by Applicable Cannabis Laws, including the City of Montebello Municipal Code.

e. Compliance with CUP conditions of approval. Owner shall comply with all Conditions of Approval imposed against this Agreement, as enumerated in the CUP and attached as Exhibit F, and incorporated herein by reference.

3. Term

This Agreement shall commence on either the date of this Agreement's approval by the City Council or the date of the CUP approval by the City Planning Commission, whichever comes later ("Effective Date"), and end **ten (10)** years from the Effective Date, and it shall remain in full force and effect so long as the Site is used for a commercial cannabis facility as authorized under Montebello Municipal Code Chapters 5.90 and 17.71; provided, however, such use is not abandoned for a period of more than ninety (90) days.

This Agreement may be extended for one (1) additional **five (5)** year period following the expiration of the initial **ten (10)** year term upon the occurrence of all of the following:

(i) The Owner shall give written notice to the City no later than ninety (90) days before the expiration of the initial ten (10) year term that the Owner desires to extend this Agreement for an additional **five (5)** year period;

(ii) The Owner shows reasonably satisfactory evidence to the City that it has, and continues to have a legal and/or equitable interest in the Site and/or will have such interests for the duration of the extended term of the Agreement;

(iii) The Owner shall deposit all fees required by the City necessary for processing the extension request and drafting necessary documentation;

(iv) The Owner shall be in compliance with all provisions of Montebello Municipal Code Chapters 5.90 and 17.71, and all terms imposed by the City-issued CUP, including the timely renewal of a CUP if required; and

(v) The Owner shall not be in material default of any provision of any agreement between City and Owner relative to the development of the Site, the business operations as allowed by a CUP, or of any conditions of approval imposed upon any entitlement or CUP granted by the City relative to the development of the Site for which Owner has been given a written notice to cure by the City and for which Owner has not cured or commenced to cure such material default within thirty (30) days, if and as provided by such agreement or condition of approval.

4. Owner's Site and Floor Plans

a. Owner's site plan and floor plan for the facility are attached hereto as Exhibit C and incorporated into the Agreement.

b. A preliminary landscape plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works and Director of Community Development, or their respective designees, if required by the CUP. A final landscape plan shall be prepared and submitted in conjunction with building and site improvement plans prior to issuance of building permits for construction activities, if required by the CUP.

c. An exterior signage plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works & Director of Community Development, or their respective designees, in accordance with the procedures and requirements of the Montebello Municipal Code.

5. Facility Operations

a. Standard Operating Procedures. Owner is a lawful entity that will only sell to other legally permitted persons and entities under the Applicable Cannabis Laws, as may be amended from time to time and in accordance with Subsection 2(c) of this Agreement. Prior to operating a Manufacturing, Delivery-Only Retail and Distribution Facility, Owner shall be required to obtain a CUP, and all requirements pursuant to said permit, from the City pursuant to Montebello Municipal Code Chapters 5.90 and 17.71. Further, and notwithstanding anything to the contrary, Owner may operate such cannabis-related activities as permitted in accordance with Applicable Cannabis Laws, including without limitation, as long as such activity is not inconsistent with Montebello Municipal Code Chapters 5.90 and 17.71, this Development Agreement, the City-issued CUP, and the Montebello Municipal Code.

During the term of its CUP and the term of this Agreement, Owner shall operate in accordance with all Applicable Cannabis Laws. Owner shall employ industry standard operating procedures to comply with Applicable Cannabis Laws. Owner's facility shall employ adequate safety and security measures for the safety and security of its employees, visitors, vendors, and neighboring communities and properties.

Owner shall fully comply with the minimum operating standards regulating the proposed commercial cannabis activity, including, but not limited to those, as set forth in Montebello Municipal Code Chapters 5.90 and 17.71, and such more specific operational requirements as applied by the CUP and this Agreement.

b. Security Plan. Owner shall secure approval of its proposed security plan by the Montebello Police Department or the City prior to operating, which approval shall not be unreasonably withheld, conditioned, or delayed. The security plan shall include, at a minimum and as appropriate, provisions for video surveillance, perimeter fencing and security, protection of the building(s) from vehicle intrusion, cash handling procedures, internal accounting controls, product handling and storage procedures, and a professionally monitored alarm system. Equipment and systems used for video surveillance and building alarms shall be approved by City.

Video surveillance shall include, at a minimum, all site and facility entrances and access points, all spaces accessible by the public, all secured areas of the facility with restricted access, all interior spaces and rooms where cannabis products are handled and processed, shipping and receiving areas, cash storage areas, and other areas necessary to protect the safety of employees and the public and to ensure cannabis products are received, handled, stored, packaged, shipped, and distributed in compliance with Applicable Cannabis Laws. The video surveillance system shall be web-based with direct access provided to the Montebello Police Department upon request.

The security system shall also include sensors to detect entry and exit from all secure areas, panic buttons in appropriate locations, and a professionally monitored alarm system.

Owner shall employ properly trained and licensed third-party security personnel to protect the welfare and safety of Owner and employees, and to ensure public safety to the neighboring community. Owner shall use security personnel during hours of operation, pursuant to Applicable Cannabis Laws. Security personnel may be armed so long as proper licensing and insurance requirements are followed and met by the third-party operator providing such security services.

c. Fire Department Approval. Owner shall not operate any facility, and no permit, license, or other approval issued by City shall be valid unless and until the Montebello Fire Department has approved Owner's site plan, floor plan, safety plan, and any other plans that require its approval, which approval shall not be unreasonably withheld, conditioned, or delayed.

d. Possession of Firearms. Except for licensed and bonded security personnel, no person employed by Owner shall be in possession of any firearm while on the Site without having first obtained a license from the appropriate state or local agency authorizing the person to be in possession of such firearm. Every such person in possession of a firearm while on the Site must provide the City Manager and the Montebello Police Department, ten (10) calendar days' notice before bringing the firearm onto the premises, with the following:

1) A copy of the license issued to the person by the appropriate state or local agency authorizing him or her to possess such firearm;

2) A copy of his or her law enforcement identification (if he or she is employed by a law enforcement agency);

3) A copy of his or her California driver's license or California identification card; and

4) Any other information reasonably required by the Montebello Police Department to show that the individual is in compliance with the provisions of all laws regarding the possession and use of a firearm.

e. Identification Display. Each owner, manager, employee, and individual member engaged in the processing, manufacturing, distribution, or transporting of cannabis shall at all times while engaged in the duties of his or her position wear in plain sight, on his or her person and at chest level, a valid identification badge, issued by Owner.

f. Employee Background Checks/Procedures for Inventory Control to Prevent Illegal Diversion of Cannabis. Only employees who receive clearance from the Montebello Police Department shall be permitted to enter Owner's facility. Each employee will have to meet a criminal background investigation, which at minimum shall include a LiveScan criminal history check conducted and provided by each employee. The City shall make a good faith effort to facilitate within a reasonable time following the issuance of a CUP to Owner Employees shall not be disqualified for any conviction which would no longer be a felony under California law at the time of the LiveScan criminal history check.

Owner shall not permit and shall take all necessary and reasonable steps to prevent the distribution of any of its cannabis products to minors; prevent revenue from the sale or distribution of its cannabis and/or infused products from going to criminal enterprises, gangs and cartels; prevent the diversion of cannabis from California to any other state; prevent state-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity; prevent violence and the use of firearms in the manufacturing, distribution, and delivery-only retail of cannabis; discourage and educate against drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use; disavow growing cannabis on public lands that creates attendant public safety and environmental dangers posed by such illegal uses; and discourage and educate against cannabis possession or use on federal property.

g. Quality Control and Testing. Owner shall utilize industry standardized quality control measures and testing to ensure only the highest quality of commercial cannabis and infused products will be produced. Owner shall inspect the product to ensure its identity and quantity, and shall have a testing lab perform testing of random samples prior to distribution. Inspection and testing will be conducted by a state-licensed testing lab off-site, except for licensed distributors authorized to conduct testing on-site with a testing lab field representative present. Testing standards and procedures shall be in accordance with Applicable Cannabis Laws.

All commercial cannabis products will undergo a quality assurance review in accordance with state law prior to distribution. Inventory procedures will be utilized for tracking and taxing purposes by the state. Owner shall employ an efficient record-keeping system to make transparent its financing, testing, and adverse effect recording, as well as recall procedures.

h. Packaging of Commercial Cannabis and Infused Products. All Owner commercial cannabis products shall be packaged and labeled strictly in accordance with Applicable Cannabis Laws.

Owner intends to produce infused products and shall secure any approval from the County of Los Angeles Health Department required for manufacturing and handling such products. Owner infused products shall not be produced, manufactured, stored or packaged in private homes. All commercial cannabis infused products shall be individually wrapped at the original point of preparation strictly in accordance with Applicable Cannabis Laws.

i. Point of Sale Tracking System. Owner shall maintain an inventory control and reporting system that accurately documents the location of cannabis products from inception through distribution, including descriptions, weight, and quantity. The inventory control and reporting system shall comply with the California Cannabis Track and Trace System (“CCTT”) required by Applicable Cannabis Laws.

Owner shall employ an electronic point of donation/sale system in accordance with Applicable Cannabis Laws for all point of donations/sales tracking from seed or inception to product distribution to other licensed commercial cannabis facilities, or otherwise in compliance with state and local law and in accordance with Subsection 2(c) of this Agreement. Such approved system shall track all commercial cannabis products, each edible, and/or manufactured concentrate, as well as gross sales (by weight and sale). Owner's point of sale system shall have the capacity to produce historical transactional data in accordance with City's requirements.

j. Record Keeping. Owner shall maintain records for all commercial cannabis and/or infused products. Owner shall comply with all record-keeping responsibilities that are set forth in Applicable Cannabis Laws and complete and up-to-date records regarding the amount of commercial cannabis produced, manufactured, stored, tested, distributed, delivered or packaged at Owner's facility.

k. Processing, Handling, Storing, and Distribution of Commercial Cannabis and Related Products. Commercial cannabis handling, storing, and processing shall be concealed from public view at all stages of growth and processing, and there shall be no exterior evidence of processing occurring at the premises from a public right-of-way or from an adjacent parcel. Commercial cannabis handling, storing, processing, or distribution shall not create offensive odors; create excessive dust, heat, noise, smoke, traffic, or other impacts that are disturbing to people of normal sensitivity residing or present on adjacent or nearby property or areas open to the public; or be hazardous due to use or storage of materials, processes, products, or wastes.

Owner shall store its commercial cannabis and/or commercial cannabis products in a secured storage room with T-card identification access for management only. The storage room shall be constructed of fire-rated walls with an appropriate number of cameras installed to view all entries and exits from the storage room, as well as all other activities performed within Owner's facility. Owner will not conduct outdoor operations except as related to lawful delivery and transportation of commercial cannabis and infused products. Owner will not store commercial cannabis or related products in its delivery vehicle outside normal operating hours of the facility.

Commercial cannabis products shall be sold or distributed only to licensed facilities in California, in compliance with state and local law in accordance with Subsection 2(c) of this Agreement. Excess or contaminated product will be securely stored on-site until it is properly disposed. Disposal may include composting, incineration, land-fill disposal through the local waste management hauler, or other disposal methodology in accordance with state and county health and safety codes and regulations.

l. Odor Control. All structures shall have adequate ventilation and filtration systems installed that minimize and control commercial cannabis plant odors from exiting the interior of the structure. The ventilation and filtration system shall be approved by the City Building Official and installed prior to commencing manufacturing within the allowable structure. Facility air intake, exhaust, and recirculating system shall be of industrial grade. Activated charcoal, recirculating, and closed loop aeration systems will be utilized as necessary for effective odor control and management.

m. Transportation Plan. Owner shall comply with all Applicable Cannabis Laws regarding transportation, including the rules governing delivery service. Owner shall retain a list of names and cellular contact numbers for all employees engaged in transportation of commercial cannabis products and provide it to the applicable oversight authority, keeping the list current and up to date.

Owner will keep complete and up-to-date records documenting each transfer of commercial cannabis to other licensed entities, including the amount provided, the form or product category in which the commercial cannabis was provided, the date and time provided, the name of the employee making the transfer, the name and address of each lawful licensed entity to whom delivery is made, and the amount of any related donation or other monetary transaction.

6. Community Relations, Employment, and Wages

a. Public Outreach and Education Program. The Owner shall coordinate and cooperate with City and other owners of commercial cannabis facilities located within City of Montebello in the establishment and implementation of appropriate public outreach and education programs. The public outreach and education programs shall be reasonably approved by City.

b. Community Benefits Program. The Owner shall fund the establishment and implementation of a community benefits program which may include such items as senior citizen programs, City beautification efforts, funding for enforcement against illegal cannabis operations, public safety, housing programs, economic development, infrastructure, capital improvements, including expansion and/or improvement to existing facilities or other physical improvements that provide a benefit to the community, support of holiday and special community events, and support of local public service, public safety, litigation defense, and special social and community organizations ("Community Benefits Program").

To fulfill its funding obligation for the Community Benefits Program, Owner agrees to pay the City of Montebello the yearly sum of **$50,000.00 ("Montebello Community Benefits Program Fee" or "MCBPF")**. The first annual MCBPF shall be payable to the City on the date that the Certificate of Occupancy is issued to the Owner. Thereafter, the annual MCBPF shall be payable to the City on every July 1 for the term of the Agreement, and shall be pro-rated for any partial days during such period(s) of the Agreement.

The MCBPF is separate and apart from any Cannabis Operation Fee, or penalties therefrom. If the original term of this Agreement is mutually extended by the Parties, the annual minimum payment to this program will be amended accordingly.

c. Designation of Community Relations Liaison. Pursuant to Montebello Municipal Code Chapters 5.90 and 17.71, at the time of this Agreement, Owner's day-to-day operations manager, Tony Torres, will be responsible for community inquiries and complaints and on-site management during normal business hours.

d. Interface with Montebello Municipal Code / Inspections. Owner's day-to-day operations manager, and/or the Owner's Community Relations Liaison, Tony Torres, will interface with the Montebello Police Department's assigned designee to ensure its operation complies with state and local laws and regulations. The City Manager, or designee, or the Montebello Police Department's assigned designee acting at the City Manager's request and per his specific and limiting instructions, shall have the right to enter all portions of the Site from time to time unannounced during hours of operation for the purpose of making reasonable inspections to observe and enforce compliance with this Agreement and Applicable Cannabis Laws, without the requirement of a search warrant, subpoena, or court order, and subject to appropriate cost recovery fees set forth in this Agreement, or adopted by the City.

____________________ Owner's Initials

e. Local Recruitment, Hiring, and Training Programs. Owner is committed to making a good-faith effort to recruit, hire, and train City residents for employment by Owner. A good-faith effort means Owner shall take the following or similar actions to recruit and employ City residents: 1) Contact local recruitment sources to identify qualified individuals who are City residents, 2) Advertise for qualified City residents in trade papers and newspapers of general circulation in the area, and 3) Develop a written plan to recruit and employ City residents as a part of the its workforce. At a minimum, the Owner endeavors to achieve a targeted local annual hiring goal of approximately 45% of total operational jobs for permanent and apprentice employees. This goal shall apply horizontally, across all departments and managerial positions. The Owner shall not be penalized or deemed in default under this Agreement if it is unable to achieve such a goal. "Local" is defined as within a 3-mile radius of the boundaries of the City's boundaries. The Owner may contact and work with a job referral agency assigned by the City Manager to implement a local hiring policy for permanent and apprentice employees. The purpose of the hiring policy is to facilitate the training and employment of local and disadvantaged job applicants for jobs within the City's jurisdiction, and 3-mile radius of City boundaries. Applicants for jobs shall not be disqualified from hiring solely on the basis of an arrest or conviction for a Cannabis-related crime that occurred prior to November 8, 2016, and could have been prosecuted as a misdemeanor or citation under current California law. The Owner shall periodically report on compliance with the local hiring goals as part of its annual audit report.

f. Living Wages. Living Wages. Owner shall pay make a good-faith effort all employees of the Facility, at a minimum, a Living Wage. A "Living Wage" is the higher of whatever the Owner currently pays its employees for similar work elsewhere or the following: the Full Cash Wage required to be paid by an employer to any similarly situated, educated, and/or credentialed individual under the City of Los Angeles Minimum Wage Ordinance [LAMC Sections 187 and 188], as adjusted annually.

g. Full-time Work. Owner shall make its best efforts to fill every position with a full-time employee. However, at no time shall Owner have a labor force that is composed of less than 50% full-time employees within its labor force, and Owner shall make a good faith effort to maintain a full-time employee level of more than 50%. Owner agrees to provide to its eligible employees leave benefits, health and wellness benefits and other employee benefits to the extent such benefits are required to be paid for by Owner under applicable state and federal employment laws.

h. Labor Peace Agreement. If Owner has twenty (20) or more employees at the time of this Agreement's signing, then Owner shall in good faith work with any labor organization for the purpose of collective bargaining and shall enter into and provide the City a copy of a labor peace agreement no later than one hundred and twenty (120) days after this Agreement's signing. Such Owner with twenty (20) or more employees but without a labor peace agreement at the time of this Agreement's signing shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization no later than one hundred and twenty (120) days after this Agreement's signing.

If Owner has less than twenty (20) employees at the time of this Agreement's signing, such Owner shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization if and when Owner has twenty (20) or more employees at any time during the Term of this Agreement. Such Owner with less than twenty (20) employees at the time of this Agreement's signing shall also provide the City a copy of the labor peace agreement no later than one hundred and twenty (120) days from hiring its twentieth (20th) employee, if and when such event occurs during the Term of this Agreement. Attached as Exhibit G, and incorporated herein is a true and correct copy of the actual Labor Peace Agreement; or applicable Notarized Statement of Intent. Owner shall abide by the terms of the labor peace agreement if and when so adopted in accordance with this Subsection. If Owner fails to comply with the labor peace agreement requirement in accordance with this Subsection, such failure shall constitute a default in accordance with Section 13 of this Agreement.

7. Payment of City Fees

a. Permit and Application Fees. Owner agrees to pay all permit fees and charges referenced in Montebello Municipal Code Chapters 5.90 and 17.71, and the amounts adopted by City Council by Resolution No. 19-14, effective February 13, 2019, as well as any fees set forth in this Agreement. Permit application, processing, and renewal fees shall be due and payable at the time application is made.

b. <u>Cannabis Operation Fees</u>.

As used herein, "**Premises**" means the designated structure or structures and land specified in the application that is owned, leased, or otherwise held under the control of the Owner where the commercial cannabis activities will be or are conducted.

As used herein, "**commercial cannabis activities**" means all permitted activities: e.g., possession, manufacture, processing, storing, packaging, labeling, transportation, sale, delivery or distribution of cannabis and/or cannabis products.

As used herein, "**Gross receipts**" shall mean the total amount of receipts actually received or receivable in accordance with GAAP or other comprehensive version of accounting in the course of business in a calendar year or calendar month from sales or the performance of acts or services for which charge is made or credit allowed. "**Gross receipts**" include, without limitation, all receipts, cash, credit, property received in lieu of cash, and any other valuable consideration taken in exchange for goods, services or other valuable consideration.

As used herein, "**Production Space**" means the area on or within the **Premises** intended for **commercial cannabis activities** excluding non-operational common areas such as restrooms, cafeterias, break rooms, hallways, corridors, vestibules, parking structures or surface street lots. The parties stipulate and agree that the square footage for the **Production Space** shall be determined by the City Manager in his sole and complete discretion as the Project is completed.

The City Manager is specifically authorized to increase the square footage for the Production Space up to an increase in size of ten percent (10%) administratively and to determine the corresponding operating fee as the Project is completed.

Owner agrees to pay to City ninety (90) days after a Certificate of Occupancy is granted, in order to enable City to promote, protect, and enhance the health, safety, and welfare of the community and its residents and its quality of life., Owner agrees to pay the following percentage of gross receipts and the following square footage for cannabis operations, as follows, paid on a quarterly basis to the City ("Cannabis Operation Fee"):

1. Manufacturing: 2% of gross receipts
2. Distribution: 2.5% of gross receipts, excluding distribution of products

manufactured at the Site as well as distribution activities solely to licensed entities under common ownership or otherwise affiliated with Owner so long as distribution is not the only commercial cannabis activity conducted at the Site

3. Delivery-Only Retail: 2% of gross receipts

Any subsequent years of operation after the first ten (10) year term of this Agreement shall be negotiated in good faith by the parties.

A Site with multiple licenses must not commingle respective sales proceeds, and blend percentage rate of **Gross Receipts**.

The Cannabis Operation Fee shall begin to accrue **ninety (90)** days after a Certificate of Occupancy is granted. Owner shall make payments to the City on a quarterly basis, within ninety (90) calendar days after the last day of each quarter. The first quarter is defined as January 1 through March 31, the second quarter as April 1 through June 30, the third quarter as July 1 through September 30, and the fourth quarter as October 1 through December 31. First payment to the City may be prorated, if applicable, to adhere to the latter, uniform quarterly payment schedule.

Failure to pay the Cannabis Operation Fee within thirty (30) calendar days after the due date shall result in a penalty for nonpayment in a sum equal to 10% of the total amount due. Additional penalties will be assessed in the following manner: an additional 10% shall be added to the first day of each calendar month following the month of the imposition of the 10% penalty if these fees remain unpaid in whole or in part – up to a maximum of 100% of the total fee payable on the due date.

c. Owner understands and agrees that the fees set forth above shall be paid in a manner and in accordance with a payment schedule set or modified by City. The manufacturing, testing, distribution, and delivery space to which the Cannabis Operation Fee applies is as identified on the City-issued final approved floor plan.

d. If Owner makes any changes to the interior layout of the Site that increases the amount of space allocated to those uses to which the per-square-foot Cannabis Operation Fee applies, Owner shall notify City in writing of such changes at least fourteen (14) calendar days prior to making such changes, and if approved by the City the per-square-foot fee shall be modified accordingly. If Owner fails to give City notice as required herein, Owner shall be responsible for paying to City a per-square-foot fee based on any increase in the amount of space allocated to those uses to which the per-square-foot fee applies retroactive to the date the CUP became effective.

8. Additional Owner Obligations

a. Reporting of Gross Receipts from Operations

1) Quarterly Receipts. No later than one-hundred twenty (120) days from the date Owner secures a CUP and every three months thereafter (Owner shall deliver to City a report (the "Quarterly Report"), pursuant to the quarterly payment schedule discussed hereinabove) showing (i) Gross Receipts from commercial cannabis activities for the immediate prior three months received by Owner, and a cumulative total of all amounts of Gross Receipts from commercial cannabis activities received by Owner for the calendar year, (ii) a calculation of the quarterly payment due to City for the prior three months, and (iii) a calculation of the cumulative total of all quarterly payments for the calendar year.

2) Statement of Receipts/Annual Audit. The Owner shall keep complete, accurate and appropriate books and records of all receipts from operations in accordance with generally accepted accounting principles ("GAAP") or other comprehensive version of accounting. For purposes herein, "books and records" shall mean all bookkeeping or accounting documents Owner typically utilizes in managing its business operations relating to the Project. Such books and records, as well as all other relevant documents as the City Manager may reasonably require, shall, upon reasonable written notice, be open for inspection by City, its auditors or other authorized representatives. If at any time during the term such books and records prove inadequate in the reasonable judgment of City to record the Gross Receipts from commercial cannabis activities as herein required, Owner shall, upon the written request of the City, procure and maintain such books and records as shall be of a character and from adequate for such purpose. City shall have the right to audit and examine such books, records and documents and other relevant items in the possession of Owner, on no more than an annual basis, or at any time other upon reasonable basis therefor substantiated the City, to the extent necessary for a proper determination of Gross Receipts from commercial cannabis activities, and all such books, records, documents and other items shall be held available for such audit and examination. The City's audit shall be performed by a non-contingency fee, regionally recognized independent auditor approved in advance by the City. Upon request by City, Owner shall make all such books, records and documents available to the City Manager, his designee, or to the City approved auditor, and provide removable copies thereof, within thirty (30) days of the date of City's request. Owner shall pay all reasonable costs of such audits. Owner shall preserve such books, records, documents, and other items in Montebello for a period of not less than one (1) years for the purpose of auditing or re-auditing these accounts upon reasonable notice; except that, if an audit is made within the seven-year period and Owner claims that errors or omissions

have occurred, the books and records shall be retained and made available until those matters are resolved. City shall keep strictly confidential all statements of revenue furnished by Owner and all other information concerning Owner's operation of the Site obtained by City as a result of the inspection audit and examination privileges of City hereunder (i.e. receipts and tax filings), except as otherwise required by a court order. If City receives a request for such information pursuant to the Public Records Act (California Government Code Section 6250, et seq.), City shall provide Owner notice of any such request prior to disclosing any such information and shall refuse to disclose such information until such time as Owner has been given notice and afforded the opportunity to obtain a protective order. Within seven (7) years after the receipt of any statement of receipts under this Agreement, City at any time shall be entitled to carry out an audit of such revenue either by City or agent to be designated by City. If it shall be determined as a result of such audit that there has been a deficiency in any payment due under this Agreement made on the basis of such statement, then such deficiency shall become immediately due and payable within thirty (30) days of such determination.

3) Copies of Tax Filings. Owner shall provide the City with courtesy copies of each and every report Owner is required to provide to the County of Los Angeles or the State of California for sales, use, cannabis excise, or other gross receipts type taxes at the time such filings are required to be made, including any lawful extensions thereof.

b. Future Revenue Mechanisms. During the term of this Agreement, if the City imposes (by Citizen Initiative) an alternative revenue mechanism specifically related to commercial cannabis activities (e.g., a cannabis tax), Owner agrees to renegotiate in good faith the terms of this Development Agreement with the City so as to comply with an alternative revenue mechanism to the extent the alternative revenue mechanism does not result in higher annual fees than the fees required under this Agreement. As used in this section, "alternative revenue mechanism" does not include taxes, fees, or assessments levied on or collected from both cannabis and non- cannabis operations.

9. Insurance and Indemnity

a. Insurance. Owner shall require all persons doing work on the Project, including its contractors and subcontractors (collectively, "Owner" for purposes of this Section 9 only), to obtain and maintain insurance of the types and in the amounts described in this section and its subsections with carriers reasonably satisfactory to City.

b. General Liability Insurance. Owner shall maintain commercial general liability insurance or equivalent form with a limit of not less than One Million Dollars ($1,000,000) (or as otherwise approved, in writing, by City) per occurrence and Two Million Dollars ($2,000,000) in the aggregate. Such insurance shall also:

1) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as "Additional Insureds" by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insured.

2) Be primary with respect to any insurance of self-insurance programs covering City, its officials, employees, agents, and representatives.

3) Contain standard separation of insured provisions.

c. Automobile Liability Insurance. Owner shall maintain business automobile liability insurance or equivalent form with policy limits that are in commercially reasonable amounts and in compliance with state law for such automotive liability insurance for each accident for the vehicles Owner operates in connection with its cannabis business. Such insurance shall include coverage for owned, hired, and non-owned automobiles. Such insurance shall also:

1) Name City, and work in good faith with the City and the insurers to name additional insureds as deemed reasonably necessary. "Additional Insureds" by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insureds;

2) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives;

3) Contain standard separation of insured provisions.

d. Workers' Compensation Insurance. Owner shall take out and maintain during the term of this Agreement, the statutorily required minimum amount of workers' compensation insurance in accordance with applicable state workers' compensation laws for all of Owner's employees employed at or on the Project, and in the event any of the work is subcontracted, Owner shall require any general contractor or subcontractor similarly to provide workers' compensation insurance for such contractor's or subcontractor's employees, unless such employees are covered by the protection afforded by Owner. In case any class of employee engaged in work on the Project is not protected under any workers' compensation law, Owner shall provide and shall cause each contractor and subcontractor to provide adequate insurance for the protection of employees not otherwise protected. Owner hereby indemnifies City for any damage resulting from failure of Owner, its agents, employees, contractors, or subcontractors to take out or maintain such insurance. Workers' compensation insurance with statutory limits and employer's liability insurance of not less than the required statutory limits for each accident shall be maintained.

e. Other Insurance Requirements. Owners shall do all of the following:

1) Prior to taking any actions under this Agreement, furnish City with properly executed certificates of insurance that clearly evidenced all insurance required in this Section, including evidenced that such insurance will not be canceled, allowed to expire, or be materially reduced in coverage without thirty (30) days prior written notice to City.

2) Provide to City, upon request, and within seven (7) calendar days of said request, certified copies of endorsements and policies, and properly executed certificates of insurance evidencing the insurance required herein.

3) Replace or require the replacement of certificates, policies and endorsements for any insurance required herein expiring prior the termination of this Agreement.

4) Maintain all insurance required herein from the Effective Date of this Agreement to the earlier of the expiration of the term or the mutual written termination of this Agreement.

5) Place all insurance required herein with insurers licensed to do business in California with a current Best's Key Rating Guide reasonably acceptable to City.

f. Indemnity. Owner agrees to indemnify, defend, and hold City, and its elected and appointed council, boards, commissions, officers, agents, employees, contractors, consultants and representatives, harmless from any and all claims costs and liability for any personal injury or property damage which may arise as a result of any actions or negligent omissions by Owner or Owner's contractors, subcontractors, agents, or employees in connection with the construction, improvement, or operation of the Project.

10. Termination

a. Termination upon End of Term. This Agreement shall terminate upon the expiration of the term, unless it is terminated earlier pursuant to the terms of this Agreement.

b. Effect of Termination on Owner's Obligations. Termination of this Agreement shall eliminate any further obligation of Owner to comply with this Agreement, or some portion thereof, if such termination relates to only part of the Site or Project. Termination of this Agreement, in whole or in part, shall not, however, eliminate or otherwise limit the rights of Owner to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

c. Effect of Termination on City's Obligations. Termination of this Agreement shall eliminate any further obligation of City to comply with this Agreement, or some portion thereof. Termination of this Agreement shall not, however, eliminate the rights of City to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

d. Survival after Termination. The rights and obligations of the Parties set forth in Section 14, Section 20, and Subsection 22(c), and Subsection 22(e), and any right or obligation of the Parties in this Agreement which, by its express terms or nature and context is intended to survive termination of this Agreement, will survive any such termination.

11. Resources Efficiency

Owner shall in good faith endeavor to reduce its environmental impact when possible. The design of the Site shall include reasonable water and energy conservation measures in accordance with applicable State regulations and the CUP.

12. Standard Conditions for Construction

During any on-site construction activities related to development of the Site and any buildings thereon, or renovation or remodeling of existing buildings, Owner shall comply with all applicable terms and conditions of City's standard conditions for construction and the CUP. The Project shall comply with the applicable parking standards in accordance with the CUP.

13. Defaults and Remedies

a. Remedies in general. It is acknowledged by the Parties that City would not have entered into this Agreement if it were to be liable in damages under this Agreement, or with respect to this Agreement or the application thereof, except as hereinafter expressly provided. Subject to extensions of time by mutual consent in writing, failure to delay by either party to perform any term or provision of this Agreement beyond a reasonable notice and cure period shall constitute a default. In the event of alleged default or breach of any terms or conditions of this Agreement, the party alleging such default or breach shall give the other party not less than thirty (30) day notice in writing specifying the nature of the alleged default and the manner in which said default may be satisfactorily cured during any such thirty (30) day period, the party charged shall not be considered in default for purposes of termination or institution of legal proceedings. Notwithstanding the foregoing to the contrary, if the alleged default is of such a nature that it cannot be reasonably cured within thirty (30) days, the alleged defaulting party shall not be deemed in default as long as such party commences to cure such default within such thirty (30) day period and thereafter diligently prosecutes such cure to completion.

After notice and expiration of the thirty (30) day period, the other party to this Agreement, at its option, may institute legal proceedings pursuant to this Agreement.

In general, each of the parties hereto may pursue any remedy at law or equity available for the breach of any provision of this Agreement, except that City shall not be liable for monetary damages, unless expressly provided for this Agreement, to Owner, to any mortgagee or lender, or to any successors in interest of Owner or mortgagee or lender, or to any other person, and Owner covenants on behalf of itself and all successors in interest to the Property or any portion thereof, not to sue for damages or claim any damages.

1) For any breach of this Agreement or for any cause of action which arises out of this Agreement; or

2) For the impairment or restriction of any right or interest conveyed or provided under, with, or pursuant to this Agreement, including, without limitation, any impairment or restriction which Owner characterizes as a regulatory taking or inverse condemnation; or

3) Arising out of or connected with any dispute, controversy or issue regarding the application or interpretation or effect of the provisions of this Agreement.

Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from the exercise by City of its power of eminent domain. Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from bad faith intentional acts, the grossly negligent or malicious acts of City and its officials, officers, agents and employees. Nothing herein shall modify or abridge any defenses or immunities available to City and its employees pursuant to the Government Liability Act and all other applicable statutes and decisional law.

Except as set forth in the preceding paragraph relating to eminent domain, Owner's remedies shall be limited to those set forth in this Subsection 13(a), Subsection 13(b), and Subsection 13(c).

Notwithstanding anything to the contrary contained herein, City covenants as provided in Civil Code Section 3300 not to sue for or claim any consequential damages or, in the event all or a portion of the Site is not developed, for lost profits or revenues which would have accrued to City as a result of the development of the Site.

b. Specific Performance. The Parties acknowledge that money damages and remedies at law are inadequate, and specific performance and other non-monetary relief are particularly appropriate remedies for the enforcement of this Agreement and should be available to all parties for the following reasons:

Due to the size, nature and scope of the Project, it may not be practical or possible to restore the Site to its natural condition once implementation of this Agreement has begun. After such implementation, Owner may be foreclosed from other choices it may have had to use the Site or portions thereof. Owner has invested significant time and resources and performed extensive planning and processing of the Project in agreeing to the terms of this Agreement and will be investing even more significant time and resources in implementing the Project in reliance upon the terms of this Agreement, and it is not possible to determine the sum of money which would adequately compensate Owner for such efforts; the parties acknowledge and agree that any injunctive relief may be ordered on an expedited, priority basis.

c. Release. Except for those remedies set forth in Subsections 13(a), 13(b), and 13(c), Owner, for itself, its successors and assignees, hereby releases City, its officers, agents and employees from any and all claims, demands, actions, or suits of any kind or nature arising out of any liability, known or unknown, present or future, based or asserted, pursuant to Article 1, Section 19 of the California Constitution, the Fifth Amendment of the United States Constitution, or any other law or ordinance which seeks to impose any other liability or damage, whatsoever, upon City because it entered into this Agreement or because of the terms of this Agreement.

Owner acknowledges that it may have suffered, or may suffer, damages and other injuries that are unknown to it, or unknowable to it, at the time of its execution of this Agreement. Such fact notwithstanding, Owner agrees that the release provided in this Subsection 13(c) shall apply to such unknown or unknowable claims and damages. Without limiting the generality of the foregoing, Owner acknowledges the provisions of California Civil Code Section 1542, which provide:

> ***"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor*."**

Owner hereby waives, to the maximum legal extent, the provisions of California Civil Code Section 1542 and all other statutes and judicial decisions of similar effect.

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Owners' Initials

d. Termination of Agreement for Default of City. Owner may terminate this Agreement in the event of a default by City in the performance of a material term of this Agreement and only after providing written notice to City of default setting forth the nature of the default and the actions, if any, required by City to cure such default and, where the default can be cured, City has failed to take such actions and cure such default within thirty (30) days after the effective date of such notice or, in the event that such default cannot be cured within such thirty (30) day period but can be cured within a longer time, has failed to commence the actions necessary to cure such default within such thirty (30) day period and to diligently proceed to complete such actions and cure such default. Notwithstanding anything to the contrary, in the event that Owner deem it is necessary and/or advisable to cease operations in Montebello, then Owner may terminate this Agreement, and such termination shall be effective upon the date of written notice to the City.

e. Attorneys' Fees and Costs. In any action or proceeding between City and Owner brought to interpret or enforce this Agreement, or which in any way arises out of the existence of this Agreement or is based upon any term or provision contained herein, the "prevailing party" in such action or proceeding shall be entitled to recover from the non-prevailing party, in addition to all other relief to which the prevailing party may be entitled pursuant to this Agreement, the prevailing party's reasonable attorneys' fees and litigation costs, in an amount to be determined by the court. The prevailing party shall be determined by the court in accordance with California Code of Civil Procedure Section 1032. Fees and costs recoverable pursuant to this Subsection 13(e) include those incurred during any appeal from an underlying judgment and in the enforcement of any judgment rendered in any such action or proceeding.

f. Owner Default. No building permit shall be issued or building permit application accepted for any structure on the Site after Owner is determined by City to be in default of the terms and conditions of this Agreement until such default thereafter is cured by Owner or is waived by City. If City terminates this Agreement because of Owner's default, then City shall retain any and all benefits, including money or land received by City hereunder.

14. Third Party Litigation

a. General Plan Litigation. City has determined that this Agreement is consistent with its General Plan. Owner has reviewed the General Plan and concurs with City's determination.

City shall have no liability under this Agreement or otherwise for any failure of City to perform under this Agreement, or for the inability of Owner to develop the Site as contemplated by the Agreement, which failure to perform or inability to develop is as the result of a judicial determination that the General Plan, or portions thereof, are invalid or inadequate or not in compliance with law, or that this Agreement or any of City's actions in adopting it were invalid, inadequate, or not in compliance with the law.

b. Hold Harmless Agreement. Owner hereby agrees to, and shall hold City, its elective and appointive boards, commissions, officers, agents, attorneys, contractors, consultants and employees harmless from any liability for damage or claims for damage for personal injury, including death, as well as from claims for property damage which may arise from Owner or Owner's contractors, subcontractors, agents, or employees' operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, agents, or employees operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, or by any one or more persons directly or indirectly employed by, or acting as agent for Owner or any of Owner's contractors or subcontractors. Owner agrees to and shall defend City and its elective and appointive boards, commissions, officers, agents and employees from any suits or actions at law or in equity for damage caused, or alleged to have been caused, by reason of any of the aforesaid operations.

c. Indemnification. Owner shall defend, indemnify, and hold harmless City and its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees against and from any and all liabilities, demands, claims, actions or proceedings and costs and expenses incidental thereto (including costs of defense, settlement and reasonable attorneys' fees)which any or all of them may suffer, incur, be responsible for or pay out as a result of or in connection with any challenge to the legality, validity or adequacy of any of the following: (i) this Agreement and the concurrent and subsequent permits, licenses and entitlements approved for the Project or Site; (ii) the environmental impact report, mitigated negative declaration or negative declaration, as the case may be, prepared in connection with the development of the Site; and (iii) the proceedings undertaken in connection with the adoption or approval of any of the above. In the event of any legal or equitable action or other proceeding instituted by any third party (including a governmental entity or official) challenging the validity of any provision of this Agreement or any portion thereof as set forth herein, the parties shall mutually cooperate with each other in defense of said action or proceeding. Notwithstanding the above, City, at is sole option, may tender the complete defense of any third-party challenge as described herein. In the event City elects to contract with special counsel to provide for such a defense, City shall meet and confer with Owner regarding the selection of counsel, and Owner shall pay all costs related to retention of such counsel.

d. Environmental Contamination. Owner shall indemnify and hold City, its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees free and harmless from any liability, based or asserted, upon any act or omission of Owner, its officers, agents, employees, subcontractors, predecessors in interest, successors, assigns and independent contractors, excepting and acts or omissions of City as successor to any portions of the Site dedicated or transferred to City by Owner and further excepting any environmental conditions not within Owner's control nor directly associated with a Permitted Use, for any violation of any federal, state or local law, ordinance or regulation relating to industrial hygiene or to environmental conditions on, under or about the Property, including, but not limited to, soil and groundwater conditions, and Owner shall defend, at its expense, including attorneys' fees, City, its officers, agents and employees in any action based or asserted upon any such alleged act or omission. City may in its discretion participate in the defense of any such claim, action or proceeding.

The provisions of this Section 14(d) do not apply to environmental conditions that predate Owner's ownership or control of the Site or applicable portion; provided, however, that the foregoing limitation shall not operate to bar, limit or modify any of Owner's statutory or equitable obligations as an owner or seller of the Site.

e. City to Approve Counsel. With respect to Subsections 14(a) through 14(d) only, City reserves the right to approve the attorney(s) which Owner selects, hires or otherwise engages to defend City hereunder, which approval shall not be unreasonably withheld, conditioned, or delayed.

f. Accept Reasonable Good Faith Settlement. City shall not reject any reasonable good faith settlement offer regarding claims contemplated in this Section 14. If City does reject a reasonable, good faith settlement that is acceptable to Owner, Owner may enter into a settlement of the action, as it relates to Owner, and City shall thereafter defend such action (including appeals) at its own cost and be solely responsible for any judgment rendered in connection with such action. This Subsection 14(f) applies exclusively to settlements pertaining to monetary damages or damages which are remedial by the payment of monetary compensation. Owner and City expressly agree that this Subsection 14(f) does not apply to any settlement that requires an exercise of City's police powers, limits City's exercise of its police powers, or affects the conduct of City's municipal operations.

g. Survival. The provisions of Subsections 14(a) through 14(f) inclusive, shall survive the termination or expiration of the Agreement.

15. California Environmental Quality Act

Owner shall reimburse City for any and all reasonable costs incurred by City related to project review under the California Environmental Quality Act (CEQA), Public Resources Code, §§21000-21189.3, and the Guidelines for California Environmental Quality Act, California Code of Regulations, Title 14, §§15000-15387. If reasonably requested by City, Owner shall conduct and pay for any required CEQA reviews and analyses. The City has found that the proposed

Project is Categorically Exempt from California Environmental Quality Act (CEQA) requirements under provisions of CEQA Guidelines **Section 15301** – Existing Facilities. This exemption applies to projects characterized as alterations to existing facilities meeting the conditions described in **Section 15301**.

16. Rules, Regulations, and Official Policies

Except as otherwise provided in this Agreement, the rules, regulations, and official policies of City governing permitted uses of the land, governing density, and governing the design, improvements, and construction standards and specifications applicable to the development of the Project subject of this Agreement, shall be those rules, regulations, and official policies of City in force as of the Effective Date of this Agreement. This Agreement does not prevent City, in subsequent actions applicable to the Site, from applying new rules, regulations, and policies which do not conflict with those rules, regulations, and policies applicable to the property as set forth herein, nor does this Agreement prevent City from denying or conditionally approving any subsequent development project application (i.e. not the Project) based on such existing or new rules, regulations, or policies.

17. CUP Conditions of Approval

Owner shall comply with all conditions of approval of the City-issued CUP. If there is any conflict between a term of this Agreement and a condition of approval of the City-issued CUP, then the most restrictive shall apply.

18. Periodic Reviews

This Agreement shall be subject to annual review. The Owner executing this Agreement, or successor in interest thereto, shall demonstrate good faith compliance with the terms of this Agreement. If, as a result of such periodic review, City finds and determines, based on substantial evidence, that Owner executing this Agreement, or successor in interest thereto, has not materially complied in good faith with the terms or conditions of this Agreement, City may terminate or modify this Agreement (except no modification shall increase Owner's liability nor reduce Owner's rights), provided that City shall first provide Owner notice of its intent to terminate, with a detailed explanation as to why, and provide Owner the reasonable right to cure the same.

a. Periodic Review. City Council shall review this Agreement annually, on or before each anniversary of the Effective Date, in order to ascertain Owner's good faith compliance with this Agreement. During the periodic review Owner shall be required to demonstrate good faith compliance with the terms of the Agreement, through submitting an annual monitoring report, records, or equivalent written materials to the Planning Department. The Planning Department will schedule a hearing on the periodic review of the Development

Agreement on or following the anniversary of the Effective Date, but Owner has no obligation to compel such hearing, and no implication will be made to Owner's detriment if a hearing is not in fact held. Owner shall document any request for an extension of the term due to delays beyond the control of Owner (see Subsection 22(g), "Force Majeure"). Owner shall submit an annual review and administration fee deposit not to exceed City's estimated internal and third-party costs associated with the review and administration of this Agreement during the succeeding year. City shall provide Owner said estimate a reasonable time in advance of the annual review and administration fee deposit being due.

b. Conditional Use Permit. The operation of the business at all times shall be required to comply with the CUP and this Agreement.

c. Special Review. City Council may order a special review of compliance with this Agreement at any time. The City Manager, Community Development Director, or his or her designee(s) shall conduct such special review. During a special review, Owner shall be required to demonstrate good faith compliance with the terms of the Agreement. The burden of proof on this issue shall be on Owner.

d. Review Hearing. At the time and place set for the special or periodic review hearing, Owner shall be given an opportunity to be heard. If City Council finds, based upon substantial evidence, that Owner has not complied in good faith with the terms or conditions of this Agreement, City Council may terminate this Agreement notwithstanding any other provision of this Agreement to the contrary, or modify this Agreement and impose such conditions as are reasonably necessary to protect the interests of City. The decision of City Council shall be final, subject only to judicial review pursuant to Code of Civil Procedure Section 1094.5.

e. Certificate of Agreement Compliance. If, after a periodic or special review, Owner is found to be in compliance with this Agreement, and if Owner requests it, City shall issue a Certificate of Agreement Compliance ("Certificate") to Owner stating that after the most recent periodic or special review, and based upon the information known or made known to the Planning Director and City Council, that (i) this Agreement remains in effect and (ii) Owner is not in default. City shall not be bound by a Certificate if a default existed at the time of the periodic or special review, but was concealed from or otherwise not known to the Planning Director and City Council, regardless of whether the Certificate is relied upon by assignees or other transferees or Owner.

f. Failure to Conduct Review. City's failure to conduct a periodic review of this Agreement shall not constitute a breach of this Agreement.

g. Cost of Review. The reasonable costs incurred by City in connection with the periodic reviews shall be borne by Owner.

19. Assignment

Assignment by Owner. Owner shall not transfer, delegate, sublet or assign its interest, rights, duties, and obligations under this Agreement without the prior written consent of City, which consent shall not be unreasonably withheld. Owner shall submit a transfer application to the City Manager or City Manager's designee and pay any applicable transfer fee. The proposed transferee must show proof of lawful transfer of possession of the applicable location as may be acceptable to the City. Owner is aware it may take the City approximately six (6) months to process a transfer application.

Any assignment, delegation, subletting or assignment without the prior written consent of City shall be null and void. Any transfer, delegation, subletting or assignment by Owner as authorized herein shall be effective only if and upon the party to whom such transfer, delegation, subletting or assignment is made is issued a CUP as required under Montebello Municipal Code Chapters 5.90 and 17.71.

Owner shall also comply with all proposed assignments and changes, including assignment and changes impacting a Development Agreement or a CUP, as required pursuant to state law, and Montebello Municipal Code Chapters 5.90 and 17.71.

20. Operating Commercial Cannabis Facility

Any Party to this Agreement, or successor in interest thereto, shall not operate a commercial cannabis facility authorized under the municipal code unless:

a. It is the holder of a valid CUP issued by City in accordance with the procedures and requirements of Montebello Municipal Code Chapters 5.90 and 17.71; and,

b. At such time as the State of California requires commercial cannabis facilities and businesses to hold a valid license or permit issued by the State of California, it also holds such license or permit, unless, however, such permit or license is not required by the State of California for the type of commercial cannabis facility or business operation that is the subject of this Agreement.

21. Notices

Any notice or communication required hereunder between City and Owner must be in writing, and may be given either personally, by registered or certified mail (return receipt requested), or by Federal Express, UPS or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered, as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to City:	City of Montebello 1600 W. Beverly Blvd Montebello, California 90640 Attention: City Manager
With a copy to:	City Attorney 13181 Crossroads Parkway North Suite 400 – West Tower City of Industry, California 91746
If to Owner:	RD Montebello P.O. Box 815 Corona, California 92878
With a copy to:	Jordan Ferguson Venable LLP 2049 Century Park East Suite 2300 Los Angeles, CA 90067

22. Miscellaneous Provisions

Amendment or Cancellation. This Agreement may be amended, or canceled in whole or in part, only by the written mutual consent of the parties to this Agreement or their successors in interest, except that minor amendments that do not affect a substantive provision of this Agreement may be approved by the City Manager on behalf of the City. The decision whether a proposed amendment is “minor” shall be in the reasonable good faith discretion of the City Manager, and consistent with Montebello Municipal Code Chapters 5.90 and 17.71.

a. Waiver. Waiver by City of any one or more of the terms or conditions of this Agreement shall not be construed as waiver of any other term or condition under this Agreement.

b. <u>Enforcement/Reserved Powers</u>. Unless amended or canceled pursuant hereto, this Agreement shall be enforceable by any Party hereto, or successor in interest thereto, notwithstanding any subsequent change in any applicable general or specific plan, zoning, subdivision or building regulation, or municipal code amendment adopted by City that conflicts with the terms of this Agreement. However, this Agreement is subject to the City's "Reserved Powers." For purposes of this Agreement, "Reserved Powers" means the rights and authority excepted from this Agreement's restrictions on the City's police powers and which are instead reserved to the City. The Reserved Powers include the powers to enact regulations or take future discretionary actions after the Effective Date of this Agreement that: (1) are necessary to protect the public health and safety, and are generally applicable on a City-wide basis (except in the event of natural disasters as found by the City Council such as floods, earthquakes and similar acts of God); (2) are amendments to California Marijuana Laws or California Uniform Codes, as adopted by the City of Montebello, and/or the Montebello Municipal Code, as applicable, regarding the construction, engineering and design standards for private and public improvements to be constructed on the Site; (3) are necessary to comply with state or federal laws and regulations; or (4) involve sign and parking ordinances and guidelines, changes to the City's zoning laws, Specific Plan or the City's General Plan, whether adopted previous or subsequent to the Effective Date of this Agreement).

If any City ordinance, rule or regulation or addition to the Montebello Municipal Code is enacted or imposed by a citizen-sponsored initiative or referendum after the Effective Date that would conflict with this Agreement or an associated CUP, business license or other authorizations and City approvals, or reduce development rights or assurances provided to the Owner in this Agreement, then such changes, additions or deletions to the Montebello Municipal Code shall not be applied to the Site or Project. The parties shall cooperate with each other and undertake such reasonable actions as may be appropriate to ensure this Agreement remains in full force and effect and is implemented in accordance with its terms and to the fullest extent permitted by state or federal law.

Notwithstanding anything to the contrary in this Agreement, site improvements contemplated by this Agreement shall be completed pursuant to the development standards and design guidelines to be adopted by the zoning code amendment.

c. <u>Severability</u>. If any part of this Agreement is found to conflict with applicable state laws or regulations, such part shall be inoperative, null, and void insofar as it conflicts with said laws or regulations, or modified or suspended as may be necessary to comply with such state laws or regulations, but the remainder of this Agreement shall continue to be in full force and effect.

d. Counterparts. 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. The execution of this Agreement may be by actual, facsimile, or electronic signature.

e. Jurisdiction. The law governing this Agreement shall be that of the State of California. Any suit brought by any party against any other party arising out of the performance of this Agreement or the breach, termination, enforcement, interpretation or validity thereof, shall be filed and maintained in the County of Los Angeles Superior Court.

f. Disclaimer. Despite California's commercial cannabis laws and the terms and conditions of this Agreement, or any CUP issued pertaining to Owner or the property specified herein, California commercial cannabis manufacturers, retailers, transporters, distributors, or possessors may still be subject to arrest by state or federal officers and prosecuted under state or federal law. The Federal Controlled Substances Act, 21 USC § 801, prohibits the manufacture, distribution, and possession of cannabis without any exemptions for medical use.

g. Force Majeure. If delays are caused by unforeseen events beyond the control of Owner, such delays will entitle Owner to an extension of time as provided in this Section 22. Such unforeseen events ("Force Majeure") shall mean war, insurrection, acts of God, local, state or national emergencies, strikes and other labor difficulties beyond the party's control, or any default by City hereunder, which Force Majeure event substantially interferes with the development, construction or operation of the Project.

h. Costs and Fees. Intentionally omitted.

i. Constructive Notice and Acceptance. Every person who after the Effective Date of this Agreement owns or acquires any right, title, or interest to any portion of the Site, is and shall be conclusively deemed to have consented and agreed to every provision contained herein, whether or not any reference to this Agreement is contained in the instrument by which such person acquired an interest in the Site, and all rights and interests of such person in the Site shall be subject to the terms, requirements, and provisions of this Agreement.

j. Binding Effect of Recitals. The Parties agree that the Recitals above are true and correct and intend to be bound by same.

k. Project as a Private Undertaking. It is specifically understood and agreed by and between the parties hereto that the development of the Project is a private development, that neither party is acting as the agent of the other in any respect hereunder, and that each party is an independent contracting entity with respect to the terms, covenants and conditions contained in this Agreement. No partnership, joint venture or other association of any kind is formed by this Agreement. The only relationship between the City and the Owner is that of a government entity regulating the development of private property and the owner of such property.

l. Changes to Project. The parties acknowledge that changes to the Project and related approvals may be appropriate and mutually desirable to carry out the intent and purpose of this Agreement. This Agreement shall not prevent the City from applying, with the consent or at the request of the Owner, *Subsequent Land Use Regulations* or *Subsequent Development Approvals* that do not directly conflict with the Site authorized under this Agreement. The granting of one such change or request shall not obligate the City to grant other similar changes or requests. As used herein, "*Subsequent Development Approvals*" include, without limitation, all excavation, grading, building, construction, demolition, encroachment or street improvement permits, occupancy certificates, utility connection authorizations, or other non-discretionary permits or approvals necessary, convenient or appropriate for the Project. As used herein, "*Subsequent Land Use Regulations*" means ordinances, resolutions and codes adopted or approved by the City after the Effective Date of this Agreement governing the development and use of the land, including general plan amendments, zone changes, variances or conditional use permits affecting the permitted use of the land including density or intensity of use, subdivision requirements, the maximum height and size of proposed buildings, the provisions of reservation or Dedication of land for public purposes, and the design, improvement and construction and initial occupancy standards and specifications applicable to the Development of the Property.

m. Conflicting Federal or State Rules. In the event that any conflicting federal or state laws or regulations, enacted after the Effective Date, prevent or preclude compliance with one or more provisions of this Agreement or require changes in plans, maps or permits approved by the City, *this Agreement shall remain in full force and effect as to those provisions not affected*; and

(i) Notice of Conflict. Either party, upon learning of any such matter, will provide the other party with written notice thereof and provide a copy of any such law, regulation or policy together with a statement of how any such matter conflicts with the provisions of this Agreement; and

(ii) Modification Conferences. The parties shall, within thirty (30) days of the notice referenced to in the preceding subsection, meet and confer in good faith and attempt to modify this Agreement to bring it into compliance with any such federal or state law or regulation.

(iii) City Council Hearings. In the event the City believes that an amendment to this Agreement is necessary due to the effect of any federal or state law or regulation, the proposed amendment shall be scheduled for hearing before the City Council. The City Council shall determine the exact nature of the amendment necessitated by such federal or state law or regulation. Owner shall have the right to offer oral and written testimony at the hearing. Any modification ordered by the City Council pursuant to such hearing is subject to judicial review in accordance with California law.

(iv) City Cooperation. The City shall cooperate with Owner in securing any City permits, licenses or other authorizations that may be required as a result of any amendment resulting from actions initiated by the City. As required by this Agreement, Owner shall be responsible to pay all applicable fees in connection with securing of such permits, licenses or other authorizations.

n. Effective Date. "Effective Date" means either the date of this Agreement approved by the City Council or the date of the CUP's approval by the City Planning Commission, whichever comes later.

o. Authority to Sign. Each Party or responsible officer or governing body therefore, has read this Agreement and understands and knows the contents thereof, and represents and warrants that each of the officers or agents executing this Agreement on behalf of their respective corporations, partnerships, or other organizations is empowered to do so and hereby binds the respective corporation, partnership, or other organization. Additionally, Owner represents and warrants that each of the officers or agents executing this Agreement on behalf of its corporation, partnership, or other organization is an "owner" as defined by California Business and Professions Code Section 26001 and hereby binds the respective corporation, partnership, or other organization.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

CITY OF MONTEBELLO	**RD MONTEBELLO, INC.**
______________________________	______________________________
Jack Hadjinian	Name: Ryan Oganesian
Mayor	Title: President

APPROVED AS TO FORM:

____
City Attorney
City of Montebello

EXHIBITS

A. LEGAL DESCRIPTION [TO BE INSERTED]
B. PARCEL MAP [TO BE INSERTED]
C. SITE AND/OR FLOOR PLANS [TO BE INSERTED]
D. RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT [TO BE INSERTED]
E. PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM [TO BE INSERTED]
F. CONDITIONS OF APPROVAL [TO BE INSERTED]
G. LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT [TO BE INSERTED]

EXHIBIT A

LEGAL DESCRIPTION

EXHIBIT B

MAP

EXHIBIT C

SITE AND/OR FLOOR PLANS

EXHIBIT D

RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT

EXHIBIT E

PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM

EXHIBIT F

CONDITIONS OF APPROVAL

EXHIBIT G

LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT

COMMERCIAL CANNABIS BUSINESS DEVELOPMENT AGREEMENT NO. 17-19 BETWEEN THE CITY OF MONTEBELLO AND OG MONTEBELLO INC.

THIS DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this 5TH day of August, 2019, (the "Execution Date"), by and between the **CITY OF MONTEBELLO**, a California municipal corporation ("City"), and **OG MONTEBELLO INC.**, a California corporation ("Owner"). City and Owner are sometimes referenced together herein as the "Parties." In instances when a provision hereof applies to each of the Parties individually, either may be referenced as a "Party." The Parties hereby jointly render the following statement as to the background facts and circumstances underlying this Agreement:

RECITALS

WHEREAS, Owner currently holds a legal or equitable interest in certain real property considered in this Agreement which has a development area of approximately **6,493** square feet located at 1405 Date Street, and 1404 and 1408 Espanol Avenue, City of Montebello, State of California (the "Site"). The Site includes Assessor's Parcel Number(s): 6354-020-042, 6354-020-044 and 6354-020-045, and is more fully described in the Legal Description in Exhibit A, and shown on the map in Exhibit B. Both exhibits being attached hereto, respectively, and are incorporated herein by this reference;

WHEREAS, presently, Owner has a leasehold interest of the Site for the purpose of conducting commercial cannabis related activities which shall include, but not be limited to commercial cannabis cultivation, manufacturing, delivery-only retail, and distribution. Such commercial cannabis facilities shall operate in accordance with all applicable provisions of California Business and Professions Code §§26000-26231.2; California Health and Safety Code Safety Code §§ 11357-11362.9 and 11362.7- 11362.85; California Revenue and Taxation Code §§ 34010-34021.5; California Vehicle Code §§ 2429.7 and 23222; California Water Code §§ 1831, 1847, and 13276; Cal. Code Regs. tit. 16, div. 4 (2019); Cal. Code Regs. tit. 3, div. 8, Ch. 1 (2019); Cal. Code Regs. tit. 17, div. 1, ch. 13 (2019); and the City of Montebello Municipal Code as it applies to such facilities, as such provisions may be amended from time to time (collectively the "Applicable Cannabis Laws"). Prior to operating a cannabis manufacture site, cultivation site, delivery-only retailer site, and distribution site, as those terms are defined in the Montebello Municipal Code ("Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility"), Owner shall be required to obtain a Conditional Use Permit from the City, and any and all related permits and licenses prior to the operation of same, pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, ultimately, Owner intends upon obtaining one or more permanent annual California State License(s), pursuant to Applicable Cannabis Laws, to operate a

Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility at the Site. The definition of "Owner" hereunder shall mean and refer to the fee simple owner and/or any authorized tenant of the Site to the extent such party holds or is covered by a City Conditional Use Permit; and is not intended to necessarily be coextensive with the definition of that term as defined in California Business & Professions Code Section 26001(al);

WHEREAS, on April 9, 2019, Owner applied to this City for a Conditional Use Permit *(hereinafter* "CUP") to conduct commercial cannabis activities. No such activities are allowed or authorized without this Agreement, a CUP, and all requirements having been satisfied pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, Owner presently intends to develop and open a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility on the Site consistent with the Applicable Cannabis Laws and project approvals (known as the "Project"). The Project will include indoor cannabis manufacturing, cultivation, delivery-only retail, and distribution in accordance with the Applicable Cannabis Laws;

WHEREAS, the Project will consist of two buildings totaling 6,493 square feet, with such final square footage to be consistent with Owner's final approved CUP, as many be amended pursuant to the CUP and/or this Agreement. The building will be divided into major spaces for cultivation, manufacturing, delivery and distribution as follows:

Cultivation: The Project's cultivation area includes the following uses: flowering rooms, a drying and trimming room, a vegetation room and a cloning room. Total area of each of these uses will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. Cultivation operations would occur 24-hours daily.

Manufacturing: The Project will include a manufacturing room that would be used initially for packaging products. Under the manufacturing license, the Owner will conduct additional manufacturing activities including, volatile extraction (Type 7 Manufacturing). The total area of these uses will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. Manufacturing operations would occur 24-hours daily.

Non-storefront Retail Delivery: The retail delivery activities will occur within the delivery office located near the facility's main entry. The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All delivery activities will be conducted in accordance with Applicable Cannabis Laws, including, but not limited to specified hours of operation.

Distribution: The distribution activities will occur within the distribution area. The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All distribution activities will be conducted in accordance with Applicable Cannabis Laws, including, but not limited to specified hours of operation.

General Business Offices: The Project will be open from 6:00 a.m. to 8:00 p.m., Monday through Friday.

Parking/Loading/Access: The proposed project provides parking spaces in accordance with the City-approved Site Plan.

Security: The Project will secure the facility against unauthorized entry by installing security lights on the exterior of the building to illuminate the side yards and parking area, installing commercial-grade locks, installing an alarm and video surveillance system, establishing procedures for identifying authorized persons, establish inventory controls, and install a secure surveillance vault to maintain the integrity of records. In addition, the applicant will engage a licensed security company to provide an operational security plan in compliance with Montebello Municipal Code Chapters 5.90 and 17.71.

The proposed layout of the site is as shown in the attached Site and/or Floor Plans, in Exhibit C.

The Project will consist of a vertically integrated commercial cannabis facility compliant with Applicable Cannabis Laws that will provide several levels of cannabis production, processing, and distribution

This includes:

1) Cultivation and processing of young and mature cannabis plants.
2) Research and development of cannabis plants and strains.
3) Manufacturing of cannabis and its derivatives through volatile and non-volatile extraction.
4) Manufacturing of cannabis food products.
5) Packaging and storage of cannabis products.
6) Distribution of cannabis products.
7) Retail delivery of cannabis products.

Proposed Hours of Operation (subject to final approval pursuant to the CUP):
6:00AM to 8:00PM for general business hours, 24-hours for internal operations

[x] Co-location, check if applicable:

Note: Applicable Cannabis Laws authorize a person to apply for and be issued more than one State annual license at one location provided the licenses premises are separate and distinct.

Owner has applied for four (4) State cannabis licenses, including cultivation, manufacturing, delivery-only retail, and distribution.

Please see the Recitals of this Development Agreement for details for separate and distinct locations of each operation within the Premises.

WHEREAS, On February 14, 2018, Ordinances No. 2399 and No. 2400 came into effect authorizing specified commercial cannabis activities within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, On June 13, 2018, Ordinances No. 2404 and 2405 came into effect amending specified commercial cannabis activities authorized by Ordinances No. 2399 and No. 2400 within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, all procedures of the California Environmental Quality Act ("CEQA"), California Public Resources Code §21000 et seq., and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 et seq. have been satisfied;

WHEREAS, the City has given public notice of its intention to approve this Agreement. The City has found that the provisions of this Agreement and its purposes are consistent with the objectives, policies, general land uses and programs specified in City's General Plan, zoning code and municipal ordinances;

WHEREAS, the City, in entering into this Agreement, acknowledges that certain City obligations hereby assumed shall survive beyond the terms of the present Council members, that this Agreement will serve to bind City and future Councils to the obligations hereby undertaken, and that this Agreement shall limit the future exercise of certain governmental and proprietary powers of City. By approving this Agreement, the Council has elected to exercise certain governmental powers at the time of entering into this Agreement rather than defer its actions to some undetermined future date. The terms and conditions of this Agreement have undergone extensive review by City and the Council and have been found to be fair, just and reasonable. City has concluded that the pursuit of the Project will serve the best interests of its citizens and that the public health, safety and welfare are best served by entering into this obligation. Owner has represented to City that it would not consider or engage in the Project absent City approving this Agreement;

WHEREAS, the City agrees that Owner's land use entitlements, if any, that have been applied for and approved by the City, for the Project shall vest for the term of this Agreement as described below, if applicable;

WHEREAS, after conducting a duly noticed CUP hearing on July 16, 2019, in conjunction with the City's applicable ordinances and resolutions, the Planning

Commission of the City reviewed, considered and approved environmental clearance and approved the execution of the CUP. The Planning Commission found the Project consistent with the objectives, policies, general land uses and programs specified in the general plan; compatible with the uses authorized in the City's zoning laws; in conformity with the public necessity, public convenience, general welfare and good land use practices; will not be detrimental to the health, safety and general welfare of the city; will not adversely affect the orderly development of property or the preservation of property values; and will have a positive fiscal impact on the City;

WHEREAS, after conducting a duly noticed meeting on August 5, 2019, in conjunction with the City's applicable ordinances and resolutions, and after independent review and consideration, the City Council approved the execution of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

1. The Recitals above are true and correct and are hereby incorporated into and made a part of this Agreement. In the event of any inconsistency between the Recitals and the provisions of this Agreement, herein below, said provisions of this Agreement shall prevail.

2. Government Code and Municipal Code Required Elements

a. Description of Property. Land situated in the City of Montebello, County of Los Angeles, State of California; whose street address is 1405 Date Street, and 1404 and 1408 Espanol Avenue, City of Montebello, State of California (the "Site"). The Site includes Assessor's Parcel Numbers: 6354-020-042, 6354-020-044, and 6354-024-045.

b. Owner and Other Person with Legal or Equitable Interest.

Owner: **OG Montebello Inc.**
Nature of Interest: *Leasehold interest.*

A true and correct copy of a recorded grant deed, or executed lease agreement, is attached hereto as Exhibit D, and incorporated herein by this reference.

If Owner is not the fee simple owner of the Site, check box below:

[x] Owner represents and warrants that the property owner has consented in writing to the execution of this Agreement against the Site. [See also attached Property Owner Signed and Notarized Consent Form wherein the property owner has acknowledged reading Montebello Municipal Code Chapters 5.90 and 17.71, incorporated herein by this

reference (Exhibit E).]

c. Permitted Uses. The Site may be used for a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility as presently authorized under Montebello Municipal Code Chapters 5.90 and 17.71 and for any other use if authorized under applicable provisions of the Montebello Municipal Code ("Permitted Uses"). In the event that the Montebello Municipal Code, California law, and/or Federal law is amended in the future to permit additional commercial cannabis uses, Owner may apply for an amendment to this Agreement and to the issued CUP, both of which must receive approval by the City's Planning Commission or City Council, as required, to amend the Permitted Uses at the Site.

d. Zoning. Owner shall use commercially reasonable efforts to ensure that such activities outlined in Owner's CUP Application ("Application") are conducted pursuant to this Agreement and under the CUP shall comply with the Montebello Municipal Code, including the zoning ordinance, any applicable zoning development standards, and any and all development and construction requirements contained therein, and/or as required by the City. Owner shall not conduct any business under this Agreement or under the CUP without having obtained all necessary permits, licenses, and approvals from the City and State of California, as required by Applicable Cannabis Laws, including the City of Montebello Municipal Code.

e. Compliance with CUP conditions of approval. Owner shall comply with all Conditions of Approval imposed against this Agreement, as enumerated in the CUP and attached as Exhibit F, and incorporated herein by reference.

3. Term

This Agreement shall commence on either the date of this Agreement's approval by the City Council or the date of the CUP approval by the City Planning Commission, whichever comes later ("Effective Date"), and end **ten (10)** years from the Effective Date, and it shall remain in full force and effect so long as the Site is used for a commercial cannabis facility as authorized under Montebello Municipal Code Chapters 5.90 and 17.71; provided, however, such use is not abandoned for a period of more than ninety (90) days.

This Agreement may be extended for one (1) additional **five (5)** year period following the expiration of the initial **ten (10)** year term upon the occurrence of all of the following:

(i) The Owner shall give written notice to the City no later than ninety (90) days before the expiration of the initial ten (10) year term that the Owner desires to extend this Agreement for an additional **five (5)** year period;

(ii) The Owner shows reasonably satisfactory evidence to the City that it has, and continues to have a legal and/or equitable interest in the Site and/or will have such interests for the duration of the extended term of the Agreement;

(iii) The Owner shall deposit all fees required by the City necessary for processing the extension request and drafting necessary documentation;

(iv) The Owner shall be in compliance with all provisions of Montebello Municipal Code Chapters 5.90 and 17.71, and all terms imposed by the City-issued CUP, including the timely renewal of a CUP if required; and

(v) The Owner shall not be in material default of any provision of any agreement between City and Owner relative to the development of the Site, the business operations as allowed by a CUP, or of any conditions of approval imposed upon any entitlement or CUP granted by the City relative to the development of the Site for which Owner has been given a written notice to cure by the City and for which Owner has not cured or commenced to cure such material default within thirty (30) days, if and as provided by such agreement or condition of approval.

4. Owner's Site and Floor Plans

a. Owner's site plan and floor plan for the facility are attached hereto as Exhibit C and incorporated into the Agreement.

b. A preliminary landscape plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works and Director of Community Development, or their respective designees, if required by the CUP. A final landscape plan shall be prepared and submitted in conjunction with building and site improvement plans prior to issuance of building permits for construction activities, if required by the CUP.

c. An exterior signage plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works & Director of Community Development, or their respective designees, in accordance with the procedures and requirements of the Montebello Municipal Code.

5. Facility Operations

a. Standard Operating Procedures. Owner is a lawful entity that will only sell to other legally permitted persons and entities under the Applicable Cannabis Laws, as may be amended from time to time and in accordance with Subsection 2(c) of this Agreement. Prior to operating a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility, Owner shall be required to obtain a CUP, and all requirements pursuant to said permit, from the City pursuant to

Montebello Municipal Code Chapters 5.90 and 17.71. Further, and notwithstanding anything to the contrary, Owner may operate such cannabis-related activities as permitted in accordance with Applicable Cannabis Laws, including without limitation, as long as such activity is not inconsistent with Montebello Municipal Code Chapters 5.90 and 17.71, this Development Agreement, the City-issued CUP, and the Montebello Municipal Code.

During the term of its CUP and the term of this Agreement, Owner shall operate in accordance with all Applicable Cannabis Laws. Owner shall employ industry standard operating procedures to comply with Applicable Cannabis Laws. Owner's facility shall employ adequate safety and security measures for the safety and security of its employees, visitors, vendors, and neighboring communities and properties.

Owner shall fully comply with the minimum operating standards regulating the proposed commercial cannabis activity, including, but not limited to those, as set forth in Montebello Municipal Code Chapters 5.90 and 17.71, and such more specific operational requirements as applied by the CUP and this Agreement.

b. Security Plan. Owner shall secure approval of its proposed security plan by the Montebello Police Department or the City prior to operating, which approval shall not be unreasonably withheld, conditioned, or delayed. The security plan shall include, at a minimum and as appropriate, provisions for video surveillance, perimeter fencing and security, protection of the building(s) from vehicle intrusion, cash handling procedures, internal accounting controls, product handling and storage procedures, and a professionally monitored alarm system. Equipment and systems used for video surveillance and building alarms shall be approved by City.

Video surveillance shall include, at a minimum, all site and facility entrances and access points, all spaces accessible by the public, all secured areas of the facility with restricted access, all interior spaces and rooms where cannabis products are handled and processed, shipping and receiving areas, cash storage areas, and other areas necessary to protect the safety of employees and the public and to ensure cannabis products are received, handled, stored, packaged, shipped, and distributed in compliance with Applicable Cannabis Laws. The video surveillance system shall be web-based with direct access provided to the Montebello Police Department upon request.

The security system shall also include sensors to detect entry and exit from all secure areas, panic buttons in appropriate locations, and a professionally monitored alarm system.

Owner shall employ properly trained and licensed third-party security personnel to protect the welfare and safety of Owner and employees, and to ensure public safety to the neighboring community. Owner shall use security personnel during hours of operation, pursuant to Applicable Cannabis Laws. Security personnel may be armed so long as proper licensing and insurance requirements are followed and met by the third-party operator providing such security services.

c. Fire Department Approval. Owner shall not operate any facility, and no permit, license, or other approval issued by City shall be valid unless and until the Montebello Fire Department has approved Owner's site plan, floor plan, safety plan, and any other plans that require its approval, which approval shall not be unreasonably withheld, conditioned, or delayed.

d. Possession of Firearms. Except for licensed and bonded security personnel, no person employed by Owner shall be in possession of any firearm while on the Site without having first obtained a license from the appropriate state or local agency authorizing the person to be in possession of such firearm. Every such person in possession of a firearm while on the Site must provide the City Manager and the Montebello Police Department, ten (10) calendar days' notice before bringing the firearm onto the premises, with the following:

1) A copy of the license issued to the person by the appropriate state or local agency authorizing him or her to possess such firearm;

2) A copy of his or her law enforcement identification (if he or she is employed by a law enforcement agency);

3) A copy of his or her California driver's license or California identification card; and

4) Any other information reasonably required by the Montebello Police Department to show that the individual is in compliance with the provisions of all laws regarding the possession and use of a firearm.

e. Identification Display. Each owner, manager, employee, and individual member engaged in the cultivation, processing, manufacturing, distribution, or transporting of cannabis shall at all times while engaged in the duties of his or her position wear in plain sight, on his or her person and at chest level, a valid identification badge, issued by Owner.

f. Employee Background Checks/Procedures for Inventory Control to Prevent Illegal Diversion of Cannabis. Only employees who receive clearance from the Montebello Police Department shall be permitted to enter Owner's facility. Each employee will have to meet a criminal background investigation, which at minimum shall include a LiveScan criminal history check conducted and provided by each employee. The City shall make a good faith effort to facilitate within a reasonable time following the issuance of a CUP to Owner Employees shall not be disqualified for any conviction which would no longer be a felony under California law at the time of the LiveScan criminal history check.

Owner shall not permit and shall take all necessary and reasonable steps to prevent the distribution of any of its cannabis products to minors; prevent revenue from the sale or distribution of its cannabis and/or infused products from going to criminal enterprises, gangs and cartels; prevent the diversion of cannabis from California to any other state; prevent state-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity; prevent violence and the use of firearms in the manufacturing, distribution, cultivation, and delivery-only retail of cannabis; discourage and educate against drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use; disavow growing cannabis on public lands that creates attendant public safety and environmental dangers posed by such illegal uses; and discourage and educate against cannabis possession or use on federal property.

g. Quality Control and Testing. Owner shall utilize industry standardized quality control measures and testing to ensure only the highest quality of commercial cannabis and infused products will be produced. Owner shall inspect the product to ensure its identity and quantity, and shall have a testing lab perform testing of random samples prior to distribution. Inspection and testing will be conducted by a state-licensed testing lab off-site, except for licensed distributors authorized to conduct testing on-site with a testing lab field representative present. Testing standards and procedures shall be in accordance with Applicable Cannabis Laws.

All commercial cannabis products will undergo a quality assurance review in accordance with state law prior to distribution. Inventory procedures will be utilized for tracking and taxing purposes by the state. Owner shall employ an efficient record-keeping system to make transparent its financing, testing, and adverse effect recording, as well as recall procedures.

h. Packaging of Commercial Cannabis and Infused Products. All Owner commercial cannabis products shall be packaged and labeled strictly in accordance with Applicable Cannabis Laws.

Owner intends to produce infused products and shall secure any approval from the County of Los Angeles Health Department required for manufacturing and handling such products. Owner infused products shall not be produced, manufactured, stored or packaged in private homes. All commercial cannabis infused products shall be individually wrapped at the original point of preparation strictly in accordance with Applicable Cannabis Laws.

i. Point of Sale Tracking System. Owner shall maintain an inventory control and reporting system that accurately documents the location of cannabis products from inception through distribution, including descriptions, weight, and quantity. The inventory control and reporting system shall comply with the

California Cannabis Track and Trace System ("CCTT") required by Applicable Cannabis Laws.

Owner shall employ an electronic point of donation/sale system in accordance with Applicable Cannabis Laws for all point of donations/sales tracking from seed or inception to product distribution to other licensed commercial cannabis facilities, or otherwise in compliance with state and local law and in accordance with Subsection 2(c) of this Agreement. Such approved system shall track all commercial cannabis products, each edible, harvested flower, and/or manufactured concentrate, as well as gross sales (by weight and sale). Owner's point of sale system shall have the capacity to produce historical transactional data in accordance with City's requirements.

j. Record Keeping. Owner shall maintain records for all commercial cannabis and/or infused products. Owner shall comply with all record-keeping responsibilities that are set forth in Applicable Cannabis Laws and complete and up-to-date records regarding the amount of commercial cannabis cultivated, produced, manufactured, harvested, stored, tested, distributed, delivered or packaged at Owner's facility.

k. Processing, Handling, Storing, and Distribution of Commercial Cannabis and Related Products. Commercial cannabis cultivation, handling, storing, and processing shall be concealed from public view at all stages of growth and processing, and there shall be no exterior evidence of cultivation or processing occurring at the premises from a public right-of-way or from an adjacent parcel. Commercial cannabis cultivation, handling, storing, processing, or distribution shall not create offensive odors; create excessive dust, heat, noise, smoke, traffic, or other impacts that are disturbing to people of normal sensitivity residing or present on adjacent or nearby property or areas open to the public; or be hazardous due to use or storage of materials, processes, products, or wastes.

Owner shall store its commercial cannabis and/or commercial cannabis products in a secured storage room with T-card identification access for management only. The storage room shall be constructed of fire-rated walls with an appropriate number of cameras installed to view all entries and exits from the storage room, as well as all other activities performed within Owner's facility. Owner will not conduct outdoor operations except as related to lawful delivery and transportation of commercial cannabis and infused products. Owner will not store commercial cannabis or related products in its delivery vehicle outside normal operating hours of the facility.

Commercial cannabis products shall be sold or distributed only to licensed facilities in California, in compliance with state and local law in accordance with Subsection 2(c) of this Agreement. Excess or contaminated product will be securely stored on-site until it is properly disposed. Disposal may include composting, incineration, land-fill disposal through the local waste management hauler, or other disposal methodology in accordance with state and county health and safety codes and regulations.

l. Odor Control. All structures shall have adequate ventilation and filtration systems installed that minimize and control commercial cannabis plant odors from exiting the interior of the structure. The ventilation and filtration system shall be approved by the City Building Official and installed prior to commencing cultivation or manufacturing within the allowable structure. Facility air intake, exhaust, and recirculating system shall be of industrial grade. Activated charcoal, recirculating, and closed loop aeration systems will be utilized as necessary for effective odor control and management.

m. Transportation Plan. Owner shall comply with all Applicable Cannabis Laws regarding transportation, including the rules governing delivery service. Owner shall retain a list of names and cellular contact numbers for all employees engaged in transportation of commercial cannabis products and provide it to the applicable oversight authority, keeping the list current and up to date.

Owner will keep complete and up-to-date records documenting each transfer of commercial cannabis to other licensed entities, including the amount provided, the form or product category in which the commercial cannabis was provided, the date and time provided, the name of the employee making the transfer, the name and address of each lawful licensed entity to whom delivery is made, and the amount of any related donation or other monetary transaction.

6. Community Relations, Employment, and Wages

a. Public Outreach and Education Program. The Owner shall coordinate and cooperate with City and other owners of commercial cannabis facilities located within City of Montebello in the establishment and implementation of appropriate public outreach and education programs. The public outreach and education programs shall be reasonably approved by City.

b. Community Benefits Program. The Owner shall fund the establishment and implementation of a community benefits program which may include such items as senior citizen programs, City beautification efforts, funding for enforcement against illegal cannabis operations, public safety, housing programs, economic development, infrastructure, capital improvements, including expansion and/or improvement to existing facilities or other physical improvements that provide a benefit to the community, support of holiday and special community events, and support of local public service, public safety, litigation defense, and special social and community organizations (“Community Benefits Program”).

To fulfill its funding obligation for the Community Benefits Program, Owner agrees to pay the City of Montebello the yearly sum of **$50,000.00 ("Montebello Community Benefits Program Fee" or "MCBPF")**. The first annual MCBPF shall be payable to the City on the date that the Certificate of Occupancy is issued to the Owner. Thereafter, the annual MCBPF shall be payable to the City on every July 1 for the term of the Agreement, and shall be pro-rated for any partial days during such period(s) of the Agreement.

The MCBPF is separate and apart from any Cannabis Operation Fee, or penalties therefrom. If the original term of this Agreement is mutually extended by the Parties, the annual minimum payment to this program will be amended accordingly.

c. Designation of Community Relations Liaison. Pursuant to Montebello Municipal Code Chapters 5.90 and 17.71, at the time of this Agreement, Owner's day-to-day operations manager, Tony Torres, will be responsible for community inquiries and complaints and on-site management during normal business hours.

d. Interface with Montebello Municipal Code / Inspections. Owner's day-to-day operations manager, and/or the Owner's Community Relations Liaison, Tony Torres, will interface with the Montebello Police Department's assigned designee to ensure its operation complies with state and local laws and regulations. The City Manager, or designee, or the Montebello Police Department's assigned designee acting at the City Manager's request and per his specific and limiting instructions, shall have the right to enter all portions of the Site from time to time unannounced during hours of operation for the purpose of making reasonable inspections to observe and enforce compliance with this Agreement and Applicable Cannabis Laws, without the requirement of a search warrant, subpoena, or court order, and subject to appropriate cost recovery fees set forth in this Agreement, or adopted by the City.

____________________ Owner's Initials

e. Local Recruitment, Hiring, and Training Programs. Owner is committed to making a good-faith effort to recruit, hire, and train City residents for employment by Owner. A good-faith effort means Owner shall take the following or similar actions to recruit and employ City residents: 1) Contact local recruitment sources to identify qualified individuals who are City residents, 2) Advertise for qualified City residents in trade papers and newspapers of general circulation in the area, and 3) Develop a written plan to recruit and employ City residents as a part of the its workforce. At a minimum, the Owner endeavors to achieve a targeted local annual hiring goal of approximately 45% of total operational jobs for permanent and apprentice employees. This goal shall apply horizontally, across all departments and managerial positions. The Owner shall not be penalized or deemed in default under this Agreement if it is unable to achieve such a goal. "Local" is defined as within a 3-mile radius of the boundaries of the City's boundaries. The Owner may contact and work with a job referral agency assigned by the City Manager to implement a local hiring policy for permanent and apprentice employees. The purpose of the hiring policy is to facilitate the training and employment of local and disadvantaged job applicants for jobs within the City's jurisdiction, and 3-mile radius of City boundaries. Applicants for jobs shall not be disqualified from hiring solely on the basis of an arrest or conviction for a Cannabis-related crime that occurred prior to November 8, 2016, and could have been prosecuted as a misdemeanor or citation under current California law. The Owner shall periodically report on compliance with the local hiring goals as part of its annual audit report.

f. Living Wages. Living Wages. Owner shall pay make a good-faith effort all employees of the Facility, at a minimum, a Living Wage. A "Living Wage" is the higher of whatever the Owner currently pays its employees for similar work elsewhere or the following: the Full Cash Wage required to be paid by an employer to any similarly situated, educated, and/or credentialed individual under the City of Los Angeles Minimum Wage Ordinance [LAMC Sections 187 and 188], as adjusted annually.

g. Full-time Work. Owner shall make its best efforts to fill every position with a full-time employee. However, at no time shall Owner have a labor force that is composed of less than 50% full-time employees within its labor force, and Owner shall make a good faith effort to maintain a full-time employee level of more than 50%. Owner agrees to provide to its eligible employees leave benefits, health and wellness benefits and other employee benefits to the extent such benefits are required to be paid for by Owner under applicable state and federal employment laws.

h. Labor Peace Agreement. If Owner has twenty (20) or more employees at the time of this Agreement's signing, then Owner shall in good faith work with any labor organization for the purpose of collective bargaining and shall enter into and provide the City a copy of a labor peace agreement no later than one hundred and twenty (120) days after this Agreement's signing. Such Owner with twenty (20) or more employees but without a labor peace agreement at the time of this Agreement's signing shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization no later than one hundred and twenty (120) days after this Agreement's signing.

If Owner has less than twenty (20) employees at the time of this Agreement's signing, such Owner shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization if and when Owner has twenty (20) or more employees at any time during the Term of this Agreement. Such Owner with less than twenty (20) employees at the time of this Agreement's signing shall also provide the City a copy of the labor peace agreement no later than one hundred and twenty (120) days from hiring its twentieth (20^{th}) employee, if and when such event occurs during the Term of this Agreement. Attached as Exhibit G, and incorporated herein is a true and correct copy of the actual Labor Peace Agreement; or applicable Notarized Statement of Intent. Owner shall abide by the terms of the labor peace agreement if and when so adopted in accordance with this Subsection. If Owner fails to comply with the labor peace agreement requirement in accordance with this Subsection, such failure shall constitute a default in accordance with Section 13 of this Agreement.

7. Payment of City Fees

a. Permit and Application Fees. Owner agrees to pay all permit fees and charges referenced in Montebello Municipal Code Chapters 5.90 and 17.71, and the amounts adopted by City Council by Resolution No. 19-14, effective February 13, 2019, as well as any fees set forth in this Agreement. Permit application, processing, and renewal fees shall be due and payable at the time application is made.

b. Cannabis Operation Fees.

As used herein, "**Premises**" means the designated structure or structures and land specified in the application that is owned, leased, or otherwise held under the control of the Owner where the commercial cannabis activities will be or are conducted.

As used herein, "canopy" means the designated area(s), except nurseries, that will contain mature plants at any point in time, as follows:

(1) Canopy shall be calculated in square feet and measured using clearly identifiable boundaries of all area(s) that will contain mature plants at any point in time, including all of the space(s) within the boundaries;

(2) Canopy may be noncontiguous but each unique area included in the total canopy calculation shall be separated by an identifiable boundary that includes, but is not limited to, interior walls, shelves, greenhouse walls, hoop house walls, garden benches, hedgerows, fencing, garden beds, or garden plots; and

(3) If mature plants are being cultivated using a shelving system, the surface area of each level shall be included in the total canopy calculation.

As used herein, "**commercial cannabis activities**" means all permitted activities: e.g., cultivation, possession, manufacture, processing, storing, packaging, labeling, transportation, sale, delivery or distribution of cannabis and/or cannabis products.

As used herein, "**Gross receipts**" shall mean the total amount of receipts actually received or receivable in accordance with GAAP or other comprehensive version of accounting in the course of business in a calendar year or calendar month from sales or the performance of acts or services for which charge is made or credit allowed. "**Gross receipts**" include, without limitation, all receipts, cash, credit, property received in lieu of cash, and any other valuable consideration taken in exchange for goods, services or other valuable consideration.

As used herein, "**Production Space**" means the area on or within the **Premises** intended for **commercial cannabis activities** excluding non-operational common areas such as restrooms, cafeterias, break rooms, hallways, corridors, vestibules, parking structures or surface street lots. The parties stipulate and agree that the square footage for the **Production Space** shall be determined by the City Manager in his sole and complete discretion as the Project is completed.

The City Manager is specifically authorized to increase the square footage for the Production Space up to an increase in size of ten percent (10%) administratively and to determine the corresponding operating fee as the Project is completed.

Owner agrees to pay to City ninety (90) days after a Certificate of Occupancy is granted, in order to enable City to promote, protect, and enhance the health, safety, and welfare of the community and its residents and its quality of life., Owner agrees to pay the following percentage of gross receipts and the following square footage for cannabis operations, as follows, paid on a quarterly basis to the City ("Cannabis Operation Fee"):

1. Manufacturing: 2% of gross receipts
2. Distribution: 2.5% of gross receipts, excluding distribution of products manufactured at the Site as well as distribution activities solely to licensed entities under common ownership or otherwise affiliated with Owner so long as distribution is not the only commercial cannabis activity conducted at the Site
3. Delivery-Only Retail: 2% of gross receipts
4. Cultivation: $10.00 per square foot of canopy space, as may be amended from time to time pursuant to the CUP and/or this Agreement

Any subsequent years of operation after the first ten (10) year term of this Agreement shall be negotiated in good faith by the parties.

A Site with multiple licenses must not commingle respective sales proceeds, and blend percentage rate of **Gross Receipts**.

The Cannabis Operation Fee shall begin to accrue **ninety (90)** days after a Certificate of Occupancy is granted. Owner shall make payments to the City on a quarterly basis, within ninety (90) calendar days after the last day of each quarter. The first quarter is defined as January 1 through March 31, the second quarter as April 1 through June 30, the third quarter as July 1 through September 30, and the fourth quarter as October 1 through December 31. First payment to the City may be prorated, if applicable, to adhere to the latter, uniform quarterly payment schedule.

Failure to pay the Cannabis Operation Fee within thirty (30) calendar days after the due date shall result in a penalty for nonpayment in a sum equal to 10% of the total amount due. Additional penalties will be assessed in the following manner: an additional 10% shall be added to the first day of each calendar month following the month of the imposition of the 10% penalty if these fees remain unpaid in whole or in part – up to a maximum of 100% of the total fee payable on the due date.

c. Owner understands and agrees that the fees set forth above shall be paid in a manner and in accordance with a payment schedule set or modified by City. The cultivation, manufacturing, testing, distribution, and delivery space to which the Cannabis Operation Fee applies is as identified on the City-issued final approved floor plan.

d. If Owner makes any changes to the interior layout of the Site that increases the amount of space allocated to those uses to which the per-square-foot Cannabis Operation Fee applies, Owner shall notify City in writing of such changes at least fourteen (14) calendar days prior to making such changes, and if approved by the City the per-square-foot fee shall be modified accordingly. If Owner fails to give City notice as required herein, Owner shall be responsible for paying to City a per-square-foot fee based on any increase in the amount of space allocated to those uses to which the per-square-foot fee applies retroactive to the date the CUP became effective.

8. Additional Owner Obligations

a. Reporting of Gross Receipts from Operations

1) Quarterly Receipts. No later than one-hundred twenty (120) days from the date Owner secures a CUP and every three months thereafter (Owner shall deliver to City a report (the "Quarterly Report"), pursuant to the quarterly payment schedule discussed hereinabove) showing (i) Gross Receipts from commercial cannabis activities for the immediate prior three months received by Owner, and a cumulative total of all amounts of Gross Receipts from commercial cannabis activities received by Owner for the calendar year, (ii) a calculation of the quarterly payment due to City for the prior three months, and (iii) a calculation of the cumulative total of all quarterly payments for the calendar year.

2) Statement of Receipts/Annual Audit. The Owner shall keep complete, accurate and appropriate books and records of all receipts from operations in accordance with generally accepted accounting principles ("GAAP") or other comprehensive version of accounting. For purposes herein, "books and records" shall mean all bookkeeping or accounting documents Owner typically utilizes in managing its business operations relating to the Project. Such books and records, as well as all other relevant documents as the City Manager may reasonably require, shall, upon reasonable written notice, be open for inspection by City, its auditors or other authorized representatives. If at any time during the term such books and records prove inadequate in the reasonable judgment of City to record the Gross Receipts from commercial cannabis activities as herein required, Owner shall, upon the written request of the City, procure and maintain such books and records as shall be of a character and from adequate for such purpose. City shall have the right to audit and examine such books, records and documents and other relevant items in the possession of Owner, on no more than an annual basis, or at any time other upon reasonable basis therefor substantiated the City, to the extent necessary for a proper determination of Gross Receipts from commercial cannabis activities, and all such books, records, documents and other items shall be held available for such audit and examination. The City's audit shall be performed by a non-contingency fee, regionally recognized independent auditor approved in advance by the City. Upon request by City, Owner shall make all such books, records and documents available to the City Manager, his designee, or to the City approved auditor, and provide removable copies thereof, within thirty (30) days of the date of City's request. Owner shall pay all reasonable costs of such audits. Owner shall preserve such books, records, documents, and other items in Montebello for a period of not less than one (1) years for the purpose of auditing or re-auditing these accounts upon reasonable notice; except that, if an audit is made within the seven-year period and Owner claims that errors or omissions have occurred, the books and records shall be retained and made available until those matters are resolved. City shall keep strictly confidential all statements of revenue furnished by Owner and all other information concerning Owner's operation of the Site obtained by City as a result of the inspection audit and examination privileges of City hereunder (i.e. receipts and tax filings), except as otherwise required by a court order. If City receives a request for such information pursuant to the Public Records Act (California Government Code Section 6250, et seq.), City shall provide Owner notice of any such request prior to disclosing any such information and shall refuse to disclose such information until such time as Owner has been given notice and afforded the opportunity to obtain a protective order. Within seven (7) years after the receipt of any statement of receipts under this Agreement, City at any time shall be

entitled to carry out an audit of such revenue either by City or agent to be designated by City. If it shall be determined as a result of such audit that there has been a deficiency in any payment due under this Agreement made on the basis of such statement, then such deficiency shall become immediately due and payable within thirty (30) days of such determination.

3) Copies of Tax Filings. Owner shall provide the City with courtesy copies of each and every report Owner is required to provide to the County of Los Angeles or the State of California for sales, use, cannabis excise, or other gross receipts type taxes at the time such filings are required to be made, including any lawful extensions thereof.

b. Future Revenue Mechanisms. During the term of this Agreement, if the City imposes (by Citizen Initiative) an alternative revenue mechanism specifically related to commercial cannabis activities (e.g., a cannabis tax), Owner agrees to renegotiate in good faith the terms of this Development Agreement with the City so as to comply with an alternative revenue mechanism to the extent the alternative revenue mechanism does not result in higher annual fees than the fees required under this Agreement. As used in this section, "alternative revenue mechanism" does not include taxes, fees, or assessments levied on or collected from both cannabis and non- cannabis operations.

9. Insurance and Indemnity

a. Insurance. Owner shall require all persons doing work on the Project, including its contractors and subcontractors (collectively, "Owner" for purposes of this Section 9 only), to obtain and maintain insurance of the types and in the amounts described in this section and its subsections with carriers reasonably satisfactory to City.

b. General Liability Insurance. Owner shall maintain commercial general liability insurance or equivalent form with a limit of not less than One Million Dollars ($1,000,000) (or as otherwise approved, in writing, by City) per occurrence and Two Million Dollars ($2,000,000) in the aggregate. Such insurance shall also:

1) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as "Additional Insureds" by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insured.

2) Be primary with respect to any insurance of self-insurance programs covering City, its officials, employees, agents, and representatives.

3) Contain standard separation of insured provisions.

c. Automobile Liability Insurance. Owner shall maintain business automobile liability insurance or equivalent form with policy limits that are in commercially reasonable amounts and in compliance with state law for such automotive liability insurance for each accident for the vehicles Owner operates in connection with its cannabis business. Such insurance shall include coverage for owned, hired, and non-owned automobiles. Such insurance shall also:

1) Name City, and work in good faith with the City and the insurers to name additional insureds as deemed reasonably necessary. "Additional Insureds" by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insureds;

2) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives;

3) Contain standard separation of insured provisions.

d. Workers' Compensation Insurance. Owner shall take out and maintain during the term of this Agreement, the statutorily required minimum amount of workers' compensation insurance in accordance with applicable state workers' compensation laws for all of Owner's employees employed at or on the Project, and in the event any of the work is subcontracted, Owner shall require any general contractor or subcontractor similarly to provide workers' compensation insurance for such contractor's or subcontractor's employees, unless such employees are covered by the protection afforded by Owner. In case any class of employee engaged in work on the Project is not protected under any workers' compensation law, Owner shall provide and shall cause each contractor and subcontractor to provide adequate insurance for the protection of employees not otherwise protected. Owner hereby indemnifies City for any damage resulting from failure of Owner, its agents, employees, contractors, or subcontractors to take out or maintain such insurance. Workers' compensation insurance with statutory limits and employer's liability insurance of not less than the required statutory limits for each accident shall be maintained.

e. Other Insurance Requirements. Owners shall do all of the following:

1) Prior to taking any actions under this Agreement, furnish City with properly executed certificates of insurance that clearly evidenced all insurance required in this Section, including evidenced that such insurance will not be canceled, allowed to expire, or be materially reduced in coverage without thirty (30) days prior written notice to City.

2) Provide to City, upon request, and within seven (7) calendar days

of said request, certified copies of endorsements and policies, and properly executed certificates of insurance evidencing the insurance required herein.

3) Replace or require the replacement of certificates, policies and endorsements for any insurance required herein expiring prior the termination of this Agreement.

4) Maintain all insurance required herein from the Effective Date of this Agreement to the earlier of the expiration of the term or the mutual written termination of this Agreement.

5) Place all insurance required herein with insurers licensed to do business in California with a current Best's Key Rating Guide reasonably acceptable to City.

f. Indemnity. Owner agrees to indemnify, defend, and hold City, and its elected and appointed council, boards, commissions, officers, agents, employees, contractors, consultants and representatives, harmless from any and all claims costs and liability for any personal injury or property damage which may arise as a result of any actions or negligent omissions by Owner or Owner's contractors, subcontractors, agents, or employees in connection with the construction, improvement, or operation of the Project.

10. Termination

a. Termination upon End of Term. This Agreement shall terminate upon the expiration of the term, unless it is terminated earlier pursuant to the terms of this Agreement.

b. Effect of Termination on Owner's Obligations. Termination of this Agreement shall eliminate any further obligation of Owner to comply with this Agreement, or some portion thereof, if such termination relates to only part of the Site or Project. Termination of this Agreement, in whole or in part, shall not, however, eliminate or otherwise limit the rights of Owner to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

c. Effect of Termination on City's Obligations. Termination of this Agreement shall eliminate any further obligation of City to comply with this Agreement, or some portion thereof. Termination of this Agreement shall not, however, eliminate the rights of City to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

d. Survival after Termination. The rights and obligations of the Parties set forth in Section 14, Section 20, and Subsection 22(c), and Subsection 22(e), and any right or obligation of the Parties in this Agreement which, by its express terms or nature and context is intended to survive termination of this Agreement, will survive any such termination.

11. Resources Efficiency

Owner shall in good faith endeavor to reduce its environmental impact when possible. The design of the Site shall include reasonable water and energy conservation measures in accordance with applicable State regulations and the CUP.

12. Standard Conditions for Construction

During any on-site construction activities related to development of the Site and any buildings thereon, or renovation or remodeling of existing buildings, Owner shall comply with all applicable terms and conditions of City's standard conditions for construction and the CUP. The Project shall comply with the applicable parking standards in accordance with the CUP.

13. Defaults and Remedies

a. Remedies in general. It is acknowledged by the Parties that City would not have entered into this Agreement if it were to be liable in damages under this Agreement, or with respect to this Agreement or the application thereof, except as hereinafter expressly provided. Subject to extensions of time by mutual consent in writing, failure to delay by either party to perform any term or provision of this Agreement beyond a reasonable notice and cure period shall constitute a default. In the event of alleged default or breach of any terms or conditions of this Agreement, the party alleging such default or breach shall give the other party not less than thirty (30) day notice in writing specifying the nature of the alleged default and the manner in which said default may be satisfactorily cured during any such thirty (30) day period, the party charged shall not be considered in default for purposes of termination or institution of legal proceedings. Notwithstanding the foregoing to the contrary, if the alleged default is of such a nature that it cannot be reasonably cured within thirty (30) days, the alleged defaulting party shall not be deemed in default as long as such party commences to cure such default within such thirty (30) day period and thereafter diligently prosecutes such cure to completion.

After notice and expiration of the thirty (30) day period, the other party to this Agreement, at its option, may institute legal proceedings pursuant to this Agreement.

In general, each of the parties hereto may pursue any remedy at law or equity available for the breach of any provision of this Agreement, except that City shall not be liable for monetary damages, unless expressly provided for this Agreement, to Owner, to any mortgagee or lender, or to any successors in interest of Owner or mortgagee or lender, or to any other person, and Owner covenants on behalf of itself and all successors in interest to the Property or any portion thereof, not to sue for damages or claim any damages.

1) For any breach of this Agreement or for any cause of action which arises out of this Agreement; or

2) For the impairment or restriction of any right or interest conveyed or provided under, with, or pursuant to this Agreement, including, without limitation, any impairment or restriction which Owner characterizes as a regulatory taking or inverse condemnation; or

3) Arising out of or connected with any dispute, controversy or issue regarding the application or interpretation or effect of the provisions of this Agreement.

Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from the exercise by City of its power of eminent domain. Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from bad faith intentional acts, the grossly negligent or malicious acts of City and its officials, officers, agents and employees. Nothing herein shall modify or abridge any defenses or immunities available to City and its employees pursuant to the Government Liability Act and all other applicable statutes and decisional law.

Except as set forth in the preceding paragraph relating to eminent domain, Owner's remedies shall be limited to those set forth in this Subsection 13(a), Subsection 13(b), and Subsection 13(c).

Notwithstanding anything to the contrary contained herein, City covenants as provided in Civil Code Section 3300 not to sue for or claim any consequential damages or, in the event all or a portion of the Site is not developed, for lost profits or revenues which would have accrued to City as a result of the development of the Site.

b. Specific Performance. The Parties acknowledge that money damages and remedies at law are inadequate, and specific performance and other non-monetary relief are particularly appropriate remedies for the enforcement of this Agreement and should be available to all parties for the following reasons:

Due to the size, nature and scope of the Project, it may not be practical or possible to restore the Site to its natural condition once implementation of this Agreement has begun. After such implementation, Owner may be foreclosed from other choices it may have had to use the Site or portions thereof. Owner has invested significant time and resources and performed extensive planning and processing of the Project in agreeing to the terms of this Agreement and will be investing even more significant time and resources in implementing the Project in reliance upon the terms of this Agreement, and it is not possible to determine the sum of money which would adequately compensate Owner for such efforts; the parties acknowledge and agree that any injunctive relief may be ordered on an expedited, priority basis.

c. Release. Except for those remedies set forth in Subsections 13(a), 13(b), and 13(c), Owner, for itself, its successors and assignees, hereby releases City, its officers, agents and employees from any and all claims, demands, actions, or suits of any kind or nature arising out of any liability, known or unknown, present or future, based or asserted, pursuant to Article 1, Section 19 of the California Constitution, the Fifth Amendment of the United States Constitution, or any other law or ordinance which seeks to impose any other liability or damage, whatsoever, upon City because it entered into this Agreement or because of the terms of this Agreement.

Owner acknowledges that it may have suffered, or may suffer, damages and other injuries that are unknown to it, or unknowable to it, at the time of its execution of this Agreement. Such fact notwithstanding, Owner agrees that the release provided in this Subsection 13(c) shall apply to such unknown or unknowable claims and damages. Without limiting the generality of the foregoing, Owner acknowledges the provisions of California Civil Code Section 1542, which provide:

> ***"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor*."**

Owner hereby waives, to the maximum legal extent, the provisions of California Civil Code Section 1542 and all other statutes and judicial decisions of similar effect.

____
Owners' Initials

d. Termination of Agreement for Default of City. Owner may terminate this Agreement in the event of a default by City in the performance of a material term of this Agreement and only after providing written notice to City of default setting forth the nature of the default and the actions, if any, required by City to cure such default and, where the default can be cured, City has failed to take such actions and cure such default within thirty (30) days after the effective date of such notice or, in the event that such default cannot be cured within such thirty (30) day period but can be cured within a longer time, has failed to commence the actions necessary to cure such default within such thirty (30) day period and to diligently proceed to complete such actions and cure such default. Notwithstanding anything to the contrary, in the event that Owner deem it is necessary and/or advisable to cease operations in Montebello, then Owner may terminate this Agreement, and such termination shall be effective upon the date of written notice to the City.

e. Attorneys' Fees and Costs. In any action or proceeding between City and Owner brought to interpret or enforce this Agreement, or which in any way arises out of the existence of this Agreement or is based upon any term or provision contained herein, the "prevailing party" in such action or proceeding shall be entitled to recover from the non-prevailing party, in addition to all other relief to which the prevailing party may be entitled pursuant to this Agreement, the prevailing party's reasonable attorneys' fees and litigation costs, in an amount to be determined by the court. The prevailing party shall be determined by the court in accordance with California Code of Civil Procedure Section 1032. Fees and costs recoverable pursuant to this Subsection 13(e) include those incurred during any appeal from an underlying judgment and in the enforcement of any judgment rendered in any such action or proceeding.

f. Owner Default. No building permit shall be issued or building permit application accepted for any structure on the Site after Owner is determined by City to be in default of the terms and conditions of this Agreement until such default thereafter is cured by Owner or is waived by City. If City terminates this Agreement because of Owner's default, then City shall retain any and all benefits, including money or land received by City hereunder.

14. Third Party Litigation

a. General Plan Litigation. City has determined that this Agreement is consistent with its General Plan. Owner has reviewed the General Plan and concurs with City's determination.

City shall have no liability under this Agreement or otherwise for any failure of City to perform under this Agreement, or for the inability of Owner to develop the Site as contemplated by the Agreement, which failure to perform or inability to develop is as the result of a judicial determination that the General Plan, or portions thereof, are invalid or inadequate or not in compliance with law, or that this Agreement or any of City's actions in adopting it were invalid, inadequate, or not in compliance with the law.

b. Hold Harmless Agreement. Owner hereby agrees to, and shall hold City, its elective and appointive boards, commissions, officers, agents, attorneys, contractors, consultants and employees harmless from any liability for damage or claims for damage for personal injury, including death, as well as from claims for property damage which may arise from Owner or Owner's contractors, subcontractors, agents, or employees' operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, agents, or employees operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, or by any one or more persons directly or indirectly employed by, or acting as agent for Owner or any of Owner's contractors or subcontractors. Owner agrees to and shall defend City and its elective and appointive boards, commissions, officers, agents and employees from any suits or actions at law or in equity for damage caused, or alleged to have been caused, by reason of any of the aforesaid operations.

c. Indemnification. Owner shall defend, indemnify, and hold harmless City and its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees against and from any and all liabilities, demands, claims, actions or proceedings and costs and expenses incidental thereto (including costs of defense, settlement and reasonable attorneys' fees)which any or all of them may suffer, incur, be responsible for or pay out as a result of or in connection with any challenge to the legality, validity or adequacy of any of the following: (i) this Agreement and the concurrent and subsequent permits, licenses and entitlements approved for the Project or Site; (ii) the environmental impact report, mitigated negative declaration or negative declaration, as the case may be, prepared in connection with the development of the Site; and (iii) the proceedings undertaken in connection with the adoption or approval of any of the above. In the event of any legal or equitable action or other proceeding instituted by any third party (including a governmental entity or official) challenging the validity of any provision of this Agreement or any portion thereof as set forth herein, the parties shall mutually cooperate with each other in defense of said action or proceeding. Notwithstanding the above, City, at is sole option, may tender the complete defense of any third-party challenge as described herein. In the event City elects to contract with special counsel to provide for such a defense, City shall meet and confer with Owner regarding the selection of counsel, and Owner shall pay all costs related to retention of such counsel.

d. Environmental Contamination. Owner shall indemnify and hold City, its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees free and harmless from any liability, based or asserted, upon any act or omission of Owner, its officers, agents, employees, subcontractors, predecessors in interest, successors, assigns and independent contractors, excepting and acts or omissions of City as successor to any portions of the Site dedicated or transferred to City by Owner and further excepting any environmental conditions not within Owner's control nor directly associated with a Permitted Use, for any violation of any federal, state or local law, ordinance or regulation relating to industrial hygiene or to environmental conditions on, under or about the Property, including, but not limited to, soil and groundwater conditions, and Owner shall defend, at its expense, including attorneys' fees, City, its officers, agents and employees in any action based or asserted upon any such alleged act or omission. City may in its discretion participate in the defense of any such claim, action or proceeding.

The provisions of this Section 14(d) do not apply to environmental conditions that predate Owner's ownership or control of the Site or applicable portion; provided, however, that the foregoing limitation shall not operate to bar, limit or modify any of Owner's statutory or equitable obligations as an owner or seller of the Site.

e. City to Approve Counsel. With respect to Subsections 14(a) through 14(d) only, City reserves the right to approve the attorney(s) which Owner selects, hires or otherwise engages to defend City hereunder, which approval shall not be unreasonably withheld, conditioned, or delayed.

f. Accept Reasonable Good Faith Settlement. City shall not reject any reasonable good faith settlement offer regarding claims contemplated in this Section 14. If City does reject a reasonable, good faith settlement that is acceptable to Owner, Owner may enter into a settlement of the action, as it relates to Owner, and City shall thereafter defend such action (including appeals) at its own cost and be solely responsible for any judgment rendered in connection with such action. This Subsection 14(f) applies exclusively to settlements pertaining to monetary damages or damages which are remedial by the payment of monetary compensation. Owner and City expressly agree that this Subsection 14(f) does not apply to any settlement that requires an exercise of City's police powers, limits City's exercise of its police powers, or affects the conduct of City's municipal operations.

g. Survival. The provisions of Subsections 14(a) through 14(f) inclusive, shall survive the termination or expiration of the Agreement.

15. California Environmental Quality Act

Owner shall reimburse City for any and all reasonable costs incurred by City related to project review under the California Environmental Quality Act (CEQA), Public Resources Code, §§21000-21189.3, and the Guidelines for California Environmental Quality Act, California Code of Regulations, Title 14, §§15000-15387. If reasonably requested by City, Owner shall conduct and pay for any required CEQA reviews and analyses. The City has found that the proposed Project is Categorically Exempt from California Environmental Quality Act (CEQA) requirements under provisions of CEQA Guidelines **Section 15332** – In-Fill Development. This exemption applies to infill development within urbanized areas meeting the conditions described in **Section 15332**.

16. Rules, Regulations, and Official Policies

Except as otherwise provided in this Agreement, the rules, regulations, and official policies of City governing permitted uses of the land, governing density, and governing the design, improvements, and construction standards and specifications applicable to the development of the Project subject of this Agreement, shall be those rules, regulations, and official policies of City in force as of the Effective Date of this Agreement. This Agreement does not prevent City, in subsequent actions applicable to the Site, from applying new rules, regulations, and policies which do not conflict with those rules, regulations, and policies applicable to the property as set forth herein, nor does this Agreement prevent City from denying or conditionally approving any subsequent development project application (i.e. not the Project) based on such existing or new rules, regulations, or policies.

17. CUP Conditions of Approval

Owner shall comply with all conditions of approval of the City-issued CUP. If there is any conflict between a term of this Agreement and a condition of approval of the City-issued CUP, then the most restrictive shall apply.

18. Periodic Reviews

This Agreement shall be subject to annual review. The Owner executing this Agreement, or successor in interest thereto, shall demonstrate good faith compliance with the terms of this Agreement. If, as a result of such periodic review, City finds and determines, based on substantial evidence, that Owner executing this Agreement, or successor in interest thereto, has not materially complied in good faith with the terms or conditions of this Agreement, City may terminate or modify this Agreement (except no modification shall increase Owner's liability nor reduce Owner's rights), provided that City shall first provide Owner notice of its intent to terminate, with a detailed explanation as to why, and provide Owner the reasonable right to cure the same.

a. Periodic Review. City Council shall review this Agreement annually, on or before each anniversary of the Effective Date, in order to ascertain Owner's good faith compliance with this Agreement. During the periodic review Owner shall be required to demonstrate good faith compliance with the terms of the Agreement, through submitting an annual monitoring report, records, or equivalent written materials to the Planning Department. The Planning Department will schedule a hearing on the periodic review of the Development Agreement on or following the anniversary of the Effective Date, but Owner has no obligation to compel such hearing, and no implication will be made to Owner's detriment if a hearing is not in fact held. Owner shall document any request for an extension of the term due to delays beyond the control of Owner (see Subsection 22(g), "Force Majeure"). Owner shall submit an annual review and administration fee deposit not to exceed City's estimated internal and third-party costs associated with the review and administration of this Agreement during the succeeding year. City shall provide Owner said estimate a reasonable time in advance of the annual review and administration fee deposit being due.

b. Conditional Use Permit. The operation of the business at all times shall be required to comply with the CUP and this Agreement.

c. Special Review. City Council may order a special review of compliance with this Agreement at any time. The City Manager, Community Development Director, or his or her designee(s) shall conduct such special review. During a special review, Owner shall be required to demonstrate good faith compliance with the terms of the Agreement. The burden of proof on this issue shall be on Owner.

d. Review Hearing. At the time and place set for the special or periodic review hearing, Owner shall be given an opportunity to be heard. If City Council finds, based upon substantial evidence, that Owner has not complied in good faith with the terms or conditions of this Agreement, City Council may terminate this Agreement notwithstanding any other provision of this Agreement to the contrary, or modify this Agreement and impose such conditions as are reasonably necessary to protect the interests of City. The decision of City Council shall be final, subject only to judicial review pursuant to Code of Civil Procedure Section 1094.5.

e. Certificate of Agreement Compliance. If, after a periodic or special review, Owner is found to be in compliance with this Agreement, and if Owner requests it, City shall issue a Certificate of Agreement Compliance ("Certificate") to Owner stating that after the most recent periodic or special review, and based upon the information known or made known to the Planning Director and City Council, that (i) this Agreement remains in effect and (ii) Owner is not in default. City shall not be bound by a Certificate if a default existed at the time of the periodic or special review, but was concealed from or otherwise not known to the Planning Director and City Council, regardless of whether the Certificate is relied upon by assignees or other transferees or Owner.

f. Failure to Conduct Review. City's failure to conduct a periodic review of this Agreement shall not constitute a breach of this Agreement.

g. Cost of Review. The reasonable costs incurred by City in connection with the periodic reviews shall be borne by Owner.

19. Assignment

Assignment by Owner. Owner shall not transfer, delegate, sublet or assign its interest, rights, duties, and obligations under this Agreement without the prior written consent of City, which consent shall not be unreasonably withheld. Owner shall submit a transfer application to the City Manager or City Manager's designee and pay any applicable transfer fee. The proposed transferee must show proof of lawful transfer of possession of the applicable location as may be acceptable to the City. Owner is aware it may take the City approximately six (6) months to process a transfer application.

Any assignment, delegation, subletting or assignment without the prior written consent of City shall be null and void. Any transfer, delegation, subletting or assignment by Owner as authorized herein shall be effective only if and upon the party to whom such transfer, delegation, subletting or assignment is made is issued a CUP as required under Montebello Municipal Code Chapters 5.90 and 17.71.

Owner shall also comply with all proposed assignments and changes, including assignment and changes impacting a Development Agreement or a CUP, as required pursuant to state law, and Montebello Municipal Code Chapters 5.90 and 17.71.

20. Operating Commercial Cannabis Facility

Any Party to this Agreement, or successor in interest thereto, shall not operate a commercial cannabis facility authorized under the municipal code unless:

a. It is the holder of a valid CUP issued by City in accordance with the procedures and requirements of Montebello Municipal Code Chapters 5.90 and 17.71; and,

b. At such time as the State of California requires commercial cannabis facilities and businesses to hold a valid license or permit issued by the State of California, it also holds such license or permit, unless, however, such permit or license is not required by the State of California for the type of commercial cannabis facility or business operation that is the subject of this Agreement.

21. Notices

Any notice or communication required hereunder between City and Owner must be in writing, and may be given either personally, by registered or certified mail (return receipt requested), or by Federal Express, UPS or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered, as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to City:	City of Montebello 1600 W. Beverly Blvd Montebello, California 90640 Attention: City Manager
With a copy to:	City Attorney 13181 Crossroads Parkway North Suite 400 – West Tower City of Industry, California 91746
If to Owner:	OG Montebello P.O. Box 815 Corona, CA 92878
With a copy to:	Jordan Ferguson Venable LLP 2049 Century Park East Suite 2300 Los Angeles, CA 90067

22. Miscellaneous Provisions

Amendment or Cancellation. This Agreement may be amended, or canceled in whole or in part, only by the written mutual consent of the parties to this Agreement or their successors in interest, except that minor amendments that do not affect a substantive provision of this Agreement may be approved by the City Manager on behalf of the City. The decision whether a proposed amendment is “minor” shall be in the reasonable good faith discretion of the City Manager, and consistent with Montebello Municipal Code Chapters 5.90 and 17.71.

a. Waiver. Waiver by City of any one or more of the terms or conditions of this Agreement shall not be construed as waiver of any other term or condition under this Agreement.

b. Enforcement/Reserved Powers. Unless amended or canceled pursuant hereto, this Agreement shall be enforceable by any Party hereto, or successor in interest thereto, notwithstanding any subsequent change in any applicable general or specific plan, zoning, subdivision or building regulation, or municipal code amendment adopted by City that conflicts with the terms of this Agreement. However, this Agreement is subject to the City's "Reserved Powers." For purposes of this Agreement, "Reserved Powers" means the rights and authority excepted from this Agreement's restrictions on the City's police powers and which are instead reserved to the City. The Reserved Powers include the powers to enact regulations or take future discretionary actions after the Effective Date of this Agreement that: (1) are necessary to protect the public health and safety, and are generally applicable on a City-wide basis (except in the event of natural disasters as found by the City Council such as floods, earthquakes and similar acts of God); (2) are amendments to California Marijuana Laws or California Uniform Codes, as adopted by the City of Montebello, and/or the Montebello Municipal Code, as applicable, regarding the construction, engineering and design standards for private and public improvements to be constructed on the Site; (3) are necessary to comply with state or federal laws and regulations; or (4) involve sign and parking ordinances and guidelines, changes to the City's zoning laws, Specific Plan or the City's General Plan, whether adopted previous or subsequent to the Effective Date of this Agreement).

If any City ordinance, rule or regulation or addition to the Montebello Municipal Code is enacted or imposed by a citizen-sponsored initiative or referendum after the Effective Date that would conflict with this Agreement or an associated CUP, business license or other authorizations and City approvals, or reduce development rights or assurances provided to the Owner in this Agreement, then such changes, additions or deletions to the Montebello Municipal Code shall not be applied to the Site or Project. The parties shall cooperate with each other and undertake such reasonable actions as may be appropriate to ensure this Agreement remains in full force and effect and is implemented in accordance with its terms and to the fullest extent permitted by state or federal law.

Notwithstanding anything to the contrary in this Agreement, site improvements contemplated by this Agreement shall be completed pursuant to the development standards and design guidelines to be adopted by the zoning code amendment.

c. Severability. If any part of this Agreement is found to conflict with applicable state laws or regulations, such part shall be inoperative, null, and void insofar as it conflicts with said laws or regulations, or modified or suspended as may be necessary to comply with such state laws or regulations, but the remainder of this Agreement shall continue to be in full force and effect.

d. Counterparts. 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. The execution of this Agreement may be by actual, facsimile, or electronic signature.

e. Jurisdiction. The law governing this Agreement shall be that of the State of California. Any suit brought by any party against any other party arising out of the performance of this Agreement or the breach, termination, enforcement, interpretation or validity thereof, shall be filed and maintained in the County of Los Angeles Superior Court.

f. Disclaimer. Despite California's commercial cannabis laws and the terms and conditions of this Agreement, or any CUP issued pertaining to Owner or the property specified herein, California commercial cannabis cultivators, manufacturers, retailers, transporters, distributors, or possessors may still be subject to arrest by state or federal officers and prosecuted under state or federal law. The Federal Controlled Substances Act, 21 USC § 801, prohibits the manufacture, distribution, and possession of cannabis without any exemptions for medical use.

g. Force Majeure. If delays are caused by unforeseen events beyond the control of Owner, such delays will entitle Owner to an extension of time as provided in this Section 22. Such unforeseen events ("Force Majeure") shall mean war, insurrection, acts of God, local, state or national emergencies, strikes and other labor difficulties beyond the party's control, or any default by City hereunder, which Force Majeure event substantially interferes with the development, construction or operation of the Project.

h. Costs and Fees. Intentionally omitted.

i. Constructive Notice and Acceptance. Every person who after the Effective Date of this Agreement owns or acquires any right, title, or interest to any portion of the Site, is and shall be conclusively deemed to have consented and agreed to every provision contained herein, whether or not any reference to this Agreement is contained in the instrument by which such person acquired an interest in the Site, and all rights and interests of such person in the Site shall be subject to the terms, requirements, and provisions of this Agreement.

j. Binding Effect of Recitals. The Parties agree that the Recitals above are true and correct and intend to be bound by same.

k. Project as a Private Undertaking. It is specifically understood and agreed by and between the parties hereto that the development of the Project is a private development, that neither party is acting as the agent of the other in any respect hereunder, and that each party is an independent contracting entity with respect to the terms, covenants and conditions contained in this Agreement. No partnership, joint venture or other association of any kind is formed by this Agreement. The only relationship between the City and the Owner is that of a government entity regulating the development of private property and the owner of such property.

l. Changes to Project. The parties acknowledge that changes to the Project and related approvals may be appropriate and mutually desirable to carry out the intent and purpose of this Agreement. This Agreement shall not prevent the City from applying, with the consent or at the request of the Owner, *Subsequent Land Use Regulations* or *Subsequent Development Approvals* that do not directly conflict with the Site authorized under this Agreement. The granting of one such change or request shall not obligate the City to grant other similar changes or requests. As used herein, "*Subsequent Development Approvals*" include, without limitation, all excavation, grading, building, construction, demolition, encroachment or street improvement permits, occupancy certificates, utility connection authorizations, or other non-discretionary permits or approvals necessary, convenient or appropriate for the Project. As used herein, "*Subsequent Land Use Regulations*" means ordinances, resolutions and codes adopted or approved by the City after the Effective Date of this Agreement governing the development and use of the land, including general plan amendments, zone changes, variances or conditional use permits affecting the permitted use of the land including density or intensity of use, subdivision requirements, the maximum height and size of proposed buildings, the provisions of reservation or Dedication of land for public purposes, and the design, improvement and construction and initial occupancy standards and specifications applicable to the Development of the Property.

m. Conflicting Federal or State Rules. In the event that any conflicting federal or state laws or regulations, enacted after the Effective Date, prevent or preclude compliance with one or more provisions of this Agreement or require changes in plans, maps or permits approved by the City, *this Agreement shall remain in full force and effect as to those provisions not affected*; and

(i) Notice of Conflict. Either party, upon learning of any such matter, will provide the other party with written notice thereof and provide a copy of any such law, regulation or policy together with a statement of how any such matter conflicts with the provisions of this Agreement; and

(ii) Modification Conferences. The parties shall, within thirty (30) days of the notice referenced to in the preceding subsection, meet and confer in good faith and attempt to modify this Agreement to bring it into compliance with any such federal or state law or regulation.

(iii) City Council Hearings. In the event the City believes that an amendment to this Agreement is necessary due to the effect of any federal or state law or regulation, the proposed amendment shall be scheduled for hearing before the City Council. The City Council shall determine the exact nature of the amendment necessitated by such federal or state law or regulation. Owner shall have the right to offer oral and written testimony at the hearing. Any modification ordered by the City Council pursuant to such hearing is subject to judicial review in accordance with California law.

(iv) City Cooperation. The City shall cooperate with Owner in securing any City permits, licenses or other authorizations that may be required as a result of any amendment resulting from actions initiated by the City. As required by this Agreement, Owner shall be responsible to pay all applicable fees in connection with securing of such permits, licenses or other authorizations.

n. Effective Date. "Effective Date" means either the date of this Agreement approved by the City Council or the date of the CUP's approval by the City Planning Commission, whichever comes later.

o. Authority to Sign. Each Party or responsible officer or governing body therefore, has read this Agreement and understands and knows the contents thereof, and represents and warrants that each of the officers or agents executing this Agreement on behalf of their respective corporations, partnerships, or other organizations is empowered to do so and hereby binds the respective corporation, partnership, or other organization. Additionally, Owner represents and warrants that each of the officers or agents executing this Agreement on behalf of its corporation, partnership, or other organization is an "owner" as defined by California Business and Professions Code Section 26001 and hereby binds the respective corporation, partnership, or other organization.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

CITY OF MONTEBELLO	**OG MONTEBELLO INC.**
______________________	______________________
Jack Hadjinian	Name: Ryan Oganesian
Mayor	Title: President

APPROVED AS TO FORM:

____

City Attorney
City of Montebello

EXHIBITS

A. LEGAL DESCRIPTION [TO BE INSERTED]
B. PARCEL MAP [TO BE INSERTED]
C. SITE AND/OR FLOOR PLANS [TO BE INSERTED]
D. RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT [TO BE INSERTED]
E. PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM [TO BE INSERTED]
F. CONDITIONS OF APPROVAL [TO BE INSERTED]
G. LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT [TO BE INSERTED]

EXHIBIT A

LEGAL DESCRIPTION

EXHIBIT B

MAP

EXHIBIT C

SITE AND/OR FLOOR PLANS

EXHIBIT D

RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT

EXHIBIT E

PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM

EXHIBIT F

CONDITIONS OF APPROVAL

EXHIBIT G

LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT

COMMERCIAL CANNABIS BUSINESS DEVELOPMENT AGREEMENT NO. 16-19 BETWEEN THE CITY OF MONTEBELLO AND SB MONTEBELLO INVESTMENTS, LLC

THIS DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this 5TH day of August, 2019, (the "Execution Date"), by and between the **CITY OF MONTEBELLO**, a California municipal corporation ("City"), and **SB MONTEBELLO INVESTMENTS, LLC**, a California limited liability company ("Owner"). City and Owner are sometimes referenced together herein as the "Parties." In instances when a provision hereof applies to each of the Parties individually, either may be referenced as a "Party." The Parties hereby jointly render the following statement as to the background facts and circumstances underlying this Agreement:

RECITALS

WHEREAS, Owner currently holds a legal or equitable interest in certain real property considered in this Agreement which has a development area of approximately **21,290** square feet located at 7101 and 7117 Telegraph Road, City of Montebello, State of California (the "Site"). The Site includes Assessor's Parcel Number(s): 6354-024-032 and 6354-024-037, and is more fully described in the Legal Description in Exhibit A, and shown on the map in Exhibit B. Both exhibits being attached hereto, respectively, and are incorporated herein by this reference;

WHEREAS, presently, Owner has a property ownership interest of the Site for the purpose of conducting commercial cannabis related activities which shall include, but not be limited to commercial cannabis cultivation, manufacturing, delivery-only retail, and distribution. Such commercial cannabis facilities shall operate in accordance with all applicable provisions of California Business and Professions Code §§26000-26231.2; California Health and Safety Code Safety Code §§ 11357-11362.9 and 11362.7- 11362.85; California Revenue and Taxation Code §§ 34010-34021.5; California Vehicle Code §§ 2429.7 and 23222; California Water Code §§ 1831, 1847, and 13276; Cal. Code Regs. tit. 16, div. 4 (2019); Cal. Code Regs. tit. 3, div. 8, Ch. 1 (2019); Cal. Code Regs. tit. 17, div. 1, ch. 13 (2019); and the City of Montebello Municipal Code as it applies to such facilities, as such provisions may be amended from time to time (collectively the "Applicable Cannabis Laws"). Prior to operating a cannabis manufacture site, cultivation site, delivery-only retailer site, and distribution site, as those terms are defined in the Montebello Municipal Code ("Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility"), Owner shall be required to obtain a Conditional Use Permit from the City, and any and all related permits and licenses prior to the operation of same, pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, ultimately, Owner intends upon obtaining one or more permanent annual California State License(s), pursuant to Applicable Cannabis Laws, to operate a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility at the Site. The

definition of "Owner" hereunder shall mean and refer to the fee simple owner and/or any authorized tenant of the Site to the extent such party holds or is covered by a City Conditional Use Permit; and is not intended to necessarily be coextensive with the definition of that term as defined in California Business & Professions Code Section 26001(al);

WHEREAS, on March 4, 2019, Owner applied to this City for a Conditional Use Permit *(hereinafter* "CUP") to conduct commercial cannabis activities. No such activities are allowed or authorized without this Agreement, a CUP, and all requirements having been satisfied pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, Owner presently intends to develop and open a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility on the Site consistent with the Applicable Cannabis Laws and project approvals (known as the "Project"). The Project will include indoor cannabis manufacturing, cultivation, delivery-only retail, and distribution in accordance with the Applicable Cannabis Laws;

WHEREAS, the Project will consist of one 21,290 square foot building, with such final square footage to be consistent with Owner's final approved CUP, as many be amended pursuant to the CUP and/or this Agreement. The building will be divided into major spaces for cultivation, manufacturing, delivery and distribution as follows:

Cultivation: The Project's cultivation area includes the following uses: flowering rooms, a drying and trimming room, a vegetation room and a cloning room. Total area of each of these uses will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. Cultivation operations would occur 24-hours daily.

Manufacturing: The Project will include a manufacturing room that would be used initially for packaging products. Under the manufacturing license, the Owner will conduct additional manufacturing activities including, volatile extraction (Type 7 Manufacturing). The total area of these uses will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. Manufacturing operations would occur 24-hours daily.

Non-storefront Retail Delivery: The retail delivery activities will occur within the delivery office located near the facility's main entry. The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All delivery activities will be conducted in accordance with Applicable Cannabis Laws, including, but not limited to specified hours of operation.

Distribution: The distribution activities will occur within the distribution area. The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All distribution activities will be conducted in accordance with Applicable Cannabis Laws, including, but not

limited to specified hours of operation.

General Business Offices: The Project will be open from 8:00 a.m. to 10:00 p.m., Monday through Friday.

Parking/Loading/Access: The proposed project provides parking spaces in accordance with the City-approved Site Plan.

Security: The Project will secure the facility against unauthorized entry by installing security lights on the exterior of the building to illuminate the side yards and parking area, installing commercial-grade locks, installing an alarm and video surveillance system, establishing procedures for identifying authorized persons, establish inventory controls, and install a secure surveillance vault to maintain the integrity of records. In addition, the applicant will engage a licensed security company to provide an operational security plan in compliance with Montebello Municipal Code Chapters 5.90 and 17.71.

The proposed layout of the site is as shown in the attached Site and/or Floor Plans, in Exhibit C.

The Project will consist of a vertically integrated commercial cannabis facility compliant with Applicable Cannabis Laws that will provide several levels of cannabis production, processing, and distribution

This includes:

1) Cultivation and processing of young and mature cannabis plants.
2) Research and development of cannabis plants and strains.
3) Manufacturing of cannabis and its derivatives through volatile and non-volatile extraction.
4) Manufacturing of cannabis food products.
5) Packaging and storage of cannabis products.
6) Distribution of cannabis products.
7) Retail delivery of cannabis products.

Proposed Hours of Operation (subject to final approval pursuant to the CUP):
8:00AM to 10:00PM for general business hours, 24-hours for internal operations

[x] Co-location, check if applicable:

Note: Applicable Cannabis Laws authorize a person to apply for and be issued more than one State annual license at one location provided the licenses premises are separate and distinct.

Owner has applied for four (4) State cannabis licenses, including cultivation, manufacturing, delivery-only retail, and distribution.

Please see the Recitals of this Development Agreement for details for separate and distinct locations of each operation within the Premises.

WHEREAS, On February 14, 2018, Ordinances No. 2399 and No. 2400 came into effect authorizing specified commercial cannabis activities within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, On June 13, 2018, Ordinances No. 2404 and 2405 came into effect amending specified commercial cannabis activities authorized by Ordinances No. 2399 and No. 2400 within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, all procedures of the California Environmental Quality Act ("CEQA"), California Public Resources Code §21000 et seq., and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 et seq. have been satisfied;

WHEREAS, the City has given public notice of its intention to approve this Agreement. The City has found that the provisions of this Agreement and its purposes are consistent with the objectives, policies, general land uses and programs specified in City's General Plan, zoning code and municipal ordinances;

WHEREAS, the City, in entering into this Agreement, acknowledges that certain City obligations hereby assumed shall survive beyond the terms of the present Council members, that this Agreement will serve to bind City and future Councils to the obligations hereby undertaken, and that this Agreement shall limit the future exercise of certain governmental and proprietary powers of City. By approving this Agreement, the Council has elected to exercise certain governmental powers at the time of entering into this Agreement rather than defer its actions to some undetermined future date. The terms and conditions of this Agreement have undergone extensive review by City and the Council and have been found to be fair, just and reasonable. City has concluded that the pursuit of the Project will serve the best interests of its citizens and that the public health, safety and welfare are best served by entering into this obligation. Owner has represented to City that it would not consider or engage in the Project absent City approving this Agreement;

WHEREAS, the City agrees that Owner's land use entitlements, if any, that have been applied for and approved by the City, for the Project shall vest for the term of this Agreement as described below, if applicable;

WHEREAS, after conducting a duly noticed CUP hearing on July 2, 2019, in conjunction with the City's applicable ordinances and resolutions, the Planning Commission of the City reviewed, considered and approved environmental clearance and approved the execution of the CUP. The Planning Commission found the Project consistent with the objectives, policies, general land uses and programs specified in the general plan; compatible with the uses authorized in the City's zoning laws; in conformity with the public necessity, public convenience, general welfare and good land use practices; will not be detrimental to the health, safety and general welfare of the city; will not adversely affect the orderly development of property or the preservation of property values; and will have a positive fiscal impact on the City;

WHEREAS, after conducting a duly noticed meeting on August 5, 2019, in conjunction with the City's applicable ordinances and resolutions, and after independent review and consideration, the City Council approved the execution of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

1. The Recitals above are true and correct and are hereby incorporated into and made a part of this Agreement. In the event of any inconsistency between the Recitals and the provisions of this Agreement, herein below, said provisions of this Agreement shall prevail.

2. <u>Government Code and Municipal Code Required Elements</u>

   a. <u>Description of Property</u>. Land situated in the City of Montebello, County of Los Angeles, State of California; whose street address is 7101 and 7117 Telegraph Road, City of Montebello, State of California (the "Site"). The Site includes Assessor's Parcel Numbers: 6354-024-032 and 6354-024-037.

   b. <u>Owner and Other Person with Legal or Equitable Interest</u>.

   Owner: **SB Montebello Investments, LLC**
   Nature of Interest: *Property ownership interest.*

   A true and correct copy of a recorded grant deed, or executed lease agreement, is attached hereto as Exhibit D, and incorporated herein by this reference.

   If Owner is not the fee simple owner of the Site, check box below:

   [ ] Owner represents and warrants that the property owner has consented in writing to the execution of this Agreement against the Site. [See also attached Property Owner Signed and Notarized Consent Form wherein the property owner has acknowledged reading Montebello Municipal Code Chapters 5.90 and 17.71, incorporated herein by this reference (Exhibit E).]

   c. <u>Permitted Uses</u>. The Site may be used for a Manufacturing, Cultivation,

Delivery-Only Retail and Distribution Facility as presently authorized under Montebello Municipal Code Chapters 5.90 and 17.71 and for any other use if authorized under applicable provisions of the Montebello Municipal Code ("Permitted Uses"). In the event that the Montebello Municipal Code, California law, and/or Federal law is amended in the future to permit additional commercial cannabis uses, Owner may apply for an amendment to this Agreement and to the issued CUP, both of which must receive approval by the City's Planning Commission or City Council, as required, to amend the Permitted Uses at the Site.

d. <u>Zoning</u>. Owner shall use commercially reasonable efforts to ensure that such activities outlined in Owner's CUP Application ("Application") are conducted pursuant to this Agreement and under the CUP shall comply with the Montebello Municipal Code, including the zoning ordinance, any applicable zoning development standards, and any and all development and construction requirements contained therein, and/or as required by the City. Owner shall not conduct any business under this Agreement or under the CUP without having obtained all necessary permits, licenses, and approvals from the City and State of California, as required by Applicable Cannabis Laws, including the City of Montebello Municipal Code.

e. <u>Compliance with CUP conditions of approval</u>. Owner shall comply with all Conditions of Approval imposed against this Agreement, as enumerated in the CUP and attached as Exhibit F, and incorporated herein by reference.

3. <u>Term</u>

This Agreement shall commence on either the date of this Agreement's approval by the City Council or the date of the CUP approval by the City Planning Commission, whichever comes later ("Effective Date"), and end **ten (10)** years from the Effective Date, and it shall remain in full force and effect so long as the Site is used for a commercial cannabis facility as authorized under Montebello Municipal Code Chapters 5.90 and 17.71; provided, however, such use is not abandoned for a period of more than ninety (90) days.

This Agreement may be extended for one (1) additional **five (5)** year period following the expiration of the initial **ten (10)** year term upon the occurrence of all of the following:

(i) The Owner shall give written notice to the City no later than ninety (90) days before the expiration of the initial ten (10) year term that the Owner desires to extend this Agreement for an additional **five (5)** year period;

(ii) The Owner shows reasonably satisfactory evidence to the City that it has, and continues to have a legal and/or equitable interest in the Site and/or will have such interests for the duration of the extended term of the

Agreement;

(iii) The Owner shall deposit all fees required by the City necessary for processing the extension request and drafting necessary documentation;

(iv) The Owner shall be in compliance with all provisions of Montebello Municipal Code Chapters 5.90 and 17.71, and all terms imposed by the City-issued CUP, including the timely renewal of a CUP if required; and

(v) The Owner shall not be in material default of any provision of any agreement between City and Owner relative to the development of the Site, the business operations as allowed by a CUP, or of any conditions of approval imposed upon any entitlement or CUP granted by the City relative to the development of the Site for which Owner has been given a written notice to cure by the City and for which Owner has not cured or commenced to cure such material default within thirty (30) days, if and as provided by such agreement or condition of approval.

4. <u>Owner's Site and Floor Plans</u>

a. Owner's site plan and floor plan for the facility are attached hereto as Exhibit C and incorporated into the Agreement.

b. A preliminary landscape plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works and Director of Community Development, or their respective designees, if required by the CUP. A final landscape plan shall be prepared and submitted in conjunction with building and site improvement plans prior to issuance of building permits for construction activities, if required by the CUP.

c. An exterior signage plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works & Director of Community Development, or their respective designees, in accordance with the procedures and requirements of the Montebello Municipal Code.

5. <u>Facility Operations</u>

a. <u>Standard Operating Procedures</u>. Owner is a lawful entity that will only sell to other legally permitted persons and entities under the Applicable Cannabis Laws, as may be amended from time to time and in accordance with Subsection 2(c) of this Agreement. Prior to operating a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility, Owner shall be required to obtain a CUP, and all requirements pursuant to said permit, from the City pursuant to Montebello Municipal Code Chapters 5.90 and 17.71. Further, and notwithstanding anything to the contrary, Owner may operate such cannabis-related activities as permitted in accordance with Applicable Cannabis Laws,

including without limitation, as long as such activity is not inconsistent with Montebello Municipal Code Chapters 5.90 and 17.71, this Development Agreement, the City-issued CUP, and the Montebello Municipal Code.

During the term of its CUP and the term of this Agreement, Owner shall operate in accordance with all Applicable Cannabis Laws. Owner shall employ industry standard operating procedures to comply with Applicable Cannabis Laws. Owner's facility shall employ adequate safety and security measures for the safety and security of its employees, visitors, vendors, and neighboring communities and properties.

Owner shall fully comply with the minimum operating standards regulating the proposed commercial cannabis activity, including, but not limited to those, as set forth in Montebello Municipal Code Chapters 5.90 and 17.71, and such more specific operational requirements as applied by the CUP and this Agreement.

b. Security Plan. Owner shall secure approval of its proposed security plan by the Montebello Police Department or the City prior to operating, which approval shall not be unreasonably withheld, conditioned, or delayed. The security plan shall include, at a minimum and as appropriate, provisions for video surveillance, perimeter fencing and security, protection of the building(s) from vehicle intrusion, cash handling procedures, internal accounting controls, product handling and storage procedures, and a professionally monitored alarm system. Equipment and systems used for video surveillance and building alarms shall be approved by City.

Video surveillance shall include, at a minimum, all site and facility entrances and access points, all spaces accessible by the public, all secured areas of the facility with restricted access, all interior spaces and rooms where cannabis products are handled and processed, shipping and receiving areas, cash storage areas, and other areas necessary to protect the safety of employees and the public and to ensure cannabis products are received, handled, stored, packaged, shipped, and distributed in compliance with Applicable Cannabis Laws. The video surveillance system shall be web-based with direct access provided to the Montebello Police Department upon request.

The security system shall also include sensors to detect entry and exit from all secure areas, panic buttons in appropriate locations, and a professionally monitored alarm system.

Owner shall employ properly trained and licensed third-party security personnel to protect the welfare and safety of Owner and employees, and to ensure public safety to the neighboring community. Owner shall use security personnel during hours of operation, pursuant to Applicable Cannabis Laws. Security personnel may be armed so long as proper licensing and insurance requirements are followed and met by the third-party operator providing such security services.

c. Fire Department Approval. Owner shall not operate any facility, and no permit, license, or other approval issued by City shall be valid unless and until the Montebello Fire Department has approved Owner's site plan, floor plan, safety plan, and any other plans that require its approval, which approval shall not be unreasonably withheld, conditioned, or delayed.

d. Possession of Firearms. Except for licensed and bonded security personnel, no person employed by Owner shall be in possession of any firearm while on the Site without having first obtained a license from the appropriate state or local agency authorizing the person to be in possession of such firearm. Every such person in possession of a firearm while on the Site must provide the City Manager and the Montebello Police Department, ten (10) calendar days' notice before bringing the firearm onto the premises, with the following:

1) A copy of the license issued to the person by the appropriate state or local agency authorizing him or her to possess such firearm;

2) A copy of his or her law enforcement identification (if he or she is employed by a law enforcement agency);

3) A copy of his or her California driver's license or California identification card; and

4) Any other information reasonably required by the Montebello Police Department to show that the individual is in compliance with the provisions of all laws regarding the possession and use of a firearm.

e. Identification Display. Each owner, manager, employee, and individual member engaged in the cultivation, processing, manufacturing, distribution, or transporting of cannabis shall at all times while engaged in the duties of his or her position wear in plain sight, on his or her person and at chest level, a valid identification badge, issued by Owner.

f. Employee Background Checks/Procedures for Inventory Control to Prevent Illegal Diversion of Cannabis. Only employees who receive clearance from the Montebello Police Department shall be permitted to enter Owner's facility. Each employee will have to meet a criminal background investigation, which at minimum shall include a LiveScan criminal history check conducted and provided by each employee. The City shall make a good faith effort to facilitate within a reasonable time following the issuance of a CUP to Owner Employees shall not be disqualified for any conviction which would no longer be a felony under California law at the time of the LiveScan criminal history check.

Owner shall not permit and shall take all necessary and reasonable steps to prevent the distribution of any of its cannabis products to minors; prevent revenue from the sale or distribution of its cannabis and/or infused products

from going to criminal enterprises, gangs and cartels; prevent the diversion of cannabis from California to any other state; prevent state-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity; prevent violence and the use of firearms in the manufacturing, distribution, cultivation, and delivery-only retail of cannabis; discourage and educate against drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use; disavow growing cannabis on public lands that creates attendant public safety and environmental dangers posed by such illegal uses; and discourage and educate against cannabis possession or use on federal property.

g. Quality Control and Testing. Owner shall utilize industry standardized quality control measures and testing to ensure only the highest quality of commercial cannabis and infused products will be produced. Owner shall inspect the product to ensure its identity and quantity, and shall have a testing lab perform testing of random samples prior to distribution. Inspection and testing will be conducted by a state-licensed testing lab off-site, except for licensed distributors authorized to conduct testing on-site with a testing lab field representative present. Testing standards and procedures shall be in accordance with Applicable Cannabis Laws.

All commercial cannabis products will undergo a quality assurance review in accordance with state law prior to distribution. Inventory procedures will be utilized for tracking and taxing purposes by the state. Owner shall employ an efficient record-keeping system to make transparent its financing, testing, and adverse effect recording, as well as recall procedures.

h. Packaging of Commercial Cannabis and Infused Products. All Owner commercial cannabis products shall be packaged and labeled strictly in accordance with Applicable Cannabis Laws.

Owner intends to produce infused products and shall secure any approval from the County of Los Angeles Health Department required for manufacturing and handling such products. Owner infused products shall not be produced, manufactured, stored or packaged in private homes. All commercial cannabis infused products shall be individually wrapped at the original point of preparation strictly in accordance with Applicable Cannabis Laws.

i. Point of Sale Tracking System. Owner shall maintain an inventory control and reporting system that accurately documents the location of cannabis products from inception through distribution, including descriptions, weight, and quantity. The inventory control and reporting system shall comply with the California Cannabis Track and Trace System (“CCTT”) required by Applicable Cannabis Laws.

Owner shall employ an electronic point of donation/sale system in accordance

with Applicable Cannabis Laws for all point of donations/sales tracking from seed or inception to product distribution to other licensed commercial cannabis facilities, or otherwise in compliance with state and local law and in accordance with Subsection 2(c) of this Agreement. Such approved system shall track all commercial cannabis products, each edible, harvested flower, and/or manufactured concentrate, as well as gross sales (by weight and sale). Owner's point of sale system shall have the capacity to produce historical transactional data in accordance with City's requirements.

j. Record Keeping. Owner shall maintain records for all commercial cannabis and/or infused products. Owner shall comply with all record-keeping responsibilities that are set forth in Applicable Cannabis Laws and complete and up-to-date records regarding the amount of commercial cannabis cultivated, produced, manufactured, harvested, stored, tested, distributed, delivered or packaged at Owner's facility.

k. Processing, Handling, Storing, and Distribution of Commercial Cannabis and Related Products. Commercial cannabis cultivation, handling, storing, and processing shall be concealed from public view at all stages of growth and processing, and there shall be no exterior evidence of cultivation or processing occurring at the premises from a public right-of-way or from an adjacent parcel. Commercial cannabis cultivation, handling, storing, processing, or distribution shall not create offensive odors; create excessive dust, heat, noise, smoke, traffic, or other impacts that are disturbing to people of normal sensitivity residing or present on adjacent or nearby property or areas open to the public; or be hazardous due to use or storage of materials, processes, products, or wastes.

Owner shall store its commercial cannabis and/or commercial cannabis products in a secured storage room with T-card identification access for management only. The storage room shall be constructed of fire-rated walls with an appropriate number of cameras installed to view all entries and exits from the storage room, as well as all other activities performed within Owner's facility. Owner will not conduct outdoor operations except as related to lawful delivery and transportation of commercial cannabis and infused products. Owner will not store commercial cannabis or related products in its delivery vehicle outside normal operating hours of the facility.

Commercial cannabis products shall be sold or distributed only to licensed facilities in California, in compliance with state and local law in accordance with Subsection 2(c) of this Agreement. Excess or contaminated product will be securely stored on-site until it is properly disposed. Disposal may include composting, incineration, land-fill disposal through the local waste management hauler, or other disposal methodology in accordance with state and county health and safety codes and regulations.

l. Odor Control. All structures shall have adequate ventilation and filtration systems installed that minimize and control commercial cannabis plant odors from exiting the interior of the structure. The ventilation and filtration system shall be approved by the City Building Official and installed prior to commencing cultivation or manufacturing within the allowable structure. Facility air intake, exhaust, and recirculating system shall be of industrial grade. Activated charcoal, recirculating, and closed loop aeration systems will be utilized as necessary for effective odor control and management.

m. Transportation Plan. Owner shall comply with all Applicable Cannabis Laws regarding transportation, including the rules governing delivery service. Owner shall retain a list of names and cellular contact numbers for all employees engaged in transportation of commercial cannabis products and provide it to the applicable oversight authority, keeping the list current and up to date.

Owner will keep complete and up-to-date records documenting each transfer of commercial cannabis to other licensed entities, including the amount provided, the form or product category in which the commercial cannabis was provided, the date and time provided, the name of the employee making the transfer, the name and address of each lawful licensed entity to whom delivery is made, and the amount of any related donation or other monetary transaction.

6. Community Relations, Employment, and Wages

a. Public Outreach and Education Program. The Owner shall coordinate and cooperate with City and other owners of commercial cannabis facilities located within City of Montebello in the establishment and implementation of appropriate public outreach and education programs. The public outreach and education programs shall be reasonably approved by City.

b. Community Benefits Program. The Owner shall fund the establishment and implementation of a community benefits program which may include such items as senior citizen programs, City beautification efforts, funding for enforcement against illegal cannabis operations, public safety, housing programs, economic development, infrastructure, capital improvements, including expansion and/or improvement to existing facilities or other physical improvements that provide a benefit to the community, support of holiday and special community events, and support of local public service, public safety, litigation defense, and special social and community organizations ("Community Benefits Program").

To fulfill its funding obligation for the Community Benefits Program, Owner agrees to pay the City of Montebello the yearly sum of **$50,000.00 ("Montebello Community Benefits Program Fee" or "MCBPF")**. The first annual MCBPF shall be payable to the City on the date that the Certificate of Occupancy is

issued to the Owner. Thereafter, the annual MCBPF shall be payable to the City on every July 1 for the term of the Agreement, and shall be pro-rated for any partial days during such period(s) of the Agreement.

The MCBPF is separate and apart from any Cannabis Operation Fee, or penalties therefrom. If the original term of this Agreement is mutually extended by the Parties, the annual minimum payment to this program will be amended accordingly.

c. Designation of Community Relations Liaison. Pursuant to Montebello Municipal Code Chapters 5.90 and 17.71, at the time of this Agreement, Owner's day-to-day operations manager, ________________, will be responsible for community inquiries and complaints and on-site management during normal business hours.

d. Interface with Montebello Municipal Code / Inspections. Owner's day-to-day operations manager, and/or the Owner's Community Relations Liaison, ______________, will interface with the Montebello Police Department's assigned designee to ensure its operation complies with state and local laws and regulations. The City Manager, or designee, or the Montebello Police Department's assigned designee acting at the City Manager's request and per his specific and limiting instructions, shall have the right to enter all portions of the Site from time to time unannounced during hours of operation for the purpose of making reasonable inspections to observe and enforce compliance with this Agreement and Applicable Cannabis Laws, without the requirement of a search warrant, subpoena, or court order, and subject to appropriate cost recovery fees set forth in this Agreement, or adopted by the City.

_____________________ Owner's Initials

e. Local Recruitment, Hiring, and Training Programs. Owner is committed to making a good-faith effort to recruit, hire, and train City residents for employment by Owner. A good-faith effort means Owner shall take the following or similar actions to recruit and employ City residents: 1) Contact local recruitment sources to identify qualified individuals who are City residents, 2) Advertise for qualified City residents in trade papers and newspapers of general circulation in the area, and 3) Develop a written plan to recruit and employ City residents as a part of the its workforce. At a minimum, the Owner endeavors to achieve a targeted local annual hiring goal of approximately 45% of total operational jobs for permanent and apprentice employees. This goal shall apply horizontally, across all departments and managerial positions. The Owner shall not be penalized or deemed in default under this Agreement if it is unable to achieve such a goal. "Local" is defined as within a 3-mile radius of the boundaries of the City's boundaries. The Owner may contact and work with a job referral agency assigned by the City Manager to implement a local hiring policy for permanent and apprentice employees. The purpose of the hiring policy

is to facilitate the training and employment of local and disadvantaged job applicants for jobs within the City's jurisdiction, and 3-mile radius of City boundaries. Applicants for jobs shall not be disqualified from hiring solely on the basis of an arrest or conviction for a Cannabis-related crime that occurred prior to November 8, 2016, and could have been prosecuted as a misdemeanor or citation under current California law. The Owner shall periodically report on compliance with the local hiring goals as part of its annual audit report.

f. Living Wages. Living Wages. Owner shall pay make a good-faith effort all employees of the Facility, at a minimum, a Living Wage. A "Living Wage" is the higher of whatever the Owner currently pays its employees for similar work elsewhere or the following: the Full Cash Wage required to be paid by an employer to any similarly situated, educated, and/or credentialed individual under the City of Los Angeles Minimum Wage Ordinance [LAMC Sections 187 and 188], as adjusted annually.

g. Full-time Work. Owner shall make its best efforts to fill every position with a full-time employee. However, at no time shall Owner have a labor force that is composed of less than 50% full-time employees within its labor force, and Owner shall make a good faith effort to maintain a full-time employee level of more than 50%. Owner agrees to provide to its eligible employees leave benefits, health and wellness benefits and other employee benefits to the extent such benefits are required to be paid for by Owner under applicable state and federal employment laws.

h. Labor Peace Agreement. If Owner has twenty (20) or more employees at the time of this Agreement's signing, then Owner shall in good faith work with any labor organization for the purpose of collective bargaining and shall enter into and provide the City a copy of a labor peace agreement no later than one hundred and twenty (120) days after this Agreement's signing. Such Owner with twenty (20) or more employees but without a labor peace agreement at the time of this Agreement's signing shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization no later than one hundred and twenty (120) days after this Agreement's signing.

If Owner has less than twenty (20) employees at the time of this Agreement's signing, such Owner shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization if and when Owner has twenty (20) or more employees at any time during the Term of this Agreement. Such Owner with less than twenty (20) employees at the time of this Agreement's signing shall also provide the City a copy of the labor peace agreement no later than one hundred and twenty (120) days from hiring its twentieth (20^{th}) employee, if and when such event occurs

during the Term of this Agreement. Attached as Exhibit G, and incorporated herein is a true and correct copy of the actual Labor Peace Agreement; or applicable Notarized Statement of Intent. Owner shall abide by the terms of the labor peace agreement if and when so adopted in accordance with this Subsection. If Owner fails to comply with the labor peace agreement requirement in accordance with this Subsection, such failure shall constitute a default in accordance with Section 13 of this Agreement.

7. Payment of City Fees

a. Permit and Application Fees. Owner agrees to pay all permit fees and charges referenced in Montebello Municipal Code Chapters 5.90 and 17.71, and the amounts adopted by City Council by Resolution No. 19-14, effective February 13, 2019, as well as any fees set forth in this Agreement. Permit application, processing, and renewal fees shall be due and payable at the time application is made.

b. Cannabis Operation Fees.

As used herein, "**Premises**" means the designated structure or structures and land specified in the application that is owned, leased, or otherwise held under the control of the Owner where the commercial cannabis activities will be or are conducted.

As used herein, "canopy" means the designated area(s), except nurseries, that will contain mature plants at any point in time, as follows:

(1) Canopy shall be calculated in square feet and measured using clearly identifiable boundaries of all area(s) that will contain mature plants at any point in time, including all of the space(s) within the boundaries;

(2) Canopy may be noncontiguous but each unique area included in the total canopy calculation shall be separated by an identifiable boundary that includes, but is not limited to, interior walls, shelves, greenhouse walls, hoop house walls, garden benches, hedgerows, fencing, garden beds, or garden plots; and

(3) If mature plants are being cultivated using a shelving system, the surface area of each level shall be included in the total canopy calculation.

As used herein, "**commercial cannabis activities**" means all permitted activities: e.g., cultivation, possession, manufacture, processing, storing, packaging, labeling, transportation, sale, delivery or distribution of cannabis and/or cannabis products.

As used herein, "**Gross receipts**" shall mean the total amount of receipts actually received or receivable in accordance with GAAP or other comprehensive version of accounting in the course of business in a calendar year or calendar month from sales or the performance of acts or services for which charge is made or credit allowed. "**Gross receipts**" include, without limitation, all receipts, cash, credit, property received in lieu of cash, and any other valuable consideration taken in exchange for goods, services or other valuable consideration.

As used herein, "**Production Space**" means the area on or within the **Premises** intended for **commercial cannabis activities** excluding non-operational common areas such as restrooms, cafeterias, break rooms, hallways, corridors, vestibules, parking structures or surface street lots. The parties stipulate and agree that the square footage for the **Production Space** shall be determined by the City Manager in his sole and complete discretion as the Project is completed.

The City Manager is specifically authorized to increase the square footage for the Production Space up to an increase in size of ten percent (10%) administratively and to determine the corresponding operating fee as the Project is completed.

Owner agrees to pay to City ninety (90) days after a Certificate of Occupancy is granted, in order to enable City to promote, protect, and enhance the health, safety, and welfare of the community and its residents and its quality of life., Owner agrees to pay the following percentage of gross receipts and the following square footage for cannabis operations, as follows, paid on a quarterly basis to the City ("Cannabis Operation Fee"):

1. Manufacturing: 2% of gross receipts
2. Distribution: 2.5% of gross receipts, excluding distribution of products manufactured at the Site as well as distribution activities solely to licensed entities under common ownership or otherwise affiliated with Owner so long as distribution is not the only commercial cannabis activity conducted at the Site
3. Delivery-Only Retail: 2% of gross receipts
4. Cultivation: $10.00 per square foot of canopy space, as may be amended from time to time pursuant to the CUP and/or this Agreement

Any subsequent years of operation after the first ten (10) year term of this Agreement shall be negotiated in good faith by the parties.

A Site with multiple licenses must not commingle respective sales proceeds, and blend percentage rate of **Gross Receipts**.

The Cannabis Operation Fee shall begin to accrue **ninety (90)** days after a Certificate of Occupancy is granted. Owner shall make payments to the City on a quarterly basis, within ninety (90) calendar days after the last day of each quarter. The first quarter is defined as January 1 through March 31, the second quarter as April 1 through June 30, the third quarter as July 1 through September 30, and the fourth quarter as October 1 through December 31. First payment to the City may be prorated, if applicable, to adhere to the latter, uniform quarterly payment schedule.

Failure to pay the Cannabis Operation Fee within thirty (30) calendar days after the due date shall result in a penalty for nonpayment in a sum equal to 10% of the total amount due. Additional penalties will be assessed in the following manner: an additional 10% shall be added to the first day of each calendar month following the month of the imposition of the 10% penalty if these fees remain unpaid in whole or in part – up to a maximum of 100% of the total fee payable on the due date.

c. Owner understands and agrees that the fees set forth above shall be paid in a manner and in accordance with a payment schedule set or modified by City. The cultivation, manufacturing, testing, distribution, and delivery space to which the Cannabis Operation Fee applies is as identified on the City-issued final approved floor plan.

d. If Owner makes any changes to the interior layout of the Site that increases the amount of space allocated to those uses to which the per-square-foot Cannabis Operation Fee applies, Owner shall notify City in writing of such changes at least fourteen (14) calendar days prior to making such changes, and if approved by the City the per-square-foot fee shall be modified accordingly. If Owner fails to give City notice as required herein, Owner shall be responsible for paying to City a per-square-foot fee based on any increase in the amount of space allocated to those uses to which the per-square-foot fee applies retroactive to the date the CUP became effective.

8. Additional Owner Obligations

a. Reporting of Gross Receipts from Operations

1) Quarterly Receipts. No later than one-hundred twenty (120) days from the date Owner secures a CUP and every three months thereafter (Owner shall deliver to City a report (the "Quarterly Report"), pursuant to the quarterly payment schedule discussed hereinabove) showing (i) Gross Receipts from commercial cannabis activities for the immediate prior three months received by Owner, and a cumulative total of all amounts of Gross Receipts from commercial cannabis activities received by Owner for the calendar year, (ii) a calculation of the quarterly payment due to City for the prior three months, and (iii) a calculation of the cumulative total of all quarterly payments for the calendar year.

2) Statement of Receipts/Annual Audit. The Owner shall keep complete, accurate and appropriate books and records of all receipts from operations in accordance with generally accepted accounting principles

(“GAAP”) or other comprehensive version of accounting. For purposes herein, “books and records” shall mean all bookkeeping or accounting documents Owner typically utilizes in managing its business operations relating to the Project. Such books and records, as well as all other relevant documents as the City Manager may reasonably require, shall, upon reasonable written notice, be open for inspection by City, its auditors or other authorized representatives. If at any time during the term such books and records prove inadequate in the reasonable judgment of City to record the Gross Receipts from commercial cannabis activities as herein required, Owner shall, upon the written request of the City, procure and maintain such books and records as shall be of a character and from adequate for such purpose. City shall have the right to audit and examine such books, records and documents and other relevant items in the possession of Owner, on no more than an annual basis, or at any time other upon reasonable basis therefor substantiated the City, to the extent necessary for a proper determination of Gross Receipts from commercial cannabis activities, and all such books, records, documents and other items shall be held available for such audit and examination. The City’s audit shall be performed by a non-contingency fee, regionally recognized independent auditor approved in advance by the City. Upon request by City, Owner shall make all such books, records and documents available to the City Manager, his designee, or to the City approved auditor, and provide removable copies thereof, within thirty (30) days of the date of City’s request. Owner shall pay all reasonable costs of such audits. Owner shall preserve such books, records, documents, and other items in Montebello for a period of not less than one (1) years for the purpose of auditing or re-auditing these accounts upon reasonable notice; except that, if an audit is made within the seven-year period and Owner claims that errors or omissions have occurred, the books and records shall be retained and made available until those matters are resolved. City shall keep strictly confidential all statements of revenue furnished by Owner and all other information concerning Owner’s operation of the Site obtained by City as a result of the inspection audit and examination privileges of City hereunder (i.e. receipts and tax filings), except as otherwise required by a court order. If City receives a request for such information pursuant to the Public Records Act (California Government Code Section 6250, et seq.), City shall provide Owner notice of any such request prior to disclosing any such information and shall refuse to disclose such information until such time as Owner has been given notice and afforded the opportunity to obtain a protective order. Within seven (7) years after the receipt of any statement of receipts under this Agreement, City at any time shall be entitled to carry out an audit of such revenue either by City or agent to be designated by City. If it shall be determined as a result of such audit that there has been a deficiency in any payment due under this Agreement made on the basis of such statement, then such deficiency shall become immediately due and payable within thirty (30) days of such determination.

3) Copies of Tax Filings. Owner shall provide the City with courtesy copies of each and every report Owner is required to provide to the County of Los Angeles or the State of California for sales, use, cannabis excise, or other gross receipts type taxes at the time such filings are required to be made, including any lawful extensions thereof.

b. Future Revenue Mechanisms. During the term of this Agreement, if the City imposes (by Citizen Initiative) an alternative revenue mechanism specifically related to commercial cannabis activities (e.g., a cannabis tax), Owner agrees to renegotiate in good faith the terms of this Development Agreement with the City so as to comply with an alternative revenue mechanism to the extent the alternative revenue mechanism does not result in higher annual fees than the fees required under this Agreement. As used in this section, "alternative revenue mechanism" does not include taxes, fees, or assessments levied on or collected from both cannabis and non- cannabis operations.

9. Insurance and Indemnity

a. Insurance. Owner shall require all persons doing work on the Project, including its contractors and subcontractors (collectively, "Owner" for purposes of this Section 9 only), to obtain and maintain insurance of the types and in the amounts described in this section and its subsections with carriers reasonably satisfactory to City.

b. General Liability Insurance. Owner shall maintain commercial general liability insurance or equivalent form with a limit of not less than One Million Dollars ($1,000,000) (or as otherwise approved, in writing, by City) per occurrence and Two Million Dollars ($2,000,000) in the aggregate. Such insurance shall also:

1) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as "Additional Insureds" by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insured.

2) Be primary with respect to any insurance of self-insurance programs covering City, its officials, employees, agents, and representatives.

3) Contain standard separation of insured provisions.

c. Automobile Liability Insurance. Owner shall maintain business automobile liability insurance or equivalent form with policy limits that are in commercially reasonable amounts and in compliance with state law for such automotive liability insurance for each accident for the vehicles Owner operates in connection with its cannabis business. Such insurance shall include coverage for owned, hired, and non-owned automobiles. Such insurance shall also:

1) Name City, and work in good faith with the City and the insurers to name additional insureds as deemed reasonably necessary. "Additional Insureds" by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insureds;

2) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives;

3) Contain standard separation of insured provisions.

d. <u>Workers' Compensation Insurance</u>. Owner shall take out and maintain during the term of this Agreement, the statutorily required minimum amount of workers' compensation insurance in accordance with applicable state workers' compensation laws for all of Owner's employees employed at or on the Project, and in the event any of the work is subcontracted, Owner shall require any general contractor or subcontractor similarly to provide workers' compensation insurance for such contractor's or subcontractor's employees, unless such employees are covered by the protection afforded by Owner. In case any class of employee engaged in work on the Project is not protected under any workers' compensation law, Owner shall provide and shall cause each contractor and subcontractor to provide adequate insurance for the protection of employees not otherwise protected. Owner hereby indemnifies City for any damage resulting from failure of Owner, its agents, employees, contractors, or subcontractors to take out or maintain such insurance. Workers' compensation insurance with statutory limits and employer's liability insurance of not less than the required statutory limits for each accident shall be maintained.

e. <u>Other Insurance Requirements</u>. Owners shall do all of the following:

1) Prior to taking any actions under this Agreement, furnish City with properly executed certificates of insurance that clearly evidenced all insurance required in this Section, including evidenced that such insurance will not be canceled, allowed to expire, or be materially reduced in coverage without thirty (30) days prior written notice to City.

2) Provide to City, upon request, and within seven (7) calendar days of said request, certified copies of endorsements and policies, and properly executed certificates of insurance evidencing the insurance required herein.

3) Replace or require the replacement of certificates, policies and endorsements for any insurance required herein expiring prior the termination of this Agreement.

4) Maintain all insurance required herein from the Effective Date of this Agreement to the earlier of the expiration of the term or the mutual written termination of this Agreement.

5) Place all insurance required herein with insurers licensed to do business in California with a current Best's Key Rating Guide reasonably acceptable to City.

f. Indemnity. Owner agrees to indemnify, defend, and hold City, and its elected and appointed council, boards, commissions, officers, agents, employees, contractors, consultants and representatives, harmless from any and all claims costs and liability for any personal injury or property damage which may arise as a result of any actions or negligent omissions by Owner or Owner's contractors, subcontractors, agents, or employees in connection with the construction, improvement, or operation of the Project.

10. Termination

a. Termination upon End of Term. This Agreement shall terminate upon the expiration of the term, unless it is terminated earlier pursuant to the terms of this Agreement.

b. Effect of Termination on Owner's Obligations. Termination of this Agreement shall eliminate any further obligation of Owner to comply with this Agreement, or some portion thereof, if such termination relates to only part of the Site or Project. Termination of this Agreement, in whole or in part, shall not, however, eliminate or otherwise limit the rights of Owner to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

c. Effect of Termination on City's Obligations. Termination of this Agreement shall eliminate any further obligation of City to comply with this Agreement, or some portion thereof. Termination of this Agreement shall not, however, eliminate the rights of City to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

d. Survival after Termination. The rights and obligations of the Parties set forth in Section 14, Section 20, and Subsection 22(c), and Subsection 22(e), and any right or obligation of the Parties in this Agreement which, by its express terms or nature and context is intended to survive termination of this Agreement, will survive any such termination.

11. Resources Efficiency

Owner shall in good faith endeavor to reduce its environmental impact when possible. The design of the Site shall include reasonable water and energy conservation measures in accordance with applicable State regulations and the CUP.

12. Standard Conditions for Construction

During any on-site construction activities related to development of the Site and any buildings thereon, or renovation or remodeling of existing buildings, Owner shall comply with all applicable terms and conditions of City's standard conditions for construction and the CUP. The Project shall comply with the applicable parking standards in accordance with the CUP.

13. Defaults and Remedies

a. Remedies in general. It is acknowledged by the Parties that City would not have entered into this Agreement if it were to be liable in damages under this Agreement, or with respect to this Agreement or the application thereof, except as hereinafter expressly provided. Subject to extensions of time by mutual consent in writing, failure to delay by either party to perform any term or provision of this Agreement beyond a reasonable notice and cure period shall constitute a default. In the event of alleged default or breach of any terms or conditions of this Agreement, the party alleging such default or breach shall give the other party not less than thirty (30) day notice in writing specifying the nature of the alleged default and the manner in which said default may be satisfactorily cured during any such thirty (30) day period, the party charged shall not be considered in default for purposes of termination or institution of legal proceedings. Notwithstanding the foregoing to the contrary, if the alleged default is of such a nature that it cannot be reasonably cured within thirty (30) days, the alleged defaulting party shall not be deemed in default as long as such party commences to cure such default within such thirty (30) day period and thereafter diligently prosecutes such cure to completion.

After notice and expiration of the thirty (30) day period, the other party to this Agreement, at its option, may institute legal proceedings pursuant to this Agreement.

In general, each of the parties hereto may pursue any remedy at law or equity available for the breach of any provision of this Agreement, except that City shall not be liable for monetary damages, unless expressly provided for this Agreement, to Owner, to any mortgagee or lender, or to any successors in interest of Owner or mortgagee or lender, or to any other person, and Owner covenants on behalf of itself and all successors in interest to the Property or any portion thereof, not to sue for damages or claim any damages.

1) For any breach of this Agreement or for any cause of action which

arises out of this Agreement; or

2) For the impairment or restriction of any right or interest conveyed or provided under, with, or pursuant to this Agreement, including, without limitation, any impairment or restriction which Owner characterizes as a regulatory taking or inverse condemnation; or

3) Arising out of or connected with any dispute, controversy or issue regarding the application or interpretation or effect of the provisions of this Agreement.

Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from the exercise by City of its power of eminent domain. Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from bad faith intentional acts, the grossly negligent or malicious acts of City and its officials, officers, agents and employees. Nothing herein shall modify or abridge any defenses or immunities available to City and its employees pursuant to the Government Liability Act and all other applicable statutes and decisional law.

Except as set forth in the preceding paragraph relating to eminent domain, Owner's remedies shall be limited to those set forth in this Subsection 13(a), Subsection 13(b), and Subsection 13(c).

Notwithstanding anything to the contrary contained herein, City covenants as provided in Civil Code Section 3300 not to sue for or claim any consequential damages or, in the event all or a portion of the Site is not developed, for lost profits or revenues which would have accrued to City as a result of the development of the Site.

b. Specific Performance. The Parties acknowledge that money damages and remedies at law are inadequate, and specific performance and other non-monetary relief are particularly appropriate remedies for the enforcement of this Agreement and should be available to all parties for the following reasons:

Due to the size, nature and scope of the Project, it may not be practical or possible to restore the Site to its natural condition once implementation of this Agreement has begun. After such implementation, Owner may be foreclosed from other choices it may have had to use the Site or portions thereof. Owner has invested significant time and resources and performed extensive planning and processing of the Project in agreeing to the terms of this Agreement and will be investing even more significant time and resources in implementing the Project in reliance upon the terms of this Agreement, and it is not possible to determine the sum of money which would adequately compensate Owner for such efforts; the parties acknowledge and agree that any injunctive relief may be

ordered on an expedited, priority basis.

c. Release. Except for those remedies set forth in Subsections 13(a), 13(b), and 13(c), Owner, for itself, its successors and assignees, hereby releases City, its officers, agents and employees from any and all claims, demands, actions, or suits of any kind or nature arising out of any liability, known or unknown, present or future, based or asserted, pursuant to Article 1, Section 19 of the California Constitution, the Fifth Amendment of the United States Constitution, or any other law or ordinance which seeks to impose any other liability or damage, whatsoever, upon City because it entered into this Agreement or because of the terms of this Agreement.

Owner acknowledges that it may have suffered, or may suffer, damages and other injuries that are unknown to it, or unknowable to it, at the time of its execution of this Agreement. Such fact notwithstanding, Owner agrees that the release provided in this Subsection 13(c) shall apply to such unknown or unknowable claims and damages. Without limiting the generality of the foregoing, Owner acknowledges the provisions of California Civil Code Section 1542, which provide:

> ***"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor*****."**

Owner hereby waives, to the maximum legal extent, the provisions of California Civil Code Section 1542 and all other statutes and judicial decisions of similar effect.

____
Owners' Initials

d. Termination of Agreement for Default of City. Owner may terminate this Agreement in the event of a default by City in the performance of a material term of this Agreement and only after providing written notice to City of default setting forth the nature of the default and the actions, if any, required by City to cure such default and, where the default can be cured, City has failed to take such actions and cure such default within thirty (30) days after the effective date of such notice or, in the event that such default cannot be cured within such thirty (30) day period but can be cured within a longer time, has failed to commence the actions necessary to cure such default within such thirty (30) day period and to diligently proceed to complete such actions and cure such default. Notwithstanding anything to the contrary, in the event that Owner deem it is necessary and/or advisable to cease operations in Montebello, then Owner may terminate this Agreement, and such termination shall be effective upon the date of written notice to the City.

e. Attorneys' Fees and Costs. In any action or proceeding between City and Owner brought to interpret or enforce this Agreement, or which in any way arises out of the existence of this Agreement or is based upon any term or provision contained herein, the "prevailing party" in such action or proceeding shall be entitled to recover from the non-prevailing party, in addition to all other relief to which the prevailing party may be entitled pursuant to this Agreement, the prevailing party's reasonable attorneys' fees and litigation costs, in an amount to be determined by the court. The prevailing party shall be determined by the court in accordance with California Code of Civil Procedure Section 1032. Fees and costs recoverable pursuant to this Subsection 13(e) include those incurred during any appeal from an underlying judgment and in the enforcement of any judgment rendered in any such action or proceeding.

f. Owner Default. No building permit shall be issued or building permit application accepted for any structure on the Site after Owner is determined by City to be in default of the terms and conditions of this Agreement until such default thereafter is cured by Owner or is waived by City. If City terminates this Agreement because of Owner's default, then City shall retain any and all benefits, including money or land received by City hereunder.

14. Third Party Litigation

a. General Plan Litigation. City has determined that this Agreement is consistent with its General Plan. Owner has reviewed the General Plan and concurs with City's determination.

City shall have no liability under this Agreement or otherwise for any failure of City to perform under this Agreement, or for the inability of Owner to develop the Site as contemplated by the Agreement, which failure to perform or inability to develop is as the result of a judicial determination that the General Plan, or portions thereof, are invalid or inadequate or not in compliance with law, or that this Agreement or any of City's actions in adopting it were invalid, inadequate, or not in compliance with the law.

b. Hold Harmless Agreement. Owner hereby agrees to, and shall hold City, its elective and appointive boards, commissions, officers, agents, attorneys, contractors, consultants and employees harmless from any liability for damage or claims for damage for personal injury, including death, as well as from claims for property damage which may arise from Owner or Owner's contractors, subcontractors, agents, or employees' operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, agents, or employees operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, or by any one or more persons directly or indirectly employed by, or acting as agent for Owner or any of Owner's contractors or subcontractors. Owner agrees to and shall defend City and its elective and appointive boards, commissions, officers, agents and employees from any suits or actions at law or in equity for

damage caused, or alleged to have been caused, by reason of any of the aforesaid operations.

c. Indemnification. Owner shall defend, indemnify, and hold harmless City and its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees against and from any and all liabilities, demands, claims, actions or proceedings and costs and expenses incidental thereto (including costs of defense, settlement and reasonable attorneys' fees)which any or all of them may suffer, incur, be responsible for or pay out as a result of or in connection with any challenge to the legality, validity or adequacy of any of the following: (i) this Agreement and the concurrent and subsequent permits, licenses and entitlements approved for the Project or Site; (ii) the environmental impact report, mitigated negative declaration or negative declaration, as the case may be, prepared in connection with the development of the Site; and (iii) the proceedings undertaken in connection with the adoption or approval of any of the above. In the event of any legal or equitable action or other proceeding instituted by any third party (including a governmental entity or official) challenging the validity of any provision of this Agreement or any portion thereof as set forth herein, the parties shall mutually cooperate with each other in defense of said action or proceeding. Notwithstanding the above, City, at is sole option, may tender the complete defense of any third-party challenge as described herein. In the event City elects to contract with special counsel to provide for such a defense, City shall meet and confer with Owner regarding the selection of counsel, and Owner shall pay all costs related to retention of such counsel.

d. Environmental Contamination. Owner shall indemnify and hold City, its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees free and harmless from any liability, based or asserted, upon any act or omission of Owner, its officers, agents, employees, subcontractors, predecessors in interest, successors, assigns and independent contractors, excepting and acts or omissions of City as successor to any portions of the Site dedicated or transferred to City by Owner and further excepting any environmental conditions not within Owner's control nor directly associated with a Permitted Use, for any violation of any federal, state or local law, ordinance or regulation relating to industrial hygiene or to environmental conditions on, under or about the Property, including, but not limited to, soil and groundwater conditions, and Owner shall defend, at its expense, including attorneys' fees, City, its officers, agents and employees in any action based or asserted upon any such alleged act or omission. City may in its discretion participate in the defense of any such claim, action or proceeding.

The provisions of this Section 14(d) do not apply to environmental conditions that predate Owner's ownership or control of the Site or applicable portion; provided, however, that the foregoing limitation shall not operate to bar, limit or modify any of Owner's statutory or equitable obligations as an owner or seller of

the Site.

e. City to Approve Counsel. With respect to Subsections 14(a) through 14(d) only, City reserves the right to approve the attorney(s) which Owner selects, hires or otherwise engages to defend City hereunder, which approval shall not be unreasonably withheld, conditioned, or delayed.

f. Accept Reasonable Good Faith Settlement. City shall not reject any reasonable good faith settlement offer regarding claims contemplated in this Section 14. If City does reject a reasonable, good faith settlement that is acceptable to Owner, Owner may enter into a settlement of the action, as it relates to Owner, and City shall thereafter defend such action (including appeals) at its own cost and be solely responsible for any judgment rendered in connection with such action. This Subsection 14(f) applies exclusively to settlements pertaining to monetary damages or damages which are remedial by the payment of monetary compensation. Owner and City expressly agree that this Subsection 14(f) does not apply to any settlement that requires an exercise of City's police powers, limits City's exercise of its police powers, or affects the conduct of City's municipal operations.

g. Survival. The provisions of Subsections 14(a) through 14(f) inclusive, shall survive the termination or expiration of the Agreement.

15. California Environmental Quality Act

Owner shall reimburse City for any and all reasonable costs incurred by City related to project review under the California Environmental Quality Act (CEQA), Public Resources Code, §§21000-21189.3, and the Guidelines for California Environmental Quality Act, California Code of Regulations, Title 14, §§15000-15387. If reasonably requested by City, Owner shall conduct and pay for any required CEQA reviews and analyses. The City has found that the proposed Project is Categorically Exempt from California Environmental Quality Act (CEQA) requirements under provisions of CEQA Guidelines **Section 15301** – Existing Facilities. This exemption applies to projects characterized as alterations to existing facilities meeting the conditions described in **Section 15301**.

16. Rules, Regulations, and Official Policies

Except as otherwise provided in this Agreement, the rules, regulations, and official policies of City governing permitted uses of the land, governing density, and governing the design, improvements, and construction standards and specifications applicable to the development of the Project subject of this Agreement, shall be those rules, regulations, and official policies of City in force as of the Effective Date of this Agreement. This Agreement does not prevent City, in subsequent actions applicable to the Site, from applying new rules, regulations, and policies which do not conflict with those rules, regulations, and

policies applicable to the property as set forth herein, nor does this Agreement prevent City from denying or conditionally approving any subsequent development project application (i.e. not the Project) based on such existing or new rules, regulations, or policies.

17. CUP Conditions of Approval

Owner shall comply with all conditions of approval of the City-issued CUP. If there is any conflict between a term of this Agreement and a condition of approval of the City-issued CUP, then the most restrictive shall apply.

18. Periodic Reviews

This Agreement shall be subject to annual review. The Owner executing this Agreement, or successor in interest thereto, shall demonstrate good faith compliance with the terms of this Agreement. If, as a result of such periodic review, City finds and determines, based on substantial evidence, that Owner executing this Agreement, or successor in interest thereto, has not materially complied in good faith with the terms or conditions of this Agreement, City may terminate or modify this Agreement (except no modification shall increase Owner's liability nor reduce Owner's rights), provided that City shall first provide Owner notice of its intent to terminate, with a detailed explanation as to why, and provide Owner the reasonable right to cure the same.

a. Periodic Review. City Council shall review this Agreement annually, on or before each anniversary of the Effective Date, in order to ascertain Owner's good faith compliance with this Agreement. During the periodic review Owner shall be required to demonstrate good faith compliance with the terms of the Agreement, through submitting an annual monitoring report, records, or equivalent written materials to the Planning Department. The Planning Department will schedule a hearing on the periodic review of the Development Agreement on or following the anniversary of the Effective Date, but Owner has no obligation to compel such hearing, and no implication will be made to Owner's detriment if a hearing is not in fact held. Owner shall document any request for an extension of the term due to delays beyond the control of Owner (see Subsection 22(g), "Force Majeure"). Owner shall submit an annual review and administration fee deposit not to exceed City's estimated internal and third-party costs associated with the review and administration of this Agreement during the succeeding year. City shall provide Owner said estimate a reasonable time in advance of the annual review and administration fee deposit being due.

b. Conditional Use Permit. The operation of the business at all times shall be required to comply with the CUP and this Agreement.

c. Special Review. City Council may order a special review of compliance with this Agreement at any time. The City Manager, Community Development

Director, or his or her designee(s) shall conduct such special review. During a special review, Owner shall be required to demonstrate good faith compliance with the terms of the Agreement. The burden of proof on this issue shall be on Owner.

d. Review Hearing. At the time and place set for the special or periodic review hearing, Owner shall be given an opportunity to be heard. If City Council finds, based upon substantial evidence, that Owner has not complied in good faith with the terms or conditions of this Agreement, City Council may terminate this Agreement notwithstanding any other provision of this Agreement to the contrary, or modify this Agreement and impose such conditions as are reasonably necessary to protect the interests of City. The decision of City Council shall be final, subject only to judicial review pursuant to Code of Civil Procedure Section 1094.5.

e. Certificate of Agreement Compliance. If, after a periodic or special review, Owner is found to be in compliance with this Agreement, and if Owner requests it, City shall issue a Certificate of Agreement Compliance ("Certificate") to Owner stating that after the most recent periodic or special review, and based upon the information known or made known to the Planning Director and City Council, that (i) this Agreement remains in effect and (ii) Owner is not in default. City shall not be bound by a Certificate if a default existed at the time of the periodic or special review, but was concealed from or otherwise not known to the Planning Director and City Council, regardless of whether the Certificate is relied upon by assignees or other transferees or Owner.

f. Failure to Conduct Review. City's failure to conduct a periodic review of this Agreement shall not constitute a breach of this Agreement.

g. Cost of Review. The reasonable costs incurred by City in connection with the periodic reviews shall be borne by Owner.

19. Assignment

Assignment by Owner. Owner shall not transfer, delegate, sublet or assign its interest, rights, duties, and obligations under this Agreement without the prior written consent of City, which consent shall not be unreasonably withheld. Owner shall submit a transfer application to the City Manager or City Manager's designee and pay any applicable transfer fee. The proposed transferee must show proof of lawful transfer of possession of the applicable location as may be acceptable to the City. Owner is aware it may take the City approximately six (6) months to process a transfer application.

Any assignment, delegation, subletting or assignment without the prior written consent of City shall be null and void. Any transfer, delegation, subletting or assignment by Owner as authorized herein shall be effective only if and upon

the party to whom such transfer, delegation, subletting or assignment is made is issued a CUP as required under Montebello Municipal Code Chapters 5.90 and 17.71.

Owner shall also comply with all proposed assignments and changes, including assignment and changes impacting a Development Agreement or a CUP, as required pursuant to state law, and Montebello Municipal Code Chapters 5.90 and 17.71.

20. Operating Commercial Cannabis Facility

Any Party to this Agreement, or successor in interest thereto, shall not operate a commercial cannabis facility authorized under the municipal code unless:

a. It is the holder of a valid CUP issued by City in accordance with the procedures and requirements of Montebello Municipal Code Chapters 5.90 and 17.71; and,

b. At such time as the State of California requires commercial cannabis facilities and businesses to hold a valid license or permit issued by the State of California, it also holds such license or permit, unless, however, such permit or license is not required by the State of California for the type of commercial cannabis facility or business operation that is the subject of this Agreement.

21. Notices

Any notice or communication required hereunder between City and Owner must be in writing, and may be given either personally, by registered or certified mail (return receipt requested), or by Federal Express, UPS or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered, as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to City:	City of Montebello 1600 W. Beverly Blvd Montebello, California 90640 Attention: City Manager
With a copy to:	City Attorney 13181 Crossroads Parkway North Suite 400 – West Tower City of Industry, California 91746
If to Owner:	SB Montebello Investments, LLC c/o Jack Bhasin 6600 Telegraph Road Commerce, CA 90040

22. Miscellaneous Provisions

Amendment or Cancellation. This Agreement may be amended, or canceled in whole or in part, only by the written mutual consent of the parties to this Agreement or their successors in interest, except that minor amendments that do not affect a substantive provision of this Agreement may be approved by the City Manager on behalf of the City. The decision whether a proposed amendment is "minor" shall be in the reasonable good faith discretion of the City Manager, and consistent with Montebello Municipal Code Chapters 5.90 and 17.71.

a. Waiver. Waiver by City of any one or more of the terms or conditions of this Agreement shall not be construed as waiver of any other term or condition under this Agreement.

b. Enforcement/Reserved Powers. Unless amended or canceled pursuant hereto, this Agreement shall be enforceable by any Party hereto, or successor in interest thereto, notwithstanding any subsequent change in any applicable general or specific plan, zoning, subdivision or building regulation, or municipal code amendment adopted by City that conflicts with the terms of this Agreement. However, this Agreement is subject to the City's "Reserved Powers." For purposes of this Agreement, "Reserved Powers" means the rights and authority excepted from this Agreement's restrictions on the City's police powers and which are instead reserved to the City. The Reserved Powers include the powers to enact regulations or take future discretionary actions after the Effective Date of this Agreement that: (1) are necessary to protect the public health and safety, and are generally applicable on a City-wide basis (except in the event of natural disasters as found by the City Council such as floods, earthquakes and similar acts of God); (2) are amendments to California

Marijuana Laws or California Uniform Codes, as adopted by the City of Montebello, and/or the Montebello Municipal Code, as applicable, regarding the construction, engineering and design standards for private and public improvements to be constructed on the Site; (3) are necessary to comply with state or federal laws and regulations; or (4) involve sign and parking ordinances and guidelines, changes to the City's zoning laws, Specific Plan or the City's General Plan, whether adopted previous or subsequent to the Effective Date of this Agreement).

If any City ordinance, rule or regulation or addition to the Montebello Municipal Code is enacted or imposed by a citizen-sponsored initiative or referendum after the Effective Date that would conflict with this Agreement or an associated CUP, business license or other authorizations and City approvals, or reduce development rights or assurances provided to the Owner in this Agreement, then such changes, additions or deletions to the Montebello Municipal Code shall not be applied to the Site or Project. The parties shall cooperate with each other and undertake such reasonable actions as may be appropriate to ensure this Agreement remains in full force and effect and is implemented in accordance with its terms and to the fullest extent permitted by state or federal law.

Notwithstanding anything to the contrary in this Agreement, site improvements contemplated by this Agreement shall be completed pursuant to the development standards and design guidelines to be adopted by the zoning code amendment.

c. Severability. If any part of this Agreement is found to conflict with applicable state laws or regulations, such part shall be inoperative, null, and void insofar as it conflicts with said laws or regulations, or modified or suspended as may be necessary to comply with such state laws or regulations, but the remainder of this Agreement shall continue to be in full force and effect.

d. Counterparts. 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. The execution of this Agreement may be by actual, facsimile, or electronic signature.

e. Jurisdiction. The law governing this Agreement shall be that of the State of California. Any suit brought by any party against any other party arising out of the performance of this Agreement or the breach, termination, enforcement, interpretation or validity thereof, shall be filed and maintained in the County of Los Angeles Superior Court.

f. Disclaimer. Despite California's commercial cannabis laws and the terms and conditions of this Agreement, or any CUP issued pertaining to Owner or the property specified herein, California commercial cannabis cultivators, manufacturers, retailers, transporters, distributors, or possessors may still be subject to arrest by state or federal officers and prosecuted under state or federal law. The Federal Controlled Substances Act, 21 USC § 801, prohibits the manufacture, distribution, and possession of cannabis without any exemptions for medical use.

g. Force Majeure. If delays are caused by unforeseen events beyond the control of Owner, such delays will entitle Owner to an extension of time as provided in this Section 22. Such unforeseen events ("Force Majeure") shall mean war, insurrection, acts of God, local, state or national emergencies, strikes and other labor difficulties beyond the party's control, or any default by City hereunder, which Force Majeure event substantially interferes with the development, construction or operation of the Project.

h. Costs and Fees. Intentionally omitted.

i. Constructive Notice and Acceptance. Every person who after the Effective Date of this Agreement owns or acquires any right, title, or interest to any portion of the Site, is and shall be conclusively deemed to have consented and agreed to every provision contained herein, whether or not any reference to this Agreement is contained in the instrument by which such person acquired an interest in the Site, and all rights and interests of such person in the Site shall be subject to the terms, requirements, and provisions of this Agreement.

j. Binding Effect of Recitals. The Parties agree that the Recitals above are true and correct and intend to be bound by same.

k. Project as a Private Undertaking. It is specifically understood and agreed by and between the parties hereto that the development of the Project is a private development, that neither party is acting as the agent of the other in any respect hereunder, and that each party is an independent contracting entity with respect to the terms, covenants and conditions contained in this Agreement. No partnership, joint venture or other association of any kind is formed by this Agreement. The only relationship between the City and the Owner is that of a government entity regulating the development of private property and the owner of such property.

l. Changes to Project. The parties acknowledge that changes to the Project and related approvals may be appropriate and mutually desirable to carry out the intent and purpose of this Agreement. This Agreement shall not prevent the City from applying, with the consent or at the request of the

Owner, *Subsequent Land Use Regulations* or *Subsequent Development Approvals* that do not directly conflict with the Site authorized under this Agreement. The granting of one such change or request shall not obligate the City to grant other similar changes or requests. As used herein, "*Subsequent Development Approvals*" include, without limitation, all excavation, grading, building, construction, demolition, encroachment or street improvement permits, occupancy certificates, utility connection authorizations, or other non-discretionary permits or approvals necessary, convenient or appropriate for the Project. As used herein, "*Subsequent Land Use Regulations*" means ordinances, resolutions and codes adopted or approved by the City after the Effective Date of this Agreement governing the development and use of the land, including general plan amendments, zone changes, variances or conditional use permits affecting the permitted use of the land including density or intensity of use, subdivision requirements, the maximum height and size of proposed buildings, the provisions of reservation or Dedication of land for public purposes, and the design, improvement and construction and initial occupancy standards and specifications applicable to the Development of the Property.

m. Conflicting Federal or State Rules. In the event that any conflicting federal or state laws or regulations, enacted after the Effective Date, prevent or preclude compliance with one or more provisions of this Agreement or require changes in plans, maps or permits approved by the City, *this Agreement shall remain in full force and effect as to those provisions not affected*; and

(i) Notice of Conflict. Either party, upon learning of any such matter, will provide the other party with written notice thereof and provide a copy of any such law, regulation or policy together with a statement of how any such matter conflicts with the provisions of this Agreement; and

(ii) Modification Conferences. The parties shall, within thirty (30) days of the notice referenced to in the preceding subsection, meet and confer in good faith and attempt to modify this Agreement to bring it into compliance with any such federal or state law or regulation.

(iii) City Council Hearings. In the event the City believes that an amendment to this Agreement is necessary due to the effect of any federal or state law or regulation, the proposed amendment shall be scheduled for hearing before the City Council. The City Council shall determine the exact nature of the amendment necessitated by such federal or state law or regulation. Owner shall have the right to offer oral and written testimony at the hearing. Any modification ordered by the City Council pursuant to such hearing is subject to judicial review in accordance with California law.

(iv) City Cooperation. The City shall cooperate with Owner in securing any City permits, licenses or other authorizations that may be required as a result of any amendment resulting from actions initiated by the City. As required by this Agreement, Owner shall be responsible to pay all applicable fees in connection with securing of such permits, licenses or other authorizations.

n. Effective Date. "Effective Date" means either the date of this Agreement approved by the City Council or the date of the CUP's approval by the City Planning Commission, whichever comes later.

o. Authority to Sign. Each Party or responsible officer or governing body therefore, has read this Agreement and understands and knows the contents thereof, and represents and warrants that each of the officers or agents executing this Agreement on behalf of their respective corporations, partnerships, or other organizations is empowered to do so and hereby binds the respective corporation, partnership, or other organization. Additionally, Owner represents and warrants that each of the officers or agents executing this Agreement on behalf of its corporation, partnership, or other organization is an "owner" as defined by California Business and Professions Code Section 26001 and hereby binds the respective corporation, partnership, or other organization.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

CITY OF MONTEBELLO

SB MONTEBELLO INVESTMENTS, LLC

____
Jack Hadjinian
Mayor

____
Name: XXXXXXX
Title: XXXXXXXX

APPROVED AS TO FORM:

____
City Attorney
City of Montebello

EXHIBITS

A. LEGAL DESCRIPTION [TO BE INSERTED]
B. PARCEL MAP [TO BE INSERTED]
C. SITE AND/OR FLOOR PLANS [TO BE INSERTED]
D. RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT [TO BE INSERTED]
E. PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM [TO BE INSERTED]
F. CONDITIONS OF APPROVAL [TO BE INSERTED]
G. LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT [TO BE INSERTED]

EXHIBIT A

LEGAL DESCRIPTION

EXHIBIT B

MAP

EXHIBIT C

SITE AND/OR FLOOR PLANS

EXHIBIT D

RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT

EXHIBIT E

PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM

EXHIBIT F

CONDITIONS OF APPROVAL

EXHIBIT G

LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT

COMMERCIAL CANNABIS BUSINESS DEVELOPMENT AGREEMENT NO. 18-19 BETWEEN THE CITY OF MONTEBELLO AND GARDEN OF LEAVES, LLC

THIS DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this 5TH day of August, 2019, (the "Execution Date"), by and between the **CITY OF MONTEBELLO**, a California municipal corporation ("City"), and **GARDEN OF LEAVES, LLC**, a California limited liability company ("Owner"). City and Owner are sometimes referenced together herein as the "Parties." In instances when a provision hereof applies to each of the Parties individually, either may be referenced as a "Party." The Parties hereby jointly render the following statement as to the background facts and circumstances underlying this Agreement:

RECITALS

WHEREAS, Owner currently holds a legal or equitable interest in certain real property considered in this Agreement which has a development area of approximately **2,024** square feet located at 1424 Espanol Avenue, City of Montebello, State of California (the "Site"). The Site includes Assessor's Parcel Number(s): 6354-020-043, and is more fully described in the Legal Description in Exhibit A, and shown on the map in Exhibit B. Both exhibits being attached hereto, respectively, and are incorporated herein by this reference;

WHEREAS, presently, Owner has a property ownership interest in the Site for the purpose of conducting commercial cannabis related activities which shall include, but not be limited to commercial cannabis cultivation, manufacturing, delivery-only retail, and distribution. Such commercial cannabis facilities shall operate in accordance with all applicable provisions of California Business and Professions Code §§26000-26231.2; California Health and Safety Code Safety Code §§ 11357-11362.9 and 11362.7- 11362.85; California Revenue and Taxation Code §§ 34010-34021.5; California Vehicle Code §§ 2429.7 and 23222; California Water Code §§ 1831, 1847, and 13276; Cal. Code Regs. tit. 16, div. 4 (2019); Cal. Code Regs. tit. 3, div. 8, Ch. 1 (2019); Cal. Code Regs. tit. 17, div. 1, ch. 13 (2019); and the City of Montebello Municipal Code as it applies to such facilities, as such provisions may be amended from time to time (collectively the "Applicable Cannabis Laws"). Prior to operating a cannabis manufacture site, cultivation site, delivery-only retailer site, and distribution site, as those terms are defined in the Montebello Municipal Code ("Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility"), Owner shall be required to obtain a Conditional Use Permit from the City, and any and all related permits and licenses prior to the operation of same, pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, ultimately, Owner intends upon obtaining one or more permanent annual California State License(s), pursuant to Applicable Cannabis Laws, to operate a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility at the Site. The

definition of "Owner" hereunder shall mean and refer to the fee simple owner and/or any authorized tenant of the Site to the extent such party holds or is covered by a City Conditional Use Permit; and is not intended to necessarily be coextensive with the definition of that term as defined in California Business & Professions Code Section 26001(al);

WHEREAS, on March 4, 2019, Owner applied to this City for a Conditional Use Permit *(hereinafter* "CUP") to conduct commercial cannabis activities. No such activities are allowed or authorized without this Agreement, a CUP, and all requirements having been satisfied pursuant to Montebello Municipal Code Chapters 5.90 and 17.71;

WHEREAS, Owner presently intends to develop and open a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility on the Site consistent with the Applicable Cannabis Laws and project approvals (known as the "Project"). The Project will include indoor cannabis manufacturing, cultivation, delivery-only retail, and distribution in accordance with the Applicable Cannabis Laws;

WHEREAS, the Project will consist of two buildings totaling 2,024 square feet, with such final square footage to be consistent with Owner's final approved CUP, as many be amended pursuant to the CUP and/or this Agreement. The building will be divided into major spaces for cultivation, manufacturing, delivery and distribution as follows:

Cultivation: The Project's cultivation area includes the following uses: flowering rooms, a drying and trimming room, a vegetation room and a cloning room. Total area of each of these uses will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. Cultivation operations would occur 24-hours daily.

Manufacturing: The Project will include a manufacturing room that would be used initially for packaging products. Under the manufacturing license, the Owner will conduct additional manufacturing activities including, volatile extraction (Type 7 Manufacturing). The total area of these uses will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. Manufacturing operations would occur 24-hours daily.

Non-storefront Retail Delivery: The retail delivery activities will occur within the delivery office located near the facility's main entry. The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All delivery activities will be conducted in accordance with Applicable Cannabis Laws, including, but not limited to specified hours of operation.

Distribution: The distribution activities will occur within the distribution area. The total area of this use will be enumerated with an estimated square footage footprint within Owner's final approved CUP or building permits. All distribution activities will be conducted in accordance with Applicable Cannabis Laws, including, but not limited to specified hours of operation.

General Business Offices: The Project will be open from 8:00 a.m. to 8:00 p.m., Monday through Friday.

Parking/Loading/Access: The proposed project provides parking spaces in accordance with the City-approved Site Plan.

Security: The Project will secure the facility against unauthorized entry by installing security lights on the exterior of the building to illuminate the side yards and parking area, installing commercial-grade locks, installing an alarm and video surveillance system, establishing procedures for identifying authorized persons, establish inventory controls, and install a secure surveillance vault to maintain the integrity of records. In addition, the applicant will engage a licensed security company to provide an operational security plan in compliance with Montebello Municipal Code Chapters 5.90 and 17.71.

The proposed layout of the site is as shown in the attached Site and/or Floor Plans, in Exhibit C.

The Project will consist of a vertically integrated commercial cannabis facility compliant with Applicable Cannabis Laws that will provide several levels of cannabis production, processing, and distribution

This includes:

1) Cultivation and processing of young and mature cannabis plants.
2) Research and development of cannabis plants and strains.
3) Manufacturing of cannabis and its derivatives through volatile and non-volatile extraction.
4) Manufacturing of cannabis food products.
5) Packaging and storage of cannabis products.
6) Distribution of cannabis products.
7) Retail delivery of cannabis products.

Proposed Hours of Operation (subject to final approval pursuant to the CUP):
8:00AM to 8:00PM for general business hours, 24-hours for internal operations

[x] Co-location, check if applicable:

Note: Applicable Cannabis Laws authorize a person to apply for and be issued more than one State annual license at one location provided the licenses premises are separate and distinct.

Owner has applied for four (4) State cannabis licenses, including cultivation, manufacturing, delivery-only retail, and distribution.

Please see the Recitals of this Development Agreement for details for separate and distinct locations of each operation within the Premises.

WHEREAS, On February 14, 2018, Ordinances No. 2399 and No. 2400 came into effect authorizing specified commercial cannabis activities within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, On June 13, 2018, Ordinances No. 2404 and 2405 came into effect amending specified commercial cannabis activities authorized by Ordinances No. 2399 and No. 2400 within the City of Montebello, in strict compliance with Applicable Cannabis Laws, under specified conditions and provisions;

WHEREAS, all procedures of the California Environmental Quality Act ("CEQA"), California Public Resources Code §21000 et seq., and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 et seq. have been satisfied;

WHEREAS, the City has given public notice of its intention to approve this Agreement. The City has found that the provisions of this Agreement and its purposes are consistent with the objectives, policies, general land uses and programs specified in City's General Plan, zoning code and municipal ordinances;

WHEREAS, the City, in entering into this Agreement, acknowledges that certain City obligations hereby assumed shall survive beyond the terms of the present Council members, that this Agreement will serve to bind City and future Councils to the obligations hereby undertaken, and that this Agreement shall limit the future exercise of certain governmental and proprietary powers of City. By approving this Agreement, the Council has elected to exercise certain governmental powers at the time of entering into this Agreement rather than defer its actions to some undetermined future date. The terms and conditions of this Agreement have undergone extensive review by City and the Council and have been found to be fair, just and reasonable. City has concluded that the pursuit of the Project will serve the best interests of its citizens and that the public health, safety and welfare are best served by entering into this obligation. Owner has represented to City that it would not consider or engage in the Project absent City approving this Agreement;

WHEREAS, the City agrees that Owner's land use entitlements, if any, that have been applied for and approved by the City, for the Project shall vest for the term of this Agreement as described below, if applicable;

WHEREAS, after conducting a duly noticed CUP hearing on July 16, 2019, in conjunction with the City's applicable ordinances and resolutions, the Planning Commission of the City reviewed, considered and approved environmental clearance and approved the execution of the CUP. The Planning Commission found the Project consistent with the objectives, policies, general land uses and programs specified in the general plan; compatible with the uses authorized in the City's zoning laws; in conformity with the public necessity, public convenience, general welfare and good land use practices; will not be detrimental to the health, safety and general welfare of the city; will not adversely affect the orderly development of property or the preservation of property values; and will have a positive fiscal impact on the City;

WHEREAS, after conducting a duly noticed meeting on August 5, 2019, in conjunction with the City's applicable ordinances and resolutions, and after independent review and consideration, the City Council approved the execution of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

1. The Recitals above are true and correct and are hereby incorporated into and made a part of this Agreement. In the event of any inconsistency between the Recitals and the provisions of this Agreement, herein below, said provisions of this Agreement shall prevail.

2. <u>Government Code and Municipal Code Required Elements</u>

a. <u>Description of Property</u>. Land situated in the City of Montebello, County of Los Angeles, State of California; whose street address is 1424 Espanol Avenue, City of Montebello, State of California (the "Site"). The Site includes Assessor's Parcel Number: 6354-020-043.

b. <u>Owner and Other Person with Legal or Equitable Interest</u>.

Owner: **Garden of Leaves, LLC**
Nature of Interest: *Property ownership interest.*

A true and correct copy of a recorded grant deed, or executed lease agreement, is attached hereto as Exhibit D, and incorporated herein by this reference.

If Owner is not the fee simple owner of the Site, check box below:

[ ] Owner represents and warrants that the property owner has consented in writing to the execution of this Agreement against the Site. [See also attached Property Owner Signed and Notarized Consent Form wherein the property owner has acknowledged reading Montebello Municipal Code Chapters 5.90 and 17.71, incorporated herein by this reference (Exhibit E).]

c. Permitted Uses. The Site may be used for a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility as presently authorized under Montebello Municipal Code Chapters 5.90 and 17.71 and for any other use if authorized under applicable provisions of the Montebello Municipal Code ("Permitted Uses"). In the event that the Montebello Municipal Code, California law, and/or Federal law is amended in the future to permit additional commercial cannabis uses, Owner may apply for an amendment to this Agreement and to the issued CUP, both of which must receive approval by the City's Planning Commission or City Council, as required, to amend the Permitted Uses at the Site.

d. Zoning. Owner shall use commercially reasonable efforts to ensure that such activities outlined in Owner's CUP Application ("Application") are conducted pursuant to this Agreement and under the CUP shall comply with the Montebello Municipal Code, including the zoning ordinance, any applicable zoning development standards, and any and all development and construction requirements contained therein, and/or as required by the City. Owner shall not conduct any business under this Agreement or under the CUP without having obtained all necessary permits, licenses, and approvals from the City and State of California, as required by Applicable Cannabis Laws, including the City of Montebello Municipal Code.

e. Compliance with CUP conditions of approval. Owner shall comply with all Conditions of Approval imposed against this Agreement, as enumerated in the CUP and attached as Exhibit F, and incorporated herein by reference.

3. Term

This Agreement shall commence on either the date of this Agreement's approval by the City Council or the date of the CUP approval by the City Planning Commission, whichever comes later ("Effective Date"), and end **ten (10)** years from the Effective Date, and it shall remain in full force and effect so long as the Site is used for a commercial cannabis facility as authorized under Montebello Municipal Code Chapters 5.90 and 17.71; provided, however, such use is not abandoned for a period of more than ninety (90) days.

This Agreement may be extended for one (1) additional **five (5)** year period following the expiration of the initial **ten (10)** year term upon the occurrence of all of the following:

(i) The Owner shall give written notice to the City no later than ninety (90) days before the expiration of the initial ten (10) year term that the Owner desires to extend this Agreement for an additional **five (5)** year period;

(ii) The Owner shows reasonably satisfactory evidence to the City that it has, and continues to have a legal and/or equitable interest in the Site and/or will have such interests for the duration of the extended term of the Agreement;

(iii) The Owner shall deposit all fees required by the City necessary for processing the extension request and drafting necessary documentation;

(iv) The Owner shall be in compliance with all provisions of Montebello Municipal Code Chapters 5.90 and 17.71, and all terms imposed by the City-issued CUP, including the timely renewal of a CUP if required; and

(v) The Owner shall not be in material default of any provision of any agreement between City and Owner relative to the development of the Site, the business operations as allowed by a CUP, or of any conditions of approval imposed upon any entitlement or CUP granted by the City relative to the development of the Site for which Owner has been given a written notice to cure by the City and for which Owner has not cured or commenced to cure such material default within thirty (30) days, if and as provided by such agreement or condition of approval.

4. <u>Owner's Site and Floor Plans</u>

a. Owner's site plan and floor plan for the facility are attached hereto as Exhibit C and incorporated into the Agreement.

b. A preliminary landscape plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works and Director of Community Development, or their respective designees, if required by the CUP. A final landscape plan shall be prepared and submitted in conjunction with building and site improvement plans prior to issuance of building permits for construction activities, if required by the CUP.

c. An exterior signage plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Public Works & Director of Community Development, or their respective designees, in accordance with the procedures and requirements of the Montebello Municipal Code.

5. <u>Facility Operations</u>

a. <u>Standard Operating Procedures</u>. Owner is a lawful entity that will only sell to other legally permitted persons and entities under the Applicable Cannabis Laws, as may be amended from time to time and in accordance with Subsection 2(c) of this Agreement. Prior to operating a Manufacturing, Cultivation, Delivery-Only Retail and Distribution Facility, Owner shall be required to obtain a CUP, and all requirements pursuant to said permit, from the City pursuant to Montebello Municipal Code Chapters 5.90 and 17.71. Further, and notwithstanding anything to the contrary, Owner may operate such cannabis-related activities as permitted in accordance with Applicable Cannabis Laws,

including without limitation, as long as such activity is not inconsistent with Montebello Municipal Code Chapters 5.90 and 17.71, this Development Agreement, the City-issued CUP, and the Montebello Municipal Code.

During the term of its CUP and the term of this Agreement, Owner shall operate in accordance with all Applicable Cannabis Laws. Owner shall employ industry standard operating procedures to comply with Applicable Cannabis Laws. Owner's facility shall employ adequate safety and security measures for the safety and security of its employees, visitors, vendors, and neighboring communities and properties.

Owner shall fully comply with the minimum operating standards regulating the proposed commercial cannabis activity, including, but not limited to those, as set forth in Montebello Municipal Code Chapters 5.90 and 17.71, and such more specific operational requirements as applied by the CUP and this Agreement.

b. Security Plan. Owner shall secure approval of its proposed security plan by the Montebello Police Department or the City prior to operating, which approval shall not be unreasonably withheld, conditioned, or delayed. The security plan shall include, at a minimum and as appropriate, provisions for video surveillance, perimeter fencing and security, protection of the building(s) from vehicle intrusion, cash handling procedures, internal accounting controls, product handling and storage procedures, and a professionally monitored alarm system. Equipment and systems used for video surveillance and building alarms shall be approved by City.

Video surveillance shall include, at a minimum, all site and facility entrances and access points, all spaces accessible by the public, all secured areas of the facility with restricted access, all interior spaces and rooms where cannabis products are handled and processed, shipping and receiving areas, cash storage areas, and other areas necessary to protect the safety of employees and the public and to ensure cannabis products are received, handled, stored, packaged, shipped, and distributed in compliance with Applicable Cannabis Laws. The video surveillance system shall be web-based with direct access provided to the Montebello Police Department upon request.

The security system shall also include sensors to detect entry and exit from all secure areas, panic buttons in appropriate locations, and a professionally monitored alarm system.

Owner shall employ properly trained and licensed third-party security personnel to protect the welfare and safety of Owner and employees, and to ensure public safety to the neighboring community. Owner shall use security personnel during hours of operation, pursuant to Applicable Cannabis Laws. Security personnel may be armed so long as proper licensing and insurance requirements are followed and met by the third-party operator providing such security services.

c. Fire Department Approval. Owner shall not operate any facility, and no permit, license, or other approval issued by City shall be valid unless and until the Montebello Fire Department has approved Owner's site plan, floor plan, safety plan, and any other plans that require its approval, which approval shall not be unreasonably withheld, conditioned, or delayed.

d. Possession of Firearms. Except for licensed and bonded security personnel, no person employed by Owner shall be in possession of any firearm while on the Site without having first obtained a license from the appropriate state or local agency authorizing the person to be in possession of such firearm. Every such person in possession of a firearm while on the Site must provide the City Manager and the Montebello Police Department, ten (10) calendar days' notice before bringing the firearm onto the premises, with the following:

1) A copy of the license issued to the person by the appropriate state or local agency authorizing him or her to possess such firearm;

2) A copy of his or her law enforcement identification (if he or she is employed by a law enforcement agency);

3) A copy of his or her California driver's license or California identification card; and

4) Any other information reasonably required by the Montebello Police Department to show that the individual is in compliance with the provisions of all laws regarding the possession and use of a firearm.

e. Identification Display. Each owner, manager, employee, and individual member engaged in the cultivation, processing, manufacturing, distribution, or transporting of cannabis shall at all times while engaged in the duties of his or her position wear in plain sight, on his or her person and at chest level, a valid identification badge, issued by Owner.

f. Employee Background Checks/Procedures for Inventory Control to Prevent Illegal Diversion of Cannabis. Only employees who receive clearance from the Montebello Police Department shall be permitted to enter Owner's facility. Each employee will have to meet a criminal background investigation, which at minimum shall include a LiveScan criminal history check conducted and provided by each employee. The City shall make a good faith effort to facilitate within a reasonable time following the issuance of a CUP to Owner Employees shall not be disqualified for any conviction which would no longer be a felony under California law at the time of the LiveScan criminal history check.

Owner shall not permit and shall take all necessary and reasonable steps to prevent the distribution of any of its cannabis products to minors; prevent revenue from the sale or distribution of its cannabis and/or infused products

from going to criminal enterprises, gangs and cartels; prevent the diversion of cannabis from California to any other state; prevent state-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity; prevent violence and the use of firearms in the manufacturing, distribution, cultivation, and delivery-only retail of cannabis; discourage and educate against drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use; disavow growing cannabis on public lands that creates attendant public safety and environmental dangers posed by such illegal uses; and discourage and educate against cannabis possession or use on federal property.

g. Quality Control and Testing. Owner shall utilize industry standardized quality control measures and testing to ensure only the highest quality of commercial cannabis and infused products will be produced. Owner shall inspect the product to ensure its identity and quantity, and shall have a testing lab perform testing of random samples prior to distribution. Inspection and testing will be conducted by a state-licensed testing lab off-site, except for licensed distributors authorized to conduct testing on-site with a testing lab field representative present. Testing standards and procedures shall be in accordance with Applicable Cannabis Laws.

All commercial cannabis products will undergo a quality assurance review in accordance with state law prior to distribution. Inventory procedures will be utilized for tracking and taxing purposes by the state. Owner shall employ an efficient record-keeping system to make transparent its financing, testing, and adverse effect recording, as well as recall procedures.

h. Packaging of Commercial Cannabis and Infused Products. All Owner commercial cannabis products shall be packaged and labeled strictly in accordance with Applicable Cannabis Laws.

Owner intends to produce infused products and shall secure any approval from the County of Los Angeles Health Department required for manufacturing and handling such products. Owner infused products shall not be produced, manufactured, stored or packaged in private homes. All commercial cannabis infused products shall be individually wrapped at the original point of preparation strictly in accordance with Applicable Cannabis Laws.

i. Point of Sale Tracking System. Owner shall maintain an inventory control and reporting system that accurately documents the location of cannabis products from inception through distribution, including descriptions, weight, and quantity. The inventory control and reporting system shall comply with the California Cannabis Track and Trace System ("CCTT") required by Applicable Cannabis Laws.

Owner shall employ an electronic point of donation/sale system in accordance

with Applicable Cannabis Laws for all point of donations/sales tracking from seed or inception to product distribution to other licensed commercial cannabis facilities, or otherwise in compliance with state and local law and in accordance with Subsection 2(c) of this Agreement. Such approved system shall track all commercial cannabis products, each edible, harvested flower, and/or manufactured concentrate, as well as gross sales (by weight and sale). Owner's point of sale system shall have the capacity to produce historical transactional data in accordance with City's requirements.

j. Record Keeping. Owner shall maintain records for all commercial cannabis and/or infused products. Owner shall comply with all record-keeping responsibilities that are set forth in Applicable Cannabis Laws and complete and up-to-date records regarding the amount of commercial cannabis cultivated, produced, manufactured, harvested, stored, tested, distributed, delivered or packaged at Owner's facility.

k. Processing, Handling, Storing, and Distribution of Commercial Cannabis and Related Products. Commercial cannabis cultivation, handling, storing, and processing shall be concealed from public view at all stages of growth and processing, and there shall be no exterior evidence of cultivation or processing occurring at the premises from a public right-of-way or from an adjacent parcel. Commercial cannabis cultivation, handling, storing, processing, or distribution shall not create offensive odors; create excessive dust, heat, noise, smoke, traffic, or other impacts that are disturbing to people of normal sensitivity residing or present on adjacent or nearby property or areas open to the public; or be hazardous due to use or storage of materials, processes, products, or wastes.

Owner shall store its commercial cannabis and/or commercial cannabis products in a secured storage room with T-card identification access for management only. The storage room shall be constructed of fire-rated walls with an appropriate number of cameras installed to view all entries and exits from the storage room, as well as all other activities performed within Owner's facility. Owner will not conduct outdoor operations except as related to lawful delivery and transportation of commercial cannabis and infused products. Owner will not store commercial cannabis or related products in its delivery vehicle outside normal operating hours of the facility.

Commercial cannabis products shall be sold or distributed only to licensed facilities in California, in compliance with state and local law in accordance with Subsection 2(c) of this Agreement. Excess or contaminated product will be securely stored on-site until it is properly disposed. Disposal may include composting, incineration, land-fill disposal through the local waste management hauler, or other disposal methodology in accordance with state and county health and safety codes and regulations.

l. Odor Control. All structures shall have adequate ventilation and filtration systems installed that minimize and control commercial cannabis plant odors from exiting the interior of the structure. The ventilation and filtration system shall be approved by the City Building Official and installed prior to commencing cultivation or manufacturing within the allowable structure. Facility air intake, exhaust, and recirculating system shall be of industrial grade. Activated charcoal, recirculating, and closed loop aeration systems will be utilized as necessary for effective odor control and management.

m. Transportation Plan. Owner shall comply with all Applicable Cannabis Laws regarding transportation, including the rules governing delivery service. Owner shall retain a list of names and cellular contact numbers for all employees engaged in transportation of commercial cannabis products and provide it to the applicable oversight authority, keeping the list current and up to date.

Owner will keep complete and up-to-date records documenting each transfer of commercial cannabis to other licensed entities, including the amount provided, the form or product category in which the commercial cannabis was provided, the date and time provided, the name of the employee making the transfer, the name and address of each lawful licensed entity to whom delivery is made, and the amount of any related donation or other monetary transaction.

6. Community Relations, Employment, and Wages

a. Public Outreach and Education Program. The Owner shall coordinate and cooperate with City and other owners of commercial cannabis facilities located within City of Montebello in the establishment and implementation of appropriate public outreach and education programs. The public outreach and education programs shall be reasonably approved by City.

b. Community Benefits Program. The Owner shall fund the establishment and implementation of a community benefits program which may include such items as senior citizen programs, City beautification efforts, funding for enforcement against illegal cannabis operations, public safety, housing programs, economic development, infrastructure, capital improvements, including expansion and/or improvement to existing facilities or other physical improvements that provide a benefit to the community, support of holiday and special community events, and support of local public service, public safety, litigation defense, and special social and community organizations ("Community Benefits Program").

To fulfill its funding obligation for the Community Benefits Program, Owner agrees to pay the City of Montebello the yearly sum of **$50,000.00 ("Montebello Community Benefits Program Fee" or "MCBPF")**. The first annual MCBPF shall be payable to the City on the date that the Certificate of Occupancy is

issued to the Owner. Thereafter, the annual MCBPF shall be payable to the City on every July 1 for the term of the Agreement, and shall be pro-rated for any partial days during such period(s) of the Agreement.

The MCBPF is separate and apart from any Cannabis Operation Fee, or penalties therefrom. If the original term of this Agreement is mutually extended by the Parties, the annual minimum payment to this program will be amended accordingly.

c. Designation of Community Relations Liaison. Pursuant to Montebello Municipal Code Chapters 5.90 and 17.71, at the time of this Agreement, Owner's day-to-day operations manager, _____________, will be responsible for community inquiries and complaints and on-site management during normal business hours.

d. Interface with Montebello Municipal Code / Inspections. Owner's day-to-day operations manager, and/or the Owner's Community Relations Liaison, _____________, will interface with the Montebello Police Department's assigned designee to ensure its operation complies with state and local laws and regulations. The City Manager, or designee, or the Montebello Police Department's assigned designee acting at the City Manager's request and per his specific and limiting instructions, shall have the right to enter all portions of the Site from time to time unannounced during hours of operation for the purpose of making reasonable inspections to observe and enforce compliance with this Agreement and Applicable Cannabis Laws, without the requirement of a search warrant, subpoena, or court order, and subject to appropriate cost recovery fees set forth in this Agreement, or adopted by the City.

______________________ Owner's Initials

e. Local Recruitment, Hiring, and Training Programs. Owner is committed to making a good-faith effort to recruit, hire, and train City residents for employment by Owner. A good-faith effort means Owner shall take the following or similar actions to recruit and employ City residents: 1) Contact local recruitment sources to identify qualified individuals who are City residents, 2) Advertise for qualified City residents in trade papers and newspapers of general circulation in the area, and 3) Develop a written plan to recruit and employ City residents as a part of the its workforce. At a minimum, the Owner endeavors to achieve a targeted local annual hiring goal of approximately 45% of total operational jobs for permanent and apprentice employees. This goal shall apply horizontally, across all departments and managerial positions. The Owner shall not be penalized or deemed in default under this Agreement if it is unable to achieve such a goal. "Local" is defined as within a 3-mile radius of the boundaries of the City's boundaries. The Owner may contact and work with a job referral agency assigned by the City Manager to implement a local hiring policy for permanent and apprentice employees. The purpose of the hiring policy

is to facilitate the training and employment of local and disadvantaged job applicants for jobs within the City's jurisdiction, and 3-mile radius of City boundaries. Applicants for jobs shall not be disqualified from hiring solely on the basis of an arrest or conviction for a Cannabis-related crime that occurred prior to November 8, 2016, and could have been prosecuted as a misdemeanor or citation under current California law. The Owner shall periodically report on compliance with the local hiring goals as part of its annual audit report.

f. Living Wages. Living Wages. Owner shall pay make a good-faith effort all employees of the Facility, at a minimum, a Living Wage. A "Living Wage" is the higher of whatever the Owner currently pays its employees for similar work elsewhere or the following: the Full Cash Wage required to be paid by an employer to any similarly situated, educated, and/or credentialed individual under the City of Los Angeles Minimum Wage Ordinance [LAMC Sections 187 and 188], as adjusted annually.

g. Full-time Work. Owner shall make its best efforts to fill every position with a full-time employee. However, at no time shall Owner have a labor force that is composed of less than 50% full-time employees within its labor force, and Owner shall make a good faith effort to maintain a full-time employee level of more than 50%. Owner agrees to provide to its eligible employees leave benefits, health and wellness benefits and other employee benefits to the extent such benefits are required to be paid for by Owner under applicable state and federal employment laws.

h. Labor Peace Agreement. If Owner has twenty (20) or more employees at the time of this Agreement's signing, then Owner shall in good faith work with any labor organization for the purpose of collective bargaining and shall enter into and provide the City a copy of a labor peace agreement no later than one hundred and twenty (120) days after this Agreement's signing. Such Owner with twenty (20) or more employees but without a labor peace agreement at the time of this Agreement's signing shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization no later than one hundred and twenty (120) days after this Agreement's signing.

If Owner has less than twenty (20) employees at the time of this Agreement's signing, such Owner shall in good faith provide a notarized Statement of Intent to the City no later than this Agreement's signing, indicating that the Owner will enter into and abide by the terms of a labor peace agreement with any labor organization if and when Owner has twenty (20) or more employees at any time during the Term of this Agreement. Such Owner with less than twenty (20) employees at the time of this Agreement's signing shall also provide the City a copy of the labor peace agreement no later than one hundred and twenty (120) days from hiring its twentieth (20^{th}) employee, if and when such event occurs

during the Term of this Agreement. Attached as Exhibit G, and incorporated herein is a true and correct copy of the actual Labor Peace Agreement; or applicable Notarized Statement of Intent. Owner shall abide by the terms of the labor peace agreement if and when so adopted in accordance with this Subsection. If Owner fails to comply with the labor peace agreement requirement in accordance with this Subsection, such failure shall constitute a default in accordance with Section 13 of this Agreement.

7. Payment of City Fees

a. Permit and Application Fees. Owner agrees to pay all permit fees and charges referenced in Montebello Municipal Code Chapters 5.90 and 17.71, and the amounts adopted by City Council by Resolution No. 19-14, effective February 13, 2019, as well as any fees set forth in this Agreement. Permit application, processing, and renewal fees shall be due and payable at the time application is made.

b. Cannabis Operation Fees.

As used herein, "**Premises**" means the designated structure or structures and land specified in the application that is owned, leased, or otherwise held under the control of the Owner where the commercial cannabis activities will be or are conducted.

As used herein, "canopy" means the designated area(s), except nurseries, that will contain mature plants at any point in time, as follows:

(1) Canopy shall be calculated in square feet and measured using clearly identifiable boundaries of all area(s) that will contain mature plants at any point in time, including all of the space(s) within the boundaries;

(2) Canopy may be noncontiguous but each unique area included in the total canopy calculation shall be separated by an identifiable boundary that includes, but is not limited to, interior walls, shelves, greenhouse walls, hoop house walls, garden benches, hedgerows, fencing, garden beds, or garden plots; and

(3) If mature plants are being cultivated using a shelving system, the surface area of each level shall be included in the total canopy calculation.

As used herein, "**commercial cannabis activities**" means all permitted activities: e.g., cultivation, possession, manufacture, processing, storing, packaging, labeling, transportation, sale, delivery or distribution of cannabis and/or cannabis products.

As used herein, "**Gross receipts**" shall mean the total amount of receipts actually received or receivable in accordance with GAAP or other comprehensive version of accounting in the course of business in a calendar year or calendar month from sales or the performance of acts or services for which charge is made or credit allowed. “**Gross receipts**” include, without limitation, all receipts, cash, credit, property received in lieu of cash, and any other valuable consideration taken in exchange for goods, services or other valuable consideration.

As used herein, "**Production Space**" means the area on or within the **Premises** intended for **commercial cannabis activities** excluding non-operational common areas such as restrooms, cafeterias, break rooms, hallways, corridors, vestibules, parking structures or surface street lots. The parties stipulate and agree that the square footage for the **Production Space** shall be determined by the City Manager in his sole and complete discretion as the Project is completed.

The City Manager is specifically authorized to increase the square footage for the Production Space up to an increase in size of ten percent (10%) administratively and to determine the corresponding operating fee as the Project is completed.

Owner agrees to pay to City ninety (90) days after a Certificate of Occupancy is granted, in order to enable City to promote, protect, and enhance the health, safety, and welfare of the community and its residents and its quality of life., Owner agrees to pay the following percentage of gross receipts and the following square footage for cannabis operations, as follows, paid on a quarterly basis to the City (“Cannabis Operation Fee”):

1. Manufacturing: 2% of gross receipts
2. Distribution: 2.5% of gross receipts, excluding distribution of products manufactured at the Site as well as distribution activities solely to licensed entities under common ownership or otherwise affiliated with Owner so long as distribution is not the only commercial cannabis activity conducted at the Site
3. Delivery-Only Retail: 2% of gross receipts
4. Cultivation: $10.00 per square foot of canopy space, as may be amended from time to time pursuant to the CUP and/or this Agreement

Any subsequent years of operation after the first ten (10) year term of this Agreement shall be negotiated in good faith by the parties.

A Site with multiple licenses must not commingle respective sales proceeds, and blend percentage rate of **Gross Receipts**.

The Cannabis Operation Fee shall begin to accrue **ninety (90)** days after a Certificate of Occupancy is granted. Owner shall make payments to the City on a quarterly basis, within ninety (90) calendar days after the last day of each quarter. The first quarter is defined as January 1 through March 31, the second quarter as April 1 through June 30, the third quarter as July 1 through September 30, and the fourth quarter as October 1 through December 31. First payment to the City may be prorated, if applicable, to adhere to the latter, uniform quarterly payment schedule.

Failure to pay the Cannabis Operation Fee within thirty (30) calendar days after the due date shall result in a penalty for nonpayment in a sum equal to 10% of the total amount due. Additional penalties will be assessed in the following manner: an additional 10% shall be added to the first day of each calendar month following the month of the imposition of the 10% penalty if these fees remain unpaid in whole or in part – up to a maximum of 100% of the total fee payable on the due date.

c. Owner understands and agrees that the fees set forth above shall be paid in a manner and in accordance with a payment schedule set or modified by City. The cultivation, manufacturing, testing, distribution, and delivery space to which the Cannabis Operation Fee applies is as identified on the City-issued final approved floor plan.

d. If Owner makes any changes to the interior layout of the Site that increases the amount of space allocated to those uses to which the per-square-foot Cannabis Operation Fee applies, Owner shall notify City in writing of such changes at least fourteen (14) calendar days prior to making such changes, and if approved by the City the per-square-foot fee shall be modified accordingly. If Owner fails to give City notice as required herein, Owner shall be responsible for paying to City a per-square-foot fee based on any increase in the amount of space allocated to those uses to which the per-square-foot fee applies retroactive to the date the CUP became effective.

8. <u>Additional Owner Obligations</u>

a. <u>Reporting of Gross Receipts from Operations</u>

1) <u>Quarterly Receipts</u>. No later than one-hundred twenty (120) days from the date Owner secures a CUP and every three months thereafter (Owner shall deliver to City a report (the "Quarterly Report"), pursuant to the quarterly payment schedule discussed hereinabove) showing (i) Gross Receipts from commercial cannabis activities for the immediate prior three months received by Owner, and a cumulative total of all amounts of Gross Receipts from commercial cannabis activities received by Owner for the calendar year, (ii) a calculation of the quarterly payment due to City for the prior three months, and (iii) a calculation of the cumulative total of all quarterly payments for the calendar year.

2) <u>Statement of Receipts/Annual Audit</u>. The Owner shall keep complete, accurate and appropriate books and records of all receipts from operations in accordance with generally accepted accounting principles

("GAAP") or other comprehensive version of accounting. For purposes herein, "books and records" shall mean all bookkeeping or accounting documents Owner typically utilizes in managing its business operations relating to the Project. Such books and records, as well as all other relevant documents as the City Manager may reasonably require, shall, upon reasonable written notice, be open for inspection by City, its auditors or other authorized representatives. If at any time during the term such books and records prove inadequate in the reasonable judgment of City to record the Gross Receipts from commercial cannabis activities as herein required, Owner shall, upon the written request of the City, procure and maintain such books and records as shall be of a character and from adequate for such purpose. City shall have the right to audit and examine such books, records and documents and other relevant items in the possession of Owner, on no more than an annual basis, or at any time other upon reasonable basis therefor substantiated the City, to the extent necessary for a proper determination of Gross Receipts from commercial cannabis activities, and all such books, records, documents and other items shall be held available for such audit and examination. The City's audit shall be performed by a non-contingency fee, regionally recognized independent auditor approved in advance by the City. Upon request by City, Owner shall make all such books, records and documents available to the City Manager, his designee, or to the City approved auditor, and provide removable copies thereof, within thirty (30) days of the date of City's request. Owner shall pay all reasonable costs of such audits. Owner shall preserve such books, records, documents, and other items in Montebello for a period of not less than one (1) years for the purpose of auditing or re-auditing these accounts upon reasonable notice; except that, if an audit is made within the seven-year period and Owner claims that errors or omissions have occurred, the books and records shall be retained and made available until those matters are resolved. City shall keep strictly confidential all statements of revenue furnished by Owner and all other information concerning Owner's operation of the Site obtained by City as a result of the inspection audit and examination privileges of City hereunder (i.e. receipts and tax filings), except as otherwise required by a court order. If City receives a request for such information pursuant to the Public Records Act (California Government Code Section 6250, et seq.), City shall provide Owner notice of any such request prior to disclosing any such information and shall refuse to disclose such information until such time as Owner has been given notice and afforded the opportunity to obtain a protective order. Within seven (7) years after the receipt of any statement of receipts under this Agreement, City at any time shall be entitled to carry out an audit of such revenue either by City or agent to be designated by City. If it shall be determined as a result of such audit that there has been a deficiency in any payment due under this Agreement made on the basis of such statement, then such deficiency shall become immediately due and payable within thirty (30) days of such determination.

3) Copies of Tax Filings. Owner shall provide the City with courtesy copies of each and every report Owner is required to provide to the County of Los Angeles or the State of California for sales, use, cannabis excise, or other gross receipts type taxes at the time such filings are required to be made, including any lawful extensions thereof.

b. Future Revenue Mechanisms. During the term of this Agreement, if the City imposes (by Citizen Initiative) an alternative revenue mechanism specifically related to commercial cannabis activities (e.g., a cannabis tax), Owner agrees to renegotiate in good faith the terms of this Development Agreement with the City so as to comply with an alternative revenue mechanism to the extent the alternative revenue mechanism does not result in higher annual fees than the fees required under this Agreement. As used in this section, “alternative revenue mechanism” does not include taxes, fees, or assessments levied on or collected from both cannabis and non- cannabis operations.

9. Insurance and Indemnity

a. Insurance. Owner shall require all persons doing work on the Project, including its contractors and subcontractors (collectively, “Owner” for purposes of this Section 9 only), to obtain and maintain insurance of the types and in the amounts described in this section and its subsections with carriers reasonably satisfactory to City.

b. General Liability Insurance. Owner shall maintain commercial general liability insurance or equivalent form with a limit of not less than One Million Dollars ($1,000,000) (or as otherwise approved, in writing, by City) per occurrence and Two Million Dollars ($2,000,000) in the aggregate. Such insurance shall also:

1) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as “Additional Insureds” by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insured.

2) Be primary with respect to any insurance of self-insurance programs covering City, its officials, employees, agents, and representatives.

3) Contain standard separation of insured provisions.

c. Automobile Liability Insurance. Owner shall maintain business automobile liability insurance or equivalent form with policy limits that are in commercially reasonable amounts and in compliance with state law for such automotive liability insurance for each accident for the vehicles Owner operates in connection with its cannabis business. Such insurance shall include coverage for owned, hired, and non-owned automobiles. Such insurance shall also:

1) Name City, and work in good faith with the City and the insurers to name additional insureds as deemed reasonably necessary. “Additional Insureds” by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insureds;

2) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives;

3) Contain standard separation of insured provisions.

d. Workers’ Compensation Insurance. Owner shall take out and maintain during the term of this Agreement, the statutorily required minimum amount of workers’ compensation insurance in accordance with applicable state workers’ compensation laws for all of Owner’s employees employed at or on the Project, and in the event any of the work is subcontracted, Owner shall require any general contractor or subcontractor similarly to provide workers’ compensation insurance for such contractor’s or subcontractor’s employees, unless such employees are covered by the protection afforded by Owner. In case any class of employee engaged in work on the Project is not protected under any workers’ compensation law, Owner shall provide and shall cause each contractor and subcontractor to provide adequate insurance for the protection of employees not otherwise protected. Owner hereby indemnifies City for any damage resulting from failure of Owner, its agents, employees, contractors, or subcontractors to take out or maintain such insurance. Workers’ compensation insurance with statutory limits and employer’s liability insurance of not less than the required statutory limits for each accident shall be maintained.

e. Other Insurance Requirements. Owners shall do all of the following:

1) Prior to taking any actions under this Agreement, furnish City with properly executed certificates of insurance that clearly evidenced all insurance required in this Section, including evidenced that such insurance will not be canceled, allowed to expire, or be materially reduced in coverage without thirty (30) days prior written notice to City.

2) Provide to City, upon request, and within seven (7) calendar days of said request, certified copies of endorsements and policies, and properly executed certificates of insurance evidencing the insurance required herein.

3) Replace or require the replacement of certificates, policies and endorsements for any insurance required herein expiring prior the termination of this Agreement.

4) Maintain all insurance required herein from the Effective Date of this Agreement to the earlier of the expiration of the term or the mutual written termination of this Agreement.

5) Place all insurance required herein with insurers licensed to do business in California with a current Best's Key Rating Guide reasonably acceptable to City.

f. Indemnity. Owner agrees to indemnify, defend, and hold City, and its elected and appointed council, boards, commissions, officers, agents, employees, contractors, consultants and representatives, harmless from any and all claims costs and liability for any personal injury or property damage which may arise as a result of any actions or negligent omissions by Owner or Owner's contractors, subcontractors, agents, or employees in connection with the construction, improvement, or operation of the Project.

10. Termination

a. Termination upon End of Term. This Agreement shall terminate upon the expiration of the term, unless it is terminated earlier pursuant to the terms of this Agreement.

b. Effect of Termination on Owner's Obligations. Termination of this Agreement shall eliminate any further obligation of Owner to comply with this Agreement, or some portion thereof, if such termination relates to only part of the Site or Project. Termination of this Agreement, in whole or in part, shall not, however, eliminate or otherwise limit the rights of Owner to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

c. Effect of Termination on City's Obligations. Termination of this Agreement shall eliminate any further obligation of City to comply with this Agreement, or some portion thereof. Termination of this Agreement shall not, however, eliminate the rights of City to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

d. Survival after Termination. The rights and obligations of the Parties set forth in Section 14, Section 20, and Subsection 22(c), and Subsection 22(e), and any right or obligation of the Parties in this Agreement which, by its express terms or nature and context is intended to survive termination of this Agreement, will survive any such termination.

11. Resources Efficiency

Owner shall in good faith endeavor to reduce its environmental impact when possible. The design of the Site shall include reasonable water and energy conservation measures in accordance with applicable State regulations and the CUP.

12. Standard Conditions for Construction

During any on-site construction activities related to development of the Site and any buildings thereon, or renovation or remodeling of existing buildings, Owner shall comply with all applicable terms and conditions of City's standard conditions for construction and the CUP. The Project shall comply with the applicable parking standards in accordance with the CUP.

13. Defaults and Remedies

a. Remedies in general. It is acknowledged by the Parties that City would not have entered into this Agreement if it were to be liable in damages under this Agreement, or with respect to this Agreement or the application thereof, except as hereinafter expressly provided. Subject to extensions of time by mutual consent in writing, failure to delay by either party to perform any term or provision of this Agreement beyond a reasonable notice and cure period shall constitute a default. In the event of alleged default or breach of any terms or conditions of this Agreement, the party alleging such default or breach shall give the other party not less than thirty (30) day notice in writing specifying the nature of the alleged default and the manner in which said default may be satisfactorily cured during any such thirty (30) day period, the party charged shall not be considered in default for purposes of termination or institution of legal proceedings. Notwithstanding the foregoing to the contrary, if the alleged default is of such a nature that it cannot be reasonably cured within thirty (30) days, the alleged defaulting party shall not be deemed in default as long as such party commences to cure such default within such thirty (30) day period and thereafter diligently prosecutes such cure to completion.

After notice and expiration of the thirty (30) day period, the other party to this Agreement, at its option, may institute legal proceedings pursuant to this Agreement.

In general, each of the parties hereto may pursue any remedy at law or equity available for the breach of any provision of this Agreement, except that City shall not be liable for monetary damages, unless expressly provided for this Agreement, to Owner, to any mortgagee or lender, or to any successors in interest of Owner or mortgagee or lender, or to any other person, and Owner covenants on behalf of itself and all successors in interest to the Property or any portion thereof, not to sue for damages or claim any damages.

1) For any breach of this Agreement or for any cause of action which

arises out of this Agreement; or

2) For the impairment or restriction of any right or interest conveyed or provided under, with, or pursuant to this Agreement, including, without limitation, any impairment or restriction which Owner characterizes as a regulatory taking or inverse condemnation; or

3) Arising out of or connected with any dispute, controversy or issue regarding the application or interpretation or effect of the provisions of this Agreement.

Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from the exercise by City of its power of eminent domain. Nothing contained herein shall modify or abridge Owner's rights or remedies (including its rights for damages, if any) resulting from bad faith intentional acts, the grossly negligent or malicious acts of City and its officials, officers, agents and employees. Nothing herein shall modify or abridge any defenses or immunities available to City and its employees pursuant to the Government Liability Act and all other applicable statutes and decisional law.

Except as set forth in the preceding paragraph relating to eminent domain, Owner's remedies shall be limited to those set forth in this Subsection 13(a), Subsection 13(b), and Subsection 13(c).

Notwithstanding anything to the contrary contained herein, City covenants as provided in Civil Code Section 3300 not to sue for or claim any consequential damages or, in the event all or a portion of the Site is not developed, for lost profits or revenues which would have accrued to City as a result of the development of the Site.

b. <u>Specific Performance</u>. The Parties acknowledge that money damages and remedies at law are inadequate, and specific performance and other non-monetary relief are particularly appropriate remedies for the enforcement of this Agreement and should be available to all parties for the following reasons:

Due to the size, nature and scope of the Project, it may not be practical or possible to restore the Site to its natural condition once implementation of this Agreement has begun. After such implementation, Owner may be foreclosed from other choices it may have had to use the Site or portions thereof. Owner has invested significant time and resources and performed extensive planning and processing of the Project in agreeing to the terms of this Agreement and will be investing even more significant time and resources in implementing the Project in reliance upon the terms of this Agreement, and it is not possible to determine the sum of money which would adequately compensate Owner for such efforts; the parties acknowledge and agree that any injunctive relief may be

ordered on an expedited, priority basis.

c. Release. Except for those remedies set forth in Subsections 13(a), 13(b), and 13(c), Owner, for itself, its successors and assignees, hereby releases City, its officers, agents and employees from any and all claims, demands, actions, or suits of any kind or nature arising out of any liability, known or unknown, present or future, based or asserted, pursuant to Article 1, Section 19 of the California Constitution, the Fifth Amendment of the United States Constitution, or any other law or ordinance which seeks to impose any other liability or damage, whatsoever, upon City because it entered into this Agreement or because of the terms of this Agreement.

Owner acknowledges that it may have suffered, or may suffer, damages and other injuries that are unknown to it, or unknowable to it, at the time of its execution of this Agreement. Such fact notwithstanding, Owner agrees that the release provided in this Subsection 13(c) shall apply to such unknown or unknowable claims and damages. Without limiting the generality of the foregoing, Owner acknowledges the provisions of California Civil Code Section 1542, which provide:

> ***"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor*.**"

Owner hereby waives, to the maximum legal extent, the provisions of California Civil Code Section 1542 and all other statutes and judicial decisions of similar effect.

____
Owners' Initials

d. Termination of Agreement for Default of City. Owner may terminate this Agreement in the event of a default by City in the performance of a material term of this Agreement and only after providing written notice to City of default setting forth the nature of the default and the actions, if any, required by City to cure such default and, where the default can be cured, City has failed to take such actions and cure such default within thirty (30) days after the effective date of such notice or, in the event that such default cannot be cured within such thirty (30) day period but can be cured within a longer time, has failed to commence the actions necessary to cure such default within such thirty (30) day period and to diligently proceed to complete such actions and cure such default. Notwithstanding anything to the contrary, in the event that Owner deem it is necessary and/or advisable to cease operations in Montebello, then Owner may terminate this Agreement, and such termination shall be effective upon the date of written notice to the City.

e. Attorneys' Fees and Costs. In any action or proceeding between City and Owner brought to interpret or enforce this Agreement, or which in any way arises out of the existence of this Agreement or is based upon any term or provision contained herein, the "prevailing party" in such action or proceeding shall be entitled to recover from the non-prevailing party, in addition to all other relief to which the prevailing party may be entitled pursuant to this Agreement, the prevailing party's reasonable attorneys' fees and litigation costs, in an amount to be determined by the court. The prevailing party shall be determined by the court in accordance with California Code of Civil Procedure Section 1032. Fees and costs recoverable pursuant to this Subsection 13(e) include those incurred during any appeal from an underlying judgment and in the enforcement of any judgment rendered in any such action or proceeding.

f. Owner Default. No building permit shall be issued or building permit application accepted for any structure on the Site after Owner is determined by City to be in default of the terms and conditions of this Agreement until such default thereafter is cured by Owner or is waived by City. If City terminates this Agreement because of Owner's default, then City shall retain any and all benefits, including money or land received by City hereunder.

14. Third Party Litigation

a. General Plan Litigation. City has determined that this Agreement is consistent with its General Plan. Owner has reviewed the General Plan and concurs with City's determination.

City shall have no liability under this Agreement or otherwise for any failure of City to perform under this Agreement, or for the inability of Owner to develop the Site as contemplated by the Agreement, which failure to perform or inability to develop is as the result of a judicial determination that the General Plan, or portions thereof, are invalid or inadequate or not in compliance with law, or that this Agreement or any of City's actions in adopting it were invalid, inadequate, or not in compliance with the law.

b. Hold Harmless Agreement. Owner hereby agrees to, and shall hold City, its elective and appointive boards, commissions, officers, agents, attorneys, contractors, consultants and employees harmless from any liability for damage or claims for damage for personal injury, including death, as well as from claims for property damage which may arise from Owner or Owner's contractors, subcontractors, agents, or employees' operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, agents, or employees operations under this Agreement, whether such operations be by Owner, or by any of Owner's contractors, subcontractors, or by any one or more persons directly or indirectly employed by, or acting as agent for Owner or any of Owner's contractors or subcontractors. Owner agrees to and shall defend City and its elective and appointive boards, commissions, officers, agents and employees from any suits or actions at law or in equity for

damage caused, or alleged to have been caused, by reason of any of the aforesaid operations.

c. Indemnification. Owner shall defend, indemnify, and hold harmless City and its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees against and from any and all liabilities, demands, claims, actions or proceedings and costs and expenses incidental thereto (including costs of defense, settlement and reasonable attorneys' fees)which any or all of them may suffer, incur, be responsible for or pay out as a result of or in connection with any challenge to the legality, validity or adequacy of any of the following: (i) this Agreement and the concurrent and subsequent permits, licenses and entitlements approved for the Project or Site; (ii) the environmental impact report, mitigated negative declaration or negative declaration, as the case may be, prepared in connection with the development of the Site; and (iii) the proceedings undertaken in connection with the adoption or approval of any of the above. In the event of any legal or equitable action or other proceeding instituted by any third party (including a governmental entity or official) challenging the validity of any provision of this Agreement or any portion thereof as set forth herein, the parties shall mutually cooperate with each other in defense of said action or proceeding. Notwithstanding the above, City, at is sole option, may tender the complete defense of any third-party challenge as described herein. In the event City elects to contract with special counsel to provide for such a defense, City shall meet and confer with Owner regarding the selection of counsel, and Owner shall pay all costs related to retention of such counsel.

d. Environmental Contamination. Owner shall indemnify and hold City, its elective and appointive boards, commissions, officers, agents, attorney's, contractors, consultants and employees free and harmless from any liability, based or asserted, upon any act or omission of Owner, its officers, agents, employees, subcontractors, predecessors in interest, successors, assigns and independent contractors, excepting and acts or omissions of City as successor to any portions of the Site dedicated or transferred to City by Owner and further excepting any environmental conditions not within Owner's control nor directly associated with a Permitted Use, for any violation of any federal, state or local law, ordinance or regulation relating to industrial hygiene or to environmental conditions on, under or about the Property, including, but not limited to, soil and groundwater conditions, and Owner shall defend, at its expense, including attorneys' fees, City, its officers, agents and employees in any action based or asserted upon any such alleged act or omission. City may in its discretion participate in the defense of any such claim, action or proceeding.

The provisions of this Section 14(d) do not apply to environmental conditions that predate Owner's ownership or control of the Site or applicable portion; provided, however, that the foregoing limitation shall not operate to bar, limit or modify any of Owner's statutory or equitable obligations as an owner or seller of

the Site.

e. City to Approve Counsel. With respect to Subsections 14(a) through 14(d) only, City reserves the right to approve the attorney(s) which Owner selects, hires or otherwise engages to defend City hereunder, which approval shall not be unreasonably withheld, conditioned, or delayed.

f. Accept Reasonable Good Faith Settlement. City shall not reject any reasonable good faith settlement offer regarding claims contemplated in this Section 14. If City does reject a reasonable, good faith settlement that is acceptable to Owner, Owner may enter into a settlement of the action, as it relates to Owner, and City shall thereafter defend such action (including appeals) at its own cost and be solely responsible for any judgment rendered in connection with such action. This Subsection 14(f) applies exclusively to settlements pertaining to monetary damages or damages which are remedial by the payment of monetary compensation. Owner and City expressly agree that this Subsection 14(f) does not apply to any settlement that requires an exercise of City's police powers, limits City's exercise of its police powers, or affects the conduct of City's municipal operations.

g. Survival. The provisions of Subsections 14(a) through 14(f) inclusive, shall survive the termination or expiration of the Agreement.

15. California Environmental Quality Act

Owner shall reimburse City for any and all reasonable costs incurred by City related to project review under the California Environmental Quality Act (CEQA), Public Resources Code, §§21000-21189.3, and the Guidelines for California Environmental Quality Act, California Code of Regulations, Title 14, §§15000-15387. If reasonably requested by City, Owner shall conduct and pay for any required CEQA reviews and analyses. The City has found that the proposed Project is Categorically Exempt from California Environmental Quality Act (CEQA) requirements under provisions of CEQA Guidelines **Section 15332** – In-Fill Development. This exemption applies to infill development within urbanized areas meeting the conditions described in **Section 15332**.

16. Rules, Regulations, and Official Policies

Except as otherwise provided in this Agreement, the rules, regulations, and official policies of City governing permitted uses of the land, governing density, and governing the design, improvements, and construction standards and specifications applicable to the development of the Project subject of this Agreement, shall be those rules, regulations, and official policies of City in force as of the Effective Date of this Agreement. This Agreement does not prevent City, in subsequent actions applicable to the Site, from applying new rules, regulations, and policies which do not conflict with those rules, regulations, and policies applicable to the property as set forth herein, nor does this Agreement prevent City from denying or conditionally approving any subsequent development project application (i.e. not the Project) based on such existing or new rules, regulations, or policies.

17. CUP Conditions of Approval

Owner shall comply with all conditions of approval of the City-issued CUP. If there is any conflict between a term of this Agreement and a condition of approval of the City-issued CUP, then the most restrictive shall apply.

18. Periodic Reviews

This Agreement shall be subject to annual review. The Owner executing this Agreement, or successor in interest thereto, shall demonstrate good faith compliance with the terms of this Agreement. If, as a result of such periodic review, City finds and determines, based on substantial evidence, that Owner executing this Agreement, or successor in interest thereto, has not materially complied in good faith with the terms or conditions of this Agreement, City may terminate or modify this Agreement (except no modification shall increase Owner's liability nor reduce Owner's rights), provided that City shall first provide Owner notice of its intent to terminate, with a detailed explanation as to why, and provide Owner the reasonable right to cure the same.

a. Periodic Review. City Council shall review this Agreement annually, on or before each anniversary of the Effective Date, in order to ascertain Owner's good faith compliance with this Agreement. During the periodic review Owner shall be required to demonstrate good faith compliance with the terms of the Agreement, through submitting an annual monitoring report, records, or equivalent written materials to the Planning Department. The Planning Department will schedule a hearing on the periodic review of the Development Agreement on or following the anniversary of the Effective Date, but Owner has no obligation to compel such hearing, and no implication will be made to Owner's detriment if a hearing is not in fact held. Owner shall document any request for an extension of the term due to delays beyond the control of Owner (see Subsection 22(g), "Force Majeure"). Owner shall submit an annual review and administration fee deposit not to exceed City's estimated internal and third-party costs associated with the review and administration of this Agreement during the succeeding year. City shall provide Owner said estimate a reasonable time in advance of the annual review and administration fee deposit being due.

b. Conditional Use Permit. The operation of the business at all times shall be required to comply with the CUP and this Agreement.

c. Special Review. City Council may order a special review of compliance with this Agreement at any time. The City Manager, Community Development Director, or his or her designee(s) shall conduct such special review. During a special review, Owner shall be required to demonstrate good faith compliance with the terms of the Agreement. The burden of proof on this issue shall be on Owner.

d. Review Hearing. At the time and place set for the special or periodic review hearing, Owner shall be given an opportunity to be heard. If City Council finds, based upon substantial evidence, that Owner has not complied in good faith with the terms or conditions of this Agreement, City Council may terminate this Agreement notwithstanding any other provision of this Agreement to the contrary, or modify this Agreement and impose such conditions as are reasonably necessary to protect the interests of City. The decision of City Council shall be final, subject only to judicial review pursuant to Code of Civil Procedure Section 1094.5.

e. Certificate of Agreement Compliance. If, after a periodic or special review, Owner is found to be in compliance with this Agreement, and if Owner requests it, City shall issue a Certificate of Agreement Compliance ("Certificate") to Owner stating that after the most recent periodic or special review, and based upon the information known or made known to the Planning Director and City Council, that (i) this Agreement remains in effect and (ii) Owner is not in default. City shall not be bound by a Certificate if a default existed at the time of the periodic or special review, but was concealed from or otherwise not known to the Planning Director and City Council, regardless of whether the Certificate is relied upon by assignees or other transferees or Owner.

f. Failure to Conduct Review. City's failure to conduct a periodic review of this Agreement shall not constitute a breach of this Agreement.

g. Cost of Review. The reasonable costs incurred by City in connection with the periodic reviews shall be borne by Owner.

19. Assignment

Assignment by Owner. Owner shall not transfer, delegate, sublet or assign its interest, rights, duties, and obligations under this Agreement without the prior written consent of City, which consent shall not be unreasonably withheld. Owner shall submit a transfer application to the City Manager or City Manager's designee and pay any applicable transfer fee. The proposed transferee must show proof of lawful transfer of possession of the applicable location as may be acceptable to the City. Owner is aware it may take the City approximately six (6) months to process a transfer application.

Any assignment, delegation, subletting or assignment without the prior written consent of City shall be null and void. Any transfer, delegation, subletting or assignment by Owner as authorized herein shall be effective only if and upon the party to whom such transfer, delegation, subletting or assignment is made is issued a CUP as required under Montebello Municipal Code Chapters 5.90 and 17.71.

Owner shall also comply with all proposed assignments and changes, including assignment and changes impacting a Development Agreement or a CUP, as required pursuant to state law, and Montebello Municipal Code Chapters 5.90 and 17.71.

20. Operating Commercial Cannabis Facility

Any Party to this Agreement, or successor in interest thereto, shall not operate a commercial cannabis facility authorized under the municipal code unless:

a. It is the holder of a valid CUP issued by City in accordance with the procedures and requirements of Montebello Municipal Code Chapters 5.90 and 17.71; and,

b. At such time as the State of California requires commercial cannabis facilities and businesses to hold a valid license or permit issued by the State of California, it also holds such license or permit, unless, however, such permit or license is not required by the State of California for the type of commercial cannabis facility or business operation that is the subject of this Agreement.

21. Notices

Any notice or communication required hereunder between City and Owner must be in writing, and may be given either personally, by registered or certified mail (return receipt requested), or by Federal Express, UPS or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered, as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to City:	City of Montebello 1600 W. Beverly Blvd Montebello, California 90640 Attention: City Manager
With a copy to:	City Attorney 13181 Crossroads Parkway North Suite 400 – West Tower City of Industry, California 91746
If to Owner:	[PLEASE INSERT THIS INFORMATION]
With a copy to:	[PLEASE INSERT IF DESIRED BY OWNER]

22. Miscellaneous Provisions

Amendment or Cancellation. This Agreement may be amended, or canceled in whole or in part, only by the written mutual consent of the parties to this Agreement or their successors in interest, except that minor amendments that do not affect a substantive provision of this Agreement may be approved by the City Manager on behalf of the City. The decision whether a proposed amendment is "minor" shall be in the reasonable good faith discretion of the City Manager, and consistent with Montebello Municipal Code Chapters 5.90 and 17.71.

a. Waiver. Waiver by City of any one or more of the terms or conditions of this Agreement shall not be construed as waiver of any other term or condition under this Agreement.

b. Enforcement/Reserved Powers. Unless amended or canceled pursuant hereto, this Agreement shall be enforceable by any Party hereto, or successor in interest thereto, notwithstanding any subsequent change in any applicable general or specific plan, zoning, subdivision or building regulation, or municipal code amendment adopted by City that conflicts with the terms of this Agreement. However, this Agreement is subject to the City's "Reserved Powers." For purposes of this Agreement, "Reserved Powers" means the rights and authority excepted from this Agreement's restrictions on the City's police powers and which are instead reserved to the City. The Reserved Powers include the powers to enact regulations or take future discretionary actions after the Effective Date of this Agreement that: (1) are necessary to protect the public health and safety, and are generally applicable on a City-wide basis (except in the event of natural disasters as found by the City Council such as floods, earthquakes and similar acts of God); (2) are amendments to California Marijuana Laws or California Uniform Codes, as adopted by the City of Montebello, and/or the Montebello Municipal Code, as applicable, regarding the construction, engineering and design standards for private and public improvements to be constructed on the Site; (3) are necessary to comply with state or federal laws and regulations; or (4) involve sign and parking ordinances and guidelines, changes to the City's zoning laws, Specific Plan or the City's General Plan, whether adopted previous or subsequent to the Effective Date of this Agreement).

If any City ordinance, rule or regulation or addition to the Montebello Municipal Code is enacted or imposed by a citizen-sponsored initiative or referendum after the Effective Date that would conflict with this Agreement or an associated CUP, business license or other authorizations and City approvals, or reduce development rights or assurances provided to the Owner in this Agreement, then such changes, additions or deletions to the Montebello Municipal Code shall not be applied to the Site or Project. The parties shall cooperate with each other and undertake such reasonable actions as may be appropriate to ensure this Agreement remains in full force and effect and is implemented in accordance with its terms and to the fullest extent permitted by state or federal law.

Notwithstanding anything to the contrary in this Agreement, site improvements contemplated by this Agreement shall be completed pursuant to the development standards and design guidelines to be adopted by the zoning code amendment.

c. Severability. If any part of this Agreement is found to conflict with applicable state laws or regulations, such part shall be inoperative, null, and void insofar as it conflicts with said laws or regulations, or modified or suspended as may be necessary to comply with such state laws or regulations, but the remainder of this Agreement shall continue to be in full force and effect.

d. Counterparts. 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. The execution of this Agreement may be by actual, facsimile, or electronic signature.

e. Jurisdiction. The law governing this Agreement shall be that of the State of California. Any suit brought by any party against any other party arising out of the performance of this Agreement or the breach, termination, enforcement, interpretation or validity thereof, shall be filed and maintained in the County of Los Angeles Superior Court.

f. Disclaimer. Despite California's commercial cannabis laws and the terms and conditions of this Agreement, or any CUP issued pertaining to Owner or the property specified herein, California commercial cannabis cultivators, manufacturers, retailers, transporters, distributors, or possessors may still be subject to arrest by state or federal officers and prosecuted under state or federal law. The Federal Controlled Substances Act, 21 USC § 801, prohibits the manufacture, distribution, and possession of cannabis without any exemptions for medical use.

g. Force Majeure. If delays are caused by unforeseen events beyond the control of Owner, such delays will entitle Owner to an extension of time as provided in this Section 22. Such unforeseen events ("Force Majeure") shall mean war, insurrection, acts of God, local, state or national emergencies, strikes and other labor difficulties beyond the party's control, or any default by City hereunder, which Force Majeure event substantially interferes with the development, construction or operation of the Project.

h. Costs and Fees. Intentionally omitted.

i. Constructive Notice and Acceptance. Every person who after the Effective Date of this Agreement owns or acquires any right, title, or interest to any portion of the Site, is and shall be conclusively deemed to have consented and agreed to every provision contained herein, whether or not any reference to this Agreement is contained in the instrument by which such person acquired an interest in the Site, and all rights and interests of such person in the Site shall be subject to the terms, requirements, and provisions of this Agreement.

j. Binding Effect of Recitals. The Parties agree that the Recitals above are true and correct and intend to be bound by same.

k. Project as a Private Undertaking. It is specifically understood and agreed by and between the parties hereto that the development of the Project is a private development, that neither party is acting as the agent of the other in any respect hereunder, and that each party is an independent contracting entity with respect to the terms, covenants and conditions contained in this Agreement. No partnership, joint venture or other association of any kind is formed by this Agreement. The only relationship between the City and the Owner is that of a government entity regulating the development of private property and the owner of such property.

l. Changes to Project. The parties acknowledge that changes to the Project and related approvals may be appropriate and mutually desirable to carry out the intent and purpose of this Agreement. This Agreement shall not prevent the City from applying, with the consent or at the request of the Owner, *Subsequent Land Use Regulations* or *Subsequent Development Approvals* that do not directly conflict with the Site authorized under this Agreement. The granting of one such change or request shall not obligate the City to grant other similar changes or requests. As used herein, "*Subsequent Development Approvals*" include, without limitation, all excavation, grading, building, construction, demolition, encroachment or street improvement permits, occupancy certificates, utility connection authorizations, or other non-discretionary permits or approvals necessary, convenient or appropriate for the Project. As used herein, "*Subsequent Land Use Regulations*" means ordinances, resolutions and codes adopted or approved by the City after the Effective Date of this Agreement governing the development and use of the land, including general plan amendments, zone changes, variances or conditional use permits affecting the permitted use of the land including density or intensity of use, subdivision requirements, the maximum height and size of proposed buildings, the provisions of reservation or Dedication of land for public purposes, and the design, improvement and construction and initial occupancy standards and specifications applicable to the Development of the Property.

m. Conflicting Federal or State Rules. In the event that any conflicting federal or state laws or regulations, enacted after the Effective Date, prevent or preclude compliance with one or more provisions of this Agreement or require changes in plans, maps or permits approved by the City, *this Agreement shall remain in full force and effect as to those provisions not affected*; and

(i) Notice of Conflict. Either party, upon learning of any such matter, will provide the other party with written notice thereof and provide a copy of any such law, regulation or policy together with a statement of how any such matter conflicts with the provisions of this Agreement; and

(ii) Modification Conferences. The parties shall, within thirty (30) days of the notice referenced to in the preceding subsection, meet and confer in good faith and attempt to modify this Agreement to bring it into compliance with any such federal or state law or regulation.

(iii) City Council Hearings. In the event the City believes that an amendment to this Agreement is necessary due to the effect of any federal or state law or regulation, the proposed amendment shall be scheduled for hearing before the City Council. The City Council shall determine the exact nature of the amendment necessitated by such federal or state law or regulation. Owner shall have the right to offer oral and written testimony at the hearing. Any modification ordered by the City Council pursuant to such hearing is subject to judicial review in accordance with California law.

(iv) City Cooperation. The City shall cooperate with Owner in securing any City permits, licenses or other authorizations that may be required as a result of any amendment resulting from actions initiated by the City. As required by this Agreement, Owner shall be responsible to pay all applicable fees in connection with securing of such permits, licenses or other authorizations.

n. Effective Date. "Effective Date" means either the date of this Agreement approved by the City Council or the date of the CUP's approval by the City Planning Commission, whichever comes later.

o. Authority to Sign. Each Party or responsible officer or governing body therefore, has read this Agreement and understands and knows the contents thereof, and represents and warrants that each of the officers or agents executing this Agreement on behalf of their respective corporations, partnerships, or other organizations is empowered to do so and hereby binds the respective corporation, partnership, or other organization. Additionally, Owner represents and warrants that each of the officers or agents executing this Agreement on behalf of its corporation, partnership, or other organization is an "owner" as defined by California Business and Professions Code Section 26001 and hereby binds the respective corporation, partnership, or other organization.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

CITY OF MONTEBELLO	**GARDEN OF LEAVES, LLC**
____________________________	____________________________
Jack Hadjinian	Name: XXXXXX
Mayor	Title: XXXXXXX

APPROVED AS TO FORM:

____

City Attorney
City of Montebello

EXHIBITS

A. LEGAL DESCRIPTION [TO BE INSERTED]
B. PARCEL MAP [TO BE INSERTED]
C. SITE AND/OR FLOOR PLANS [TO BE INSERTED]
D. RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT [TO BE INSERTED]
E. PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM [TO BE INSERTED]
F. CONDITIONS OF APPROVAL [TO BE INSERTED]
G. LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT [TO BE INSERTED]

EXHIBIT A

LEGAL DESCRIPTION

EXHIBIT B

MAP

EXHIBIT C

SITE AND/OR FLOOR PLANS

EXHIBIT D

RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT

EXHIBIT E

PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM

EXHIBIT F

CONDITIONS OF APPROVAL

EXHIBIT G

LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT

ITEM #17

RESOLUTION NO. _______

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MONTEBELLO APPROVING AND ALLOWING CERTAIN CLAIMS AND DEMANDS

THE CITY COUNCIL OF THE CITY OF MONTEBELLO DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. That the reference is hereby made to that certain Register of Audited Demand Nos. 1474, consisting of 6 pages, and including

Warrant No. 584417 through 584537;
Warrant No. 1443 and 1444

on file in the office of the City Clerk, the same having been audited and approved by the Controller as required by law.

SECTION 2. That the said City Council having examined each such demand does hereby approve and direct the payment of same, as set forth in said Register, except the following Warrant No.

____

____

____

SECTION 3. That the City Clerk shall certify to the adoption of this resolution and thence forth and thereafter the same shall be in full force and effect.

APPROVED AND ADOPTED THIS 5th DAY OF AUGUST, 2019.

____
JACK HADJINIAN, Mayor

ATTEST:

____
IRMA BARAJAS, City Clerk

ITEM #17

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss.
CITY OF MONTEBELLO)

I, Irma Barajas, City Clerk of the City of Montebello, do hereby certify that the foregoing City Council Resolution No. was duly and regularly approved and adopted by the City Council of the City of Montebello at their meeting held on the 5th day of August, 2019, as approved by law by the following vote:

AYES:
NOES: None

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of said City on the ___________ day of ___________________, 2019.

____
IRMA BARAJAS, City Clerk

City of Montebello

Register of Demands No. 1474

From Payment Date: 7/18/19 - To Payment Date: 7/25/19

CHECK #	DATE	AMOUNT	ACCOUNT DESCRIPTION	VENDOR #	VENDOR NAME
4331 - General Account					
584417	07/18/2019	$9,000.00	MAIL/ POSTAL EXPENSE	68120	USPS-HASLER
584418	07/23/2019	$621.66	PREVENTIVE MAINTENANCE	64600	A TO Z FIRE PROTECTION COMPANY
584419	07/23/2019	$2,054.98	CONTRACT SERVICES	26390	APPLE ONE EMPLOYMENT SERVICES
584420	07/23/2019	$971.51	VEHICLE MAINTENANCE/EXPENSES	74990	AUTOZONE, INC
584421	07/23/2019	$7,868.07	WATER PURCHASE	19120	CENTRAL BASIN MUNICIPAL WATER DISTRICT
584422	07/23/2019	$6,662.67	SUPPLIES	10000	CLEAN SWEEP SUPPLY CO. INC
584423	07/23/2019	$631.01	VEHICLE MAINTENANCE/EXPENSES	29160	FORD OF MONTEBELLO
584424	07/23/2019	$38.00	CONTRACT SERVICES	70140	GNA-BROOK FIRE PROTECTION, INC.
584425	07/23/2019	$1,103.53	VEHICLE MAINTENANCE/EXPENSES	1385	MUNCIE RECLAMATION AND SUPPLY COMPANY
584426	07/23/2019	$39.58	DUES & SUBSCRIPTIONS	21420	MUNICIPAL CODE CORPORATION
584427	07/23/2019	$74.40	VEHICLE MAINTENANCE/EXPENSES	70710	NIVEL PARTS & MFG CO., LLC
584428	07/23/2019	$2,890.00	CONTRACT SERVICES	2466	ALAN MICHAEL PATALANO
584429	07/23/2019	$188.30	SUPPLIES	1120	NESTLE WATERS NORTH AMERICA
584430	07/23/2019	$34,983.62	FUEL	1059	AMBER RESOURCES LLC/SAWYER PETROLEUM
584431	07/23/2019	$189.75	CONTRACT SERVICES	9270	TANK SPECIALIST OF CALIFORNIA
584432	07/23/2019	$916.00	DUES & SUBSCRIPTIONS	4020	TORO NSN
584433	07/23/2019	$979.48	CONTRACT SERVICES	13160	WEST-LITE SUPPLY CO.,INC.
584434	07/23/2019	$3,423.00	CONTRACT SERVICES	71170	YOUNG ELECTRIC SIGN COMPANY
584435	07/23/2019	$1,750.00	ADVERTISING/PRINTING SERVICES	1293	923 MEDIA GROUP INC.
584436	07/23/2019	$205.71	TRAINING	2380	RUTH GARCIA
584437	07/23/2019	$217.00	TRAINING	2379	ABIGAIL MARIN
584438	07/23/2019	$435.42	DUES & SUBSCRIPTIONS	21420	MUNICIPAL CODE CORPORATION
584439	07/23/2019	$25,427.37	FUEL	1059	AMBER RESOURCES LLC/SAWYER PETROLEUM
584440	07/23/2019	$4,459.50	CONTRACT SERVICES	38010	ADVANCED AVANT-GARDE CORPORATION

City of Montebello

Register of Demands No. 1474

From Payment Date: 7/18/19 - To Payment Date: 7/25/19

CHECK #	DATE	AMOUNT	ACCOUNT DESCRIPTION	VENDOR #	VENDOR NAME
584441	07/23/2019	$5,170.00	CONTRACT SERVICES	1624	CALIFORNIA PAVING AND GRADING, INC.
584442	07/23/2019	$3,872.72	SUPPLIES	2455	COMMERCIAL AQUATIC SERVICES
584443	07/23/2019	$4,154.95	TRANS BUS RENOVATIONS	70920	DECALS BY DESIGN, INC.
584444	07/23/2019	$1,548.42	VEHICLE MAINTENANCE/EXPENSES	33720	ARKAY ACQUISITION LLC/GILLIG
584445	07/23/2019	$9,932.10	CLEAN-UP SERVICES	16520	I.D.R., INC.
584446	07/23/2019	$792.61	SUPPLIES	2230	IMPERIAL SPRINKLER SUPPLY INC.
584447	07/23/2019	$1,961.95	JANITORIAL SERVICES	1886	LINCOLN TRAINING CENTER AND REHABILITAION WORKSHOP
584448	07/23/2019	$2,400.00	FIRE NURSE SERVICES	1585	DR. ANGELICA LOZA-GOMEZ, M.D., PC
584449	07/23/2019	$12,103.50	WASTE CONSULTING SERVICES	19040	MUNICIPAL CONTRACT ADMINISTRATORS, INC
584450	07/23/2019	$1,652.50	CONTRACT SERVICES	26880	SEBASTIAN WATERWORKS, INC./MR. ROOTER
584451	07/23/2019	$2,152.81	VEHICLE MAINTENANCE/EXPENSES	60710	THE AFTERMARKET PARTS COMPANY, LLC
584452	07/23/2019	$3,085.69	SUPPLIES	15620	OFFICE DEPOT
584453	07/23/2019	$60.00	REFUND	2507	STEPHANY ROSAS
584454	07/23/2019	$527.95	SUPPLIES	33740	S & S WORLDWIDE, INC.
584455	07/23/2019	$19,856.98	STREET STRIPING SERVICES	2382	SAFE USA, INC.
584456	07/23/2019	$165.24	VEHICLE MAINTENANCE/EXPENSES	168	SOUTHERN COACH MFG. CO, INC.
584457	07/23/2019	$115.00	ADVERTISING/PRINTING SERVICES	6460	TRANSIT TALENT.COM
584458	07/23/2019	$1,245.00	TRAINING	11430	UNIVERSITY OF THE PACIFIC
584459	07/23/2019	$720.00	CONTRACT SERVICES	2053	WIRELESS TELEMATICS LLC.
584460	07/23/2019	$866.52	CONTRACT SERVICES	2057	CIGNA BEHAVIORAL HEALTH
584461	07/23/2019	$73,919.91	FUEL	1059	AMBER RESOURCES LLC/SAWYER PETROLEUM
584462	07/23/2019	$2,529.46	FUEL	1059	AMBER RESOURCES LLC/SAWYER PETROLEUM
584463	07/25/2019	$63,698.36	DIAL-A-RIDE SERVICES	75950	FIESTA TAXI COOPERATIVE, INC.
584464	07/25/2019	$10,306.08	BUS STOP CLEANING SERVICES	35250	NATIONWIDE ENVIRONMENTAL SERVICES
584465	07/25/2019	$195.00	CONTRACT SERVICES	983	ABBA TERMITE AND PEST CONTROL, INC.

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584466	07/25/2019	$27.44	UTILITY SERVICES	55830	CHARTER COMMUNICATIONS
584467	07/25/2019	$35.04	MAIL/ POSTAL EXPENSE	22400	FEDERAL EXPRESS CORPORATION
584468	07/25/2019	$500.00	CONTRACT SERVICES	26920	LEAGUE OF CALIFORNIA CITIES
584469	07/25/2019	$1,279.78	PERMITS AND FEES	2307	CALIFORNIA DEPARTMENT OF TAX & FEES
584470	07/25/2019	$52.63	PERMITS AND FEES	2307	CALIFORNIA DEPARTMENT OF TAX & FEES
584471	07/25/2019	$42.45	UTILITY SERVICES	47580	CALIFORNIA WATER SERVICE COMPANY
584472	07/25/2019	$1,712.45	LEGAL SERVICES	17680	ALVARADOSMITH
584473	07/25/2019	$7,667.19	SAFETY EQUIPMENT	20350	ALLSTAR FIRE EQUIPMENT INC.
584474	07/25/2019	$67,886.92	LEGAL SERVICES	16120	ALVAREZ-GLASMAN & COLVIN
584475	07/25/2019	$325.00	CONTRACT SERVICES	34230	PHIL CULBERTSON
584476	07/25/2019	$340.00	CONTRACT SERVICES	19300	CARLOS DIAZ/DIAZ WINDOWING CLEANING SERVICES
584477	07/25/2019	$44.41	SUPPLIES	805	EMPIRE CHEMICAL CO, INC.
584478	07/25/2019	$446.11	PREVENTIVE MAINTENANCE	70140	GNA-BROOK FIRE PROTECTION, INC.
584479	07/25/2019	$112.13	VEHICLE MAINTENANCE/EXPENSES	15440	HOSE-MAN, INC.
584480	07/25/2019	$141.00	CONTRACT SERVICES	2012	ICE MACHINE SALES & SERVICE CON.
584481	07/25/2019	$19,116.44	TRANSIT BUS TIRE LEASE	110	MICHELIN NORTH AMERICA, INC
584482	07/25/2019	$1,591.92	CATCH BASIN FUEL	35250	NATIONWIDE ENVIRONMENTAL SERVICES
584483	07/25/2019	$1,050.00	CONTRACT SERVICES	13680	PEERY & ASSOCIATES, INC.
584484	07/25/2019	$3,306.00	SUMMER FOOD SERVICES	73870	REVOLUTION FOODS, INC.
584485	07/25/2019	$16,139.36	TRAFFIC SIGNAL MAINTENANCE	2361	SIEMENS MOBILITY
584486	07/25/2019	$1,025.00	CONTRACT SERVICES	71210	STAR-DUST TOURS, INC.
584487	07/25/2019	$1,554.30	SUPPLIES	2455	COMMERCIAL AQUATIC SERVICES
584488	07/25/2019	$200.00	REIMB;PERMITS AND FEES	21	VERNON CRESWELL
584489	07/25/2019	$1,260.00	CONTRACT SERVICES	6690	IRRI-CARE PLUMBING AND BACKFLOW TESTING
584490	07/25/2019	$3,297.33	SUPPLIES	26670	LIFE-ASSIST, INC.

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584491	07/25/2019	$157.67	CONTRACT SERVICES	1665	MONTEBELLO SPEAKER REPAIR CENTER, INC.
584492	07/25/2019	$818.93	SUPPLIES	2480	SOCAL AUTO & TRUCK PARTS, INC.
584493	07/25/2019	$70.00	REFUND	2509	CRISTINA OROPEZA
584494	07/25/2019	$3,853.85	FIRE VEHICLE MAINTENANCE/EXPENSES	2191	PERFORMANCE TRUCK REPAIR INC.
584495	07/25/2019	$10,222.07	CONTRACT SERVICES	2318	PAUL TALBOT
584496	07/25/2019	$5,824.00	CONTRACT SERVICES	74850	UNIQUE GENERAL SERVICES
584497	07/25/2019	$26,290.50	CONTRACT SERVICES	1631	YORK RISK SERVICES GROUP, INC.
584498	07/25/2019	$78.60	UTILITY SERVICES	39550	AT&T
584499	07/25/2019	$50.00	TRAVEL & MEETINGS	58860	CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFF.
584500	07/25/2019	$4,167.00	CONTRACT SERVICES	21260	FLAIR DATA SERVICES, INC.
584501	07/25/2019	$446.85	UTILITY SERVICES	2467	FUSION CLOUD SERVICES, LLC
584502	07/25/2019	$980.67	UTILITY SERVICES	2467	FUSION CLOUD SERVICES, LLC
584503	07/25/2019	$696.45	UTILITY SERVICES	2467	FUSION CLOUD SERVICES, LLC
584504	07/25/2019	$724.69	UTILITY SERVICES	2467	FUSION CLOUD SERVICES, LLC
584505	07/25/2019	$725.23	UTILITY SERVICES	2467	FUSION CLOUD SERVICES, LLC
584506	07/25/2019	$150.00	DUES & SUBSCRIPTIONS	7020	GOVERNMENT FINANCE OFFICERS ASSOCIATION
584507	07/25/2019	$647.75	REIMB;SUPPLIES	2508	ALAN WILKES
584508	07/25/2019	$95.00	CONTRACT SERVICES	38380	AT&T
584509	07/25/2019	$4,416.43	UTILITY SERVICES	39550	AT&T
584510	07/25/2019	$9,301.38	UTILITY SERVICES	47580	CALIFORNIA WATER SERVICE COMPANY
584511	07/25/2019	$504.78	REIMB;SUPPLIES	3780	JACOB CASTILLO
584512	07/25/2019	$52.69	SUPPLIES	1461	CREATIVE BUS SALES, INC.
584513	07/25/2019	$205.80	ADVERTISING/PRINTING SERVICES	1354	DAILY JOURNAL CORPORATION
584514	07/25/2019	$287.30	PERMIT AND FEES	76360	DIVISION OF THE STATE ARCHITECT
584515	07/25/2019	$2,469.26	MACHINERY & EQUIPMENTS	3350	GARVEY EQUIPMENT COMPANY

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584516	07/25/2019	$280.00	CONTRACT SERVICES	70140	GNA-BROOK FIRE PROTECTION, INC.
584517	07/25/2019	$120.00	CONTRACT SERVICES	1650	GOLDEN STATE ELEVATOR SERVICE INC.
584518	07/25/2019	$47.00	CONTRACT SERVICES	147	LOS ANGELES COUNTY AUDITOR CONTROLLER
584519	07/25/2019	$398.00	PERMITS AND FEES	56850	LOS ANGELES COUNTY FIRE DEPARTMENT
584520	07/25/2019	$353.41	REIMB;SUPPLIES	1246	JESUS J MACIAS
584521	07/25/2019	$1,107.83	VEHICLE MAINTENANCE/EXPENSES	1385	MUNCIE RECLAMATION AND SUPPLY COMPANY
584522	07/25/2019	$1,980.49	SUPPLIES	49850	NORTHERN TOOL & EQUIPMENT CO.
584523	07/25/2019	$2,944.00	CONTRACT SERVICES	876	PACIFIC OIL COMPANY
584524	07/25/2019	$100,898.80	UTILITY SERVICES	45630	SOUTHERN CALIFORNIA EDISON
584525	07/25/2019	$19,927.60	FUEL INVENTORY	40520	SOUTHERN CALIFORNIA GAS CO.
584526	07/25/2019	$614.15	SUPPLIES	70860	SPIRALEDGE, INC.
584527	07/25/2019	$297.00	REIMB;UNIFORM EXPENSE	446	MARC VALENTINE
584528	07/25/2019	$267.99	UTILITY SERVICES	23610	VERIZON WIRELESS
584529	07/25/2019	$53.50	UTILITY SERVICES	23610	VERIZON WIRELESS
584530	07/25/2019	$1,268.31	UTILITY SERVICES	23610	VERIZON WIRELESS
584531	07/25/2019	$111.99	UTILITY SERVICES	23610	VERIZON WIRELESS
584532	07/25/2019	$53.99	UTILITY SERVICES	23610	VERIZON WIRELESS
584533	07/25/2019	$2,023.89	UTILITY SERVICES	23610	VERIZON WIRELESS
584534	07/25/2019	$3,439.15	UTILITY SERVICES	23610	VERIZON WIRELESS
584535	07/25/2019	$1,437.36	CONTRACT SERVICES	20060	WATER REPLENISHMENT DISTRICT
584536	07/25/2019	$51.00	TRAINING	73370	WEST PACIFIC MEDICAL LABORATORY
584537	07/25/2019	$301.34	SUPPLIES	67320	WINZER CORPORATION
	Subtotal	**$668,529.91**			

6093 - Successor Agency

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1443	07/25/2019	$4,454.87	LEGAL SERVICES	16120	ALVAREZ-GLASMAN & COLVIN
1444	07/25/2019	$2,050.00	CONTRACT SERVICES	15180	STEARNS, CONRAD AND SCHMIDT CONSULTING ENG.
	Subtotal	**$6,504.87**			
	Total	**$675,034.78**			