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City of Commerce
AND WHEN RECORDED MAIL TO:
City of Commerce
2535 Commerce Way
Commerce, CA 90040
Attention: City Manager

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**COMMERCIAL CANNABIS BUSINESS AMENDED AND RESTATED
DEVELOPMENT AGREEMENT BETWEEN THE CITY OF COMMERCE AND
VK LABS, LLC [A CALIFORNIA LIMITED LIABILITY COMPANY]**

THIS AMENDED AND RESTATED DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this _____ day of _____, 2024 (the "Execution Date"), by and between the **CITY OF COMMERCE**, a California municipal corporation ("City") and **VK LABS, 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, the State of California enacted California Government Code Sections 65864 et seq. ("Development Agreement Statutes") to authorize municipalities to enter into development agreements with those having an interest in real property to strengthen the public planning process, encourage private participation in comprehensive planning, and reduce the economic risk of development in connection with the development of real property within their jurisdiction;

WHEREAS, the purpose of the Development Agreement Statutes is to authorize municipalities, in their discretion, to establish certain development rights in real property for a period of years regardless of intervening changes in land use regulations, to vest certain rights in the Owner, and to meet certain public purposes of the local government;

WHEREAS, as authorized by the Development Agreement Statutes, the City has adopted Resolution No. 18-50 ("A Resolution of the City Council of the City of Commerce Approving Procedures and Requirements for the Processing of Development Agreements") establishing the procedures and requirements for the consideration of development agreements with the City;

WHEREAS, Owner currently holds a legal or equitable interest in real property considered in this Agreement which has a development area of approximately **4000** square feet located at 5608 E Washington Blvd, City of Commerce, State of California, 90040 (the "Site"). The Site includes Assessor's Parcel Number: 6335-022-043, and is more fully described in Legal Description in Exhibit A and shown on the map in Exhibit B. Both exhibits being attached hereto, respectively, and incorporated herein by this reference;

WHEREAS, presently, Owner has a legal or equitable interest in a portion of the Site for the purpose of commercial cannabis related activities which shall include, but not be limited to the testing of various substances found in cannabis, such as residual solvents, pesticides, microimpurities, and mycotoxins. Such Commercial Cannabis facilities shall operate in accordance with all applicable provisions of Business and Professions Code §§26000-26231.2; California Health and Safety Code Safety Code §§ 11357-11362.9 and 11362.7- 11362.85; Revenue and Taxation Code §§ 34010-34021.5; Vehicle Code §§ 2429.7 and 23222; Water Code §§ 1831, 1847, and 13276; and the City of Commerce Municipal Code as it applies to such facilities (collectively the "Applicable Cannabis Laws"). Prior to operating a commercial cannabis business, Owner shall be required to obtain a Commercial Cannabis Permit from the City, and all related permits and licenses prior to the operation of same, pursuant to City Ordinance No. 700;

WHEREAS, ultimately, Owner intends upon obtaining a permanent California State License, pursuant to Applicable Cannabis Laws, to operate a vertically integrated MAUCRSA compliant cannabis testing laboratory 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 Commercial Cannabis Permit;

WHEREAS, in October 2018 Owner applied to this City for a Commercial Cannabis Permit (*hereinafter* "CCP") to conduct Commercial Cannabis Activities. No such activities are allowed or authorized without a development agreement, a Commercial Cannabis Permit, and all requirements pursuant to City Ordinance No. 700, including all requirements pursuant to Commerce Municipal Code Section 5.61.060;

WHEREAS, Owner presently intends to develop and open a cannabis testing laboratory on the Site consistent with the Applicable Cannabis Laws and Project Approvals (known as the "Project"). The Project will include the testing of cannabis in a laboratory setting under the Applicable Cannabis Laws but would not include activities not authorized at the Project Site without further authorization by the City;

WHEREAS, the Project will consist of one industrial building totaling approximately 4,000 square feet. The complex will employ approximately 2 employees per shift. The building will be divided into major spaces for microbiology analysis and chemistry analysis as follows:

Testing Laboratory: The Laboratory activities will occur within the 4000 square foot facility with a secure reception area at the main entrance. All cannabis products that are distributed to the testing facility will have to go through a secured gated backyard in the rear of the facility.

Proposed General Business Office Hours: (subject to final approval pursuant to the City-issued regulatory Commercial Cannabis Permit) – The facility will be open from 8 a.m. to 5 p.m., Monday through Friday, with 2 employees per shift.

Parking/Loading/Access: The proposed project provides approximately 7 parking spaces, including one accessible van space. Loading will take place on-site within an existing covered loading space accessed on the south side of the structure. In no event will loading occur within the public right-of-way. Vehicular access to the site will be through an existing driveway on Washington Boulevard or through an alley in the rear of the facility. Within the site, access to the structures will be through the secured front entrance. Pedestrian walkways within the structure and on the west and east sides of the structure allow pedestrian circulation throughout the site. The project complies with the CALGreen Tier 1 by incorporating stormwater pollution prevention measures, installing energy- and water-efficient equipment, and planting native and drought-tolerant landscaping at the front of the property.

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 City Ordinance 700.

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 compliant cannabis testing laboratory that will provide several levels of cannabis testing.

Proposed Hours of Operation (subject to final approval pursuant to the City-issued regulatory Commercial Cannabis Permit):
8AM to 5PM for general business hours; 24-hours for internal operations

Co-location, check if applicable:

Note: MAUCRSA now authorizes a person to apply for and be issued more than one State license at one location provided the licensed premises are separate and distinct.

Owner has applied for [#1] license:

1) Testing

Please see recitals hereinabove and site plans incorporated into this amended and restated development agreement for details for separate and distinct locations of each operation within the Premises.

WHEREAS, On October 4, 2018, Ordinance No. 700 came into effect authorizing specified Commercial Cannabis Activities within the City of Commerce, in strict compliance with related State of California laws, regulations and policies, 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; d

WHEREAS, the City has given public notice of its intention to adopt this Agreement and has conducted public hearings thereon pursuant to California Government Code §65867. 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 hearing on November 15, 2023, in conjunction with the City’s applicable ordinances and resolutions, the Planning Commission of the City reviewed, considered and approved environmental clearance and recommended approval of the execution of this Agreement to the City Council. 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 hearing on September 24, 2024, 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 to include cannabis testing laboratory. The City Council 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 good land use practices; will not be detrimental to the health, safety and general welfare of the City; and is in the best interest of the City of Commerce and its residents.

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 Commerce, County of Los Angeles, State of California; whose street address is 5608 E Washington Blvd, City of Commerce, State of California 90040 (the "Site"). The Site includes Assessor's Parcel Number: 6335-022-043.
 - b) Owner and Other Person with Legal or Equitable Interest.

Owner: **VK Labs, LLC**

Nature of Interest: *Lease for 4 years with Option to Renew for an additional 1 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 and recordation of this Agreement against the

Site. [See also attached Property Owner Signed and Notarized Consent Form wherein the property owner has acknowledged reading City of Commerce Ordinance No. 700, incorporated herein by this reference (Exhibit E).]

c. Permitted Uses. The subject property may be used for a testing facility for commercial cannabis as presently authorized under City Ordinance No. 700, including Commerce Municipal Code §§ 5.61.010, 5.61.060(1), and for any other use as may be authorized to the Operator under applicable provisions of the Commerce Municipal Code.

d. Zoning. Owner shall guarantee that such activities outlined in Owner's Commercial Cannabis Permit Application ("Application") conducted pursuant to this Agreement and under the Commercial Cannabis Permit shall comply with the City's 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. [See also attached Zoning Analysis, incorporated herein by reference (Exhibit F). Owner shall not conduct any business under this Agreement or under the Commercial Cannabis Permit without having obtained all necessary permits, licenses, and approvals from the City and State of California, as required by all applicable laws, including the City of Commerce Municipal Code, and Ordinance No. 700.

e. Reservation or Dedication of Land for Public Purposes. Sufficient roadway, sidewalk, and utility easements shall be reserved or dedicated to City for such purposes.

f. Owner shall comply with all Conditions of Approval imposed against this Agreement, as enumerated in attached Exhibit G, and incorporated herein by reference.

3. Term

This Agreement shall commence on the Effective Date and it shall end five (5) years from the Effective Date, and it shall remain in full force and effect so long as the subject property is used for a commercial cannabis facility as authorized under City Ordinance No. 700; provided, however, such use is not abandoned for a period of more than ninety (90) days. Owner must execute the amended and restated development agreement and all exhibits to this Agreement must be finalized, executed and notarized by all affected parties. Failure to execute the amended and restated development agreement and execute, finalize and notarize all exhibits to this Agreement within 30 days of the Effective Date may result in Owner being rejected as an applicant.

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

of the following:

- (i) The Owner shall give written notice to the City no later than one hundred twenty (120) days before the expiration of the initial **five (5)** year term that the Owner desires to extend this Agreement for an additional five (5) year period;
- (ii) The Owner shows adequate evidence to the City that it has, and continues to have, a legal and/or equitable interest in the Property 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 Ordinance No. 700, and all terms imposed by the City-issued Commercial Cannabis Permit, including the timely renewal of a Commercial Cannabis Permit; and
- (v) The Owner shall not be in default of any provision of any agreement between City and Owner relative to the development of the Property, the business operations as allowed by a Commercial Cannabis Permit, or of any condition of approval imposed upon any entitlement or regulatory Commercial Cannabis Permit granted by the City relative to the development of the Property 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 default within thirty (30) days, if and as provided by such agreement or condition of approval. This shall include any provisions related to payments or fees owed to City by Owner.

4. Owner's Site and Floor Plans

- b. Owner's site plan and floor plan for the facility are attached hereto as Exhibit C and incorporated into the Application.
- c. A preliminary landscape plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Economic Development and Planning, or their respective designees. 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.
- d. An exterior signage plan shall be prepared and reviewed and approved by the City Manager and/or the Director of Economic Development and Planning, or their respective designees, in accordance with the procedures and requirements of the Commerce Municipal Code.

5. Facility Operations

b. Standard Operating Procedures. Owner is a lawful entity that will only sell to other legally permitted persons and entities under the California Cannabis Laws. Prior to operating a cannabis testing laboratory, Owner shall be required to obtain a Commercial Cannabis Permit, and all requirements pursuant to said permit, from the City pursuant to City Ordinance No. 700. Further, and notwithstanding anything to the contrary, Owner may operate such cannabis-related activities as permitted in accordance with California state laws and regulations, as may be amended, including without limitation, as long as such activity is not inconsistent with Ordinance No. 700, this amended and restated development agreement, the City-issued Commercial Cannabis Permit, and the Commerce Municipal Code.

During the term of its CCP and the term of this Agreement, Owner shall lawfully operate in accordance with all applicable state and local laws, regulations and policies. Owner shall employ exemplary operating procedures to comply with applicable state and local laws, regulations and policies. Owner's facility shall employ 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 Ordinance No. 700, including Section 5.61.280 ("Operating Requirements Applicable to all Commercial Cannabis Businesses") thereof, and such more specific operational requirements, "Operational and Business Standards and/or Procedures", as submitted as part of Owner's Commercial Cannabis Permit Application, pursuant to Section 5.61.080 of Ordinance No. 700.

c. Security Plan. Owner shall secure approval of its proposed security plan by the Los Angeles County Sheriff or the City prior to operating. 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. See Commerce Municipal Code Section 5.61.080(3)(J)(4) for minimum security requirements.

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 state and local laws and regulations. The video surveillance system shall be web-based with direct access provided to the

Los Angeles County Sheriff 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 with glass breakage sensors and motion detectors.

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 twenty-four (24) hours, Seven (7) days a week. 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. See Commerce Municipal Code Section 5.61.080(3)(J)(4) for minimum security requirements.

d. 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 Los Angeles County Fire Department has approved Owner's site plan, floor plan, safety plan, and any other plans that require Fire Department approval.

e. 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 premises or location 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 premises or location must provide the City Manager and the Los Angeles County Sheriff, ten (10) days 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 Los Angeles County Sheriff to show that the individual is in compliance with the provisions of all laws regarding the possession and use of a firearm.

f. Identification Display. Each owner, manager, employee, and individual member engaged in the cannabis testing laboratory 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 or waist level, a valid identification badge, issued by Owner.

g. Employee Background Checks/Procedures for Inventory Control to

Prevent Non-Medical Diversion of Medical Cannabis. Only employees who receive clearance from VK Labs, LLC shall be permitted to enter Owner's facility. Each employee may have to meet a criminal background investigation conducted by the Los Angeles County Sheriff, which at minimum shall include a LiveScan criminal history check, which City may make a good faith effort to facilitate within a reasonable time following the issuance of a Commercial Cannabis Permit(s) or license(s) to Owner.

Owner 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 testing 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.

h. Quality Control and Testing. Owner shall utilize 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 testing lab off-site. Testing standards and procedures shall be in accordance with applicable state law and regulations.

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. Owner shall employ an efficient record-keeping system that will reflect its financing, testing, and adverse effect recording and product recall procedures.

i. Packaging of Commercial Cannabis and Infused Products. All Owner commercial cannabis products shall be packaged and labeled as required by California Cannabis Law and applicable requirements and regulations issued by the State of California pursuant thereto. In addition to those packaging and labeling requirements, and packaging and labeling requirements set forth in Owner's Commercial Cannabis Permit application, as amended or supplemented, all commercial cannabis products shall be packaged in an opaque childproof container which shall contain a label or be accompanied by a leaflet or inset that states, at a minimum:

1) The name, address and telephone number of the licensed commercial cannabis facility to which the commercial cannabis product is distributed, sold, or transferred;

2) The amount of commercial cannabis in the container; and

3) The date the commercial cannabis was transferred to a licensed commercial cannabis facility.

If the 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.

j. 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 track and trace program required by California Cannabis Law and regulations issued thereunder.

Owner shall employ an electronic point of donation/sale system approved by the State of California for all point of donations/sales tracking from seed or inception to product distribution to other licensed commercial cannabis facilities. 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.

k. 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 state law and Ordinance No. 700, including Section 5.61.250 thereof, 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.

l. 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 locked safe room with T-card identification access for management only. The safe room shall be constructed of fire-rate walls with numerous cameras installed to view all entries and exits from the safe 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. 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.

m. Odor Control. All structures shall have ventilation and filtration systems installed that prevent commercial cannabis plant odors from exiting the interior of the structure. The ventilation and filtration system shall be approved by the 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. See minimum requirements, pursuant to Section 5.61.280(12).

n. Description of Banking Plan. Owner shall seek to open a bank account under the name of Owner or its associated management company to provide transparency for funds received, operational costs, including payroll, tax payments to the state and federal governments. Should a bank account not be forthcoming, Owner shall implement other industry standard banking and/or other industry standard transactional mechanisms.

o. Transportation Plan. Owner shall comply with all state and local law 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 lawful cooperative corporations, 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 the other lawful cooperative corporation to

whom delivery is made, and the amount of any related donation or other monetary transaction.

o. Complete Operating Procedures, which may include proprietary, confidential, or other sensitive information, submitted by the Owner as part of its application for a Commercial Cannabis Permit, are on file with the City's records, and are incorporated herein by this reference and applicable to Owner's operations.

6. Community Relations, Employment, and Wages

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

c. Community Benefits Program. The Owner shall cooperate with the City and other Owners of commercial cannabis facilities located within the City of Commerce in the establishment, implementation, and funding of a community benefits program which could 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. This community benefits program may be implemented by the City. The City may invite public participation in the decision-making process for identifying and prioritizing community needs and benefits and identifying appropriate projects to be funded by the entity implementing this community benefits program. All projects under the community benefits program must be approved by the City.

Owner agrees, as a business expense, to pay the City of Commerce Community Benefits Program the yearly sum of **\$32,000.00**. A fifty percent (50%) deposit in the amount of \$16,000.00 shall be made payable to the City thirty (30) days from the Effective Date of this approved and finalized amended and restated development agreement, with payment of the balance thereof within one-hundred eighty (180) days from the execution of this amended and restated development agreement.

Failure to pay the community benefit fee within thirty (30) calendar days after the due date shall result in a penalty for nonpayment in a sum equal to 25% of the total amount due. Additional penalties will be assessed in the following manner: 10% shall be added to the first day of each calendar month following the month of the imposition of the 25% penalty if the fees remain unpaid in whole or in part – up to a maximum of 100% of the fee payable on the due date.

This yearly sum shall be deposited in full into a dedicated account set up by the City in order to create, fund and implement a City-approved Community Benefits Program.

The amount and schedule of payments may only be modified by the written consent of the City Manager at his sole and complete discretion.

If the original Term of this Agreement is mutually extended by the Parties, the annual minimum payment to this program will be amended accordingly.

a Designation of Community Relations Liaison. Pursuant to Ordinance No. 700, including, Commerce Municipal Code Section 5.61.300, at the time of this Agreement, Owner's day-to-day operations manager, to be determined prior to issuance of a Commercial Cannabis Permit, will be responsible for community inquiries and complaints and on-site management during normal business hours. Owner understands and acknowledges that the Community Relations Liaison must live within 3 miles of the boundaries of the City of Commerce consistent with Section J.4.k of the City Commercial Cannabis Application. Owner understands and acknowledges that the Community Relations Liaison must live within 3 miles of the boundaries of the City of Commerce consistent with Section J.4.k of the City Commercial Cannabis Application.

b Interface with Los Angeles County Sheriff / Inspections. Owner's Community Relations Liaison, to be determined prior to issuance of a Commercial Cannabis Permit, will interface with the Los Angeles County Sheriff Department's assigned designee to ensure its operation complies with state and local laws and regulations. The City Manager, or designee, or the Los Angeles County Sheriff's 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 Premises 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 state and local laws and regulations, 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. See, Ordinance No. 700, as well as Commerce Municipal Code Section 5.61.330.

_____ Owner's Initials

c 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 commits to a local annual hiring goal of 50% 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 shall 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 report on compliance with the local hiring goals as part of its annual audit report.

d. Living Wages. Owner shall pay 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 individual under the [EXAMPLE: City of Los Angeles Minimum Wage Ordinance [LAMC Sections 187 and 188], as adjusted annually.]

e. 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 75%. 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.

f. 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 ten (10) 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 (10th) employee, if and when such event occurs during the Term of this Agreement. Attached as Exhibit H 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 of this amended and restated development agreement.

7. Indemnification Agreement by each Cannabis Permittee

Pursuant to Ordinance No. 700, and including, Commerce Municipal Code Section 5.61.240, to the fullest extent permitted by local, state and/or federal law, the City of Commerce shall not assume any liability whatsoever with respect to having issued a Commercial Cannabis Permit or executed a development agreement pursuant Ordinance No. 700, or otherwise approving the operation of any commercial cannabis business. As a condition to the approval of any Commercial Cannabis Permit and to the execution and approval of a development agreement, the Owner shall be required to meet all the conditions enumerated in Commerce Municipal Code Section 5.61.240, before they can receive the Commercial Cannabis Permit and before this Agreement may be executed. The City Manager shall require each Commercial Cannabis Permittee to execute an [a separate] Indemnification Agreement prepared by the City that fully indemnifies the City for all liabilities associated with the Commercial Cannabis Permit, the Commercial Cannabis Permittee's Commercial Cannabis Activities, and any action taken by the Cannabis Permittee. The Indemnification Agreement shall include the defense of the City and reimbursement of all fees, costs and expenses incurred by the City related to any action arising from this Agreement. [Commerce Municipal Code Section 5.61.240]. Attached as Exhibit I, and incorporated herein by this reference, is true and correct copy of a fully executed Indemnification Agreement.

8. Fees, Costs, and Future Taxes

b. Fees. Owner agrees to pay all permit fees and charges referenced in Ordinance No. 700, and in the amounts adopted by City Council by Fee Resolution No. 18-121, effective October 4, 2018, 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.

c. Costs. As defined in Article 9, Owner agrees to reimburse City for all additional reasonable costs of City resulting from the operation of a commercial cannabis facility authorized under applicable provisions of the municipal code, council resolutions and administrative policies and regulations. Reimbursement to City for such costs shall be due and payable as set forth in Article 9.

d. Operating 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 Commercial Cannabis Permittee applicant or Commercial Cannabis Permittee where the Commercial Cannabis Activity will be or is conducted. The parties stipulate and agree that the square footage for the **Premises** upon the Effective Date of this Agreement is and shall be during the term of this Agreement: 45,470 square feet.

As used herein, "**Commercial Cannabis Activities**" means all permitted activities: e.g., cultivation, possession, manufacture, processing, storing, laboratory testing, packaging, labeling, transportation, delivery or distribution of Cannabis and/or Cannabis Products.

As used herein, "**Gross receipts**" shall mean the total amount actually received or receivable 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 set and adjust the square footage for the Production Space and to determine the corresponding operating fee as discussed herein as the Project is completed.

Owner agrees to pay to City, in order to enable City to promote, protect, and enhance the healthy, safety, and welfare of the community and its residents and its quality of life, the greater operating fee of the following, as noted below.

Owner agrees to pay the following percentage of gross receipts for cannabis operations, if the requested and approved use is applicable, as follows, paid on a quarterly basis to the City:

_____	Manufacturing: 3% of gross receipts
_____	Distribution: 3% of gross receipts
_____	Testing: 0.5% of gross receipts [X]
_____	Non-Storefront Retail, Delivery: 5% of gross receipts
_____	Microbusiness: 4% of gross receipts
_____	Cultivation: \$13 square foot for canopy space

But at no time, will Owner pay an annual operating fee less than \$50,000.00, which is the mandatory annual minimum operating fee for the first year in operations. If after a review of the Owner's records the City determines that above percentages of gross receipts resulted in Owner not paying the City the annual minimum operating fee, Owner shall pay the City the remaining balance upon noticed written request.

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

Operating Fees shall begin to accrue one-hundred eighty (180) days after the end of the month of the Effective Date of this Agreement. Notwithstanding, the first payment due and payable to the City shall be due one-hundred twenty (120) days from the date Owner secures a City of Commerce Commercial Cannabis Permit authorizing Owner to commence lawful operations (pursuant to all Ordinance No. 700 requirements to secure same). Owner shall make payments to the City on a quarterly basis, within thirty (30) 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 fee within thirty (30) calendar days after the due date shall result in a penalty for nonpayment in a sum equal to 25% of the total amount due. Additional penalties will be assessed in the following manner: 10% shall be added to the first day of each calendar month following the month of the imposition of the 25% penalty if the fees remain unpaid in whole or in part – up to a maximum of 100% of the fee payable on the due date.

e. Owner understands and agrees that the fees set forth above shall be paid in a manner and in accordance with a payment schedule as set forth in this Agreement. The cannabis testing laboratory space to which the fee applies is as identified on the City-issued final approved floor plan.

f. If Owner makes any changes to the interior layout of the facility that increases the amount of space allocated to those uses to which the per-square-

foot fee applies, Owner shall notify City of such changes at least fourteen (14) calendar days prior to making such changes, and 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 Regulatory Permit became effective.

9. Cost Recovery Fee

City shall assess to Owner fees to recover City's reasonable processing and monitoring costs relating to Owner's business upon issuance of Owner's Cannabis testing laboratory or any Additional Permits (hereinafter "CRF"). CRFs are separate and apart from any operating fees set forth in Article 8.

b. Processing Fees. Processing fees for the Application are based upon the direct and indirect costs that City incurs in reviewing the Application. The processing fees for the Application shall be based only on costs that are necessary for processing the Application and implementing the Ordinance, including staff time, legal fees, and consultant fees. "Necessary for" means that but for the Application, the costs would not have been incurred. The processing fee shall not include costs for other City management objectives, unless they are necessary for processing the Application.

c. Monitoring Fees. Monitoring fees for the Cannabis testing laboratory Permits are based upon the direct and indirect costs City incurs in confirming the use of the Property in accordance with the municipal code, the Ordinance, this Agreement, and the Application. The monitoring fees shall be based only on costs that are necessary for conducting these reviews. "Necessary for" means that but for the Manufacturing, Distribution, Testing, Delivery and Cultivation Permits, or any Additional Permits, the costs would not have been incurred. The monitoring fee shall not include costs for other City management objectives, unless they are necessary for monitoring the permitted activities.

d. Billing and Payment. The City may elect to bill the Owner the Initial CRF on the first day of the month following the Effective Date of this Agreement. Thereafter, City shall bill Owner the CRF on the first day of each Quarter with an invoice providing the time spent by City and its representatives. Owner shall pay the CRF invoice within thirty (30) days of the date the bill for the CRF is received by Owner.

e. Disputes If Owner disagrees with the dollar amount provided by City on the CRF invoice, Owner may submit a written request before the disputed fee is due for a substitution of alternative CRF invoice to the City Manager. The written request must include supporting documentation. After review of Owner's written request, Owner and City shall work, in good faith to resolve Owner's written request. The dispute shall be decided in favor of Owner if City does not respond to the written request within thirty (30) days of actual receipt.

10. Additional Owner Obligations

b. Reporting of Gross Receipts from Operations

1) Quarterly Receipts. No later than one-hundred twenty (120) days from the date Owner secures a City of Commerce Commercial Cannabis Permit 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 operations for the immediate prior three months received by Owner, and a cumulative total of all amounts of Gross Receipts from Operations 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. 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 Operations 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 at any time upon reasonable request by the City, to the extent necessary for a proper determination of Gross Receipts from Operations, 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 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) of the date of City's request. Owner shall pay all costs of such audits. Owner shall preserve such books, records, documents, and other items in Commerce 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 Premises obtained by City as a result of the inspection audit and examination privileges of City hereunder, except as otherwise required by law. 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 afford Owner 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, or other tax purposes at the time such filings are made.

c. Future Revenue Mechanisms. During the term of this Agreement, if the City imposes (by Citizen Initiative or otherwise) an alternative revenue mechanism specifically related to cannabis operations (e.g., a cannabis tax), Owner agrees to renegotiate in good faith the terms of this amended and restated development agreement with the City so as to comply with an alternative revenue mechanism. As used in this section, "alternative revenue mechanism" does not include taxes, fees, or assessments levied on or collected from both medicinal cannabis and non-cannabis operations.

11. Insurance and Indemnity

b. Insurance. Owner shall require all persons doing work on the Project, including its contractors and subcontractors (collectively, "Owner" for purposes of this Article 6 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.

c. General Liability Insurance. Owner shall maintain commercial general liability insurance or equivalent form with a limit of not less than Two Million Dollars (\$2,000,000) (or as otherwise approved, in writing, by City) per claim and Two Million Dollars (\$2,000,000) each occurrence,. 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.

d. Automotive Liability Insurance. Owner shall maintain business automobile liability insurance or equivalent form with a limit of not less than Two Million Dollars (\$2,000,000) 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.

e. Workers' Compensation Insurance. Owner shall take out and maintain during the term of this Agreement, workers' compensation insurance 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 with limits of not less than One Million Dollars (\$1,000,000) each accident shall be maintained.

f. Other Insurance Requirements. Owner 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 Article, 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.

g. 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.

12. Termination

b. Termination Upon End of Term. This Agreement shall terminate upon the expiration of the term, unless said term is extended or is terminated earlier pursuant to the terms of this Agreement. Upon termination of this Agreement, City shall record a notice of such termination and this Agreement shall be of no further force or effect except as otherwise set forth in this Agreement.

c. 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 the rights of Owner to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

d. 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.

e. Survival After Termination. The rights and obligations of the Parties set forth in Article 16, Article 22, and Section 24(d), Section 24(e), and Section 24(g), 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.

13. Resources Efficiency

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

14. Standard Conditions for Construction

During any on-site construction activities related to development of the project 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. The Project shall comply with the applicable parking standards established by the City for cannabis activities.

15. Defaults and Remedies

b. 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 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 in 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 Section 14(a), Section 15(b), and Section 15(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 Property is not developed, for lost profits or revenues which would have accrued to City as a result of the development of the Property.

c. 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:

- 1) Except as provided in Sections 15(a) and 15(e), money damages are unavailable against City as provided in Section 14(a) above.

2) Due to the size, nature and scope of the Project, it may not be practical or possible to restore the Property 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 Property 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.

d. Release. Except for those remedies set forth in Sections 15(a), 15(b), and 15(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 Section 15(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

e. 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 sixty (60) days after the effective date of such notice or, in the event that such default cannot be cured within such sixty (60) day period but can be cured within a longer time, has failed to commence the actions necessary to cure such default within such sixty (60) 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 Commerce, then Owner may terminate this Agreement, and such termination shall be effective upon the date of written notice to the City.

f. 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 Section 15(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.

g. Owner Default. No building permit shall be issued or building permit application accepted for any structure on the Property 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.

16. Third Party Litigation

b. 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 Property 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.

c. Hold Harmless Agreement. Owner hereby agrees to, and shall hold City, its elective and appointive boards, commissions, officers, agents, attorney's, 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.

d. 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 Property; (ii) the environmental impact report, mitigated negative declaration or negative declaration, as the case may be, prepared in connection with the development of the Property; (iii) any claims based on or alleging inverse condemnation by any person or entity with an interest in the Property; and (iv) 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 its 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.

e. 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 Property dedicated or transferred to City by Owner, 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 16(d) do not apply to environmental conditions that predate Owner's ownership or control of the Property 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 Property.

f. City to Approve Counsel. With respect to Sections 16(a) through 16(d), 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.

g. Accept Reasonable Good Faith Settlement. With respect to Article 16, City shall not reject any reasonable good faith settlement. 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 Section 16(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 Section 16(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.

h. Survival. The provisions of Sections 16(a) through 16(f) inclusive, shall survive the termination or expiration of the Agreement.

17. California Environmental Quality Act

Owner shall reimburse City for any and all 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.

18. 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 at the time of the execution of this Agreement. This Agreement does not prevent City, in subsequent actions applicable to the property, 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 based on such existing or new rules, regulations, or policies.

19. Commercial Cannabis Permit Conditions of Approval

Owner shall comply with all conditions of approval of the City-issued Commercial Cannabis Permit.

20. Periodic Reviews

This Agreement shall be subject to annual review. Owner and Landlord 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 or Landlord executing this Agreement, or successor in interest thereto, has not 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.

b. 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 Division. The Planning Division will schedule a hearing on the periodic review of this amended and restated 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 Section 24(i), "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, consistent with Section 24(j) ("Deposit with City") below. City shall provide Owner said estimate a reasonable time in advance of the annual review and administration fee deposit being due.

c. Conditional Use Permit. For all intents and purposes, the Commercial Cannabis Permit to be issued under this Agreement shall be treated as if it were

a Conditional Use Permit issued to Owner for the establishment and operation of its business. The operation of the business at all times shall be required to comply with the terms of this Agreement.

d Special Review. City Council may order a special review of compliance with this Agreement at any time. The City Manager, Director of Economic Development and Planning, 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.

e Review Hearing. At the time and place set for the 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.

f 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 Director of Economic Development and Planning 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 Director of Economic Development and Planning and City Council, regardless of whether the Certificate is relied upon by assignees or other transferees or Owner.

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

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

21. 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 Commercial Cannabis Permit as required under Sections 5.61.150 and 5.61.170 of the Commerce Municipal Code.

Owner shall also comply with all proposed assignments and changes, including assignment and changes impacting a development agreement or a Commercial Cannabis Permit, as required pursuant state law, City Resolution No. 18-50 regulating amendments to development agreements, and Ordinance No. 700, including Sections 5.61.150 through 5.61.210 thereof.

22. 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:

- b. It is the holder of a valid Commercial Cannabis Permit issued by City in accordance with the procedures and requirements of Ordinance No. 700; and,
- c. 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.

23. Notice

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 Commerce
2535 Commerce Way Commerce, CA 90040
Attention: City Manager

and City Attorney
13181 Crossroads Parkway North
Suite 400 – West Tower
City of Industry, California 91746

If to Owner: VK Labs, LLC
5608 E. Washington Blvd.
Commerce, CA 90040

With a courtesy copy to: Aram Ekimyan
100 N. Brand Blvd, Ste. 622
Glendale, CA 91203

24. Miscellaneous Provisions

b. 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 exclusive discretion of the City Manager, and consistent with Sections 5.61.150 through 5.61.210 of Ordinance No. 700.

c. 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.

d. 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 Commerce, and/or the Commerce 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 Commerce 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 Commercial Cannabis Permit, 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 Commerce Municipal Code shall not be applied to the Site or Project; provided, however, the parties acknowledge that the City's approval of this Agreement is a legislative action subject to referendum. 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, and/or as set forth in the Commerce Municipal Code, including Ordinance No. 700.

e. Joint and Several Liability. Owner shall be jointly and severally liable for any amount due under this Agreement, and any breach of this Agreement or failure to pay by one Party shall also constitute a breach of this Agreement by the other Party.

f. 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.

g. 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.

h. 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.

i. Disclaimer. Despite California's commercial cannabis laws and the terms and conditions of this Agreement, any Conditional Use Permit, or any Commercial Cannabis Permit issued pertaining to Owner or the property specified herein, California commercial cannabis cultivators, 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.

j. 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. 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.

k. Costs and Fees. Intentionally omitted.

l. Constructive Notice and Acceptance. Every person who after the Effective Date and recording 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.

m. Binding Effect of Agreement. The Parties agree that the Recitals above are true and correct and intend to be bound by same. Except as otherwise provided, the burdens of this Agreement are binding upon, and the benefits of this Agreement inure to, all authorized successors-in-interest of the Parties and constitute covenants which run with the Site. In order to provide constructive notice thereof, the City Clerk will record this Agreement with the Los Angeles County Recorder within the period required by Government Code Section 65868.5.

n. 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.

o. Changes to Project. The parties acknowledge that changes to the Project or Development Plans 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 Project, Site or Development Plan 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.

p. 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.

p. Effective Date. "Effective Date" means the date which is thirty (30) days from the second reading of the Ordinance adopting and approving this amended and restated development agreement.

q. 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.

[Signatures on Following Page]

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

CITY OF COMMERCE

VK LABS, LLC, OWNER

Hugo Argumedo
Mayor

Name: Michelle Chakalian
Title: Owner

APPROVED AS TO FORM:

Noel Tapia
City Attorney
City of Commerce

DRAFT

EXHIBITS

- A LEGAL DESCRIPTION
- B PARCEL MAP
- C SITE AND/OR FLOOR PLANS
- D RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT
- E PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM
- F ZONING ANALYSIS
- G CONDITIONS OF APPROVAL
- H LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT
- I INDEMNIFICATION AGREEMENT

DRAFT

EXHIBIT A

LEGAL DESCRIPTION

DRAFT

LEGAL DESCRIPTION- 5608 E WASHINGTON BOULEVARD, COMMERCE CA, 90040

Legal Description (for assessment purposes):

TRACT NO 9999 SE 25 FT OF LOT 24 AND NW 25 FT OF LOT 25

EXHIBIT B

MAP

DRAFT

More Services

SUE MORENO
(626) 350-5944
moreservices@sbcglobal.net

OWNERSHIP / OCCUPANTS LIST
RADIUS MAPS - LAND USE - PLANS
MUNICIPAL COMPLIANCE CONSULTING

12106 LAMBERT AVE. EL MONTE, CA 91732 - FAX (626) 350-1532

PROJECT INFORMATION

5606 & 5608 E. WASHINGTON BLVD.

COMMERCE, CA.

18-470



SCALE 1" = 200'

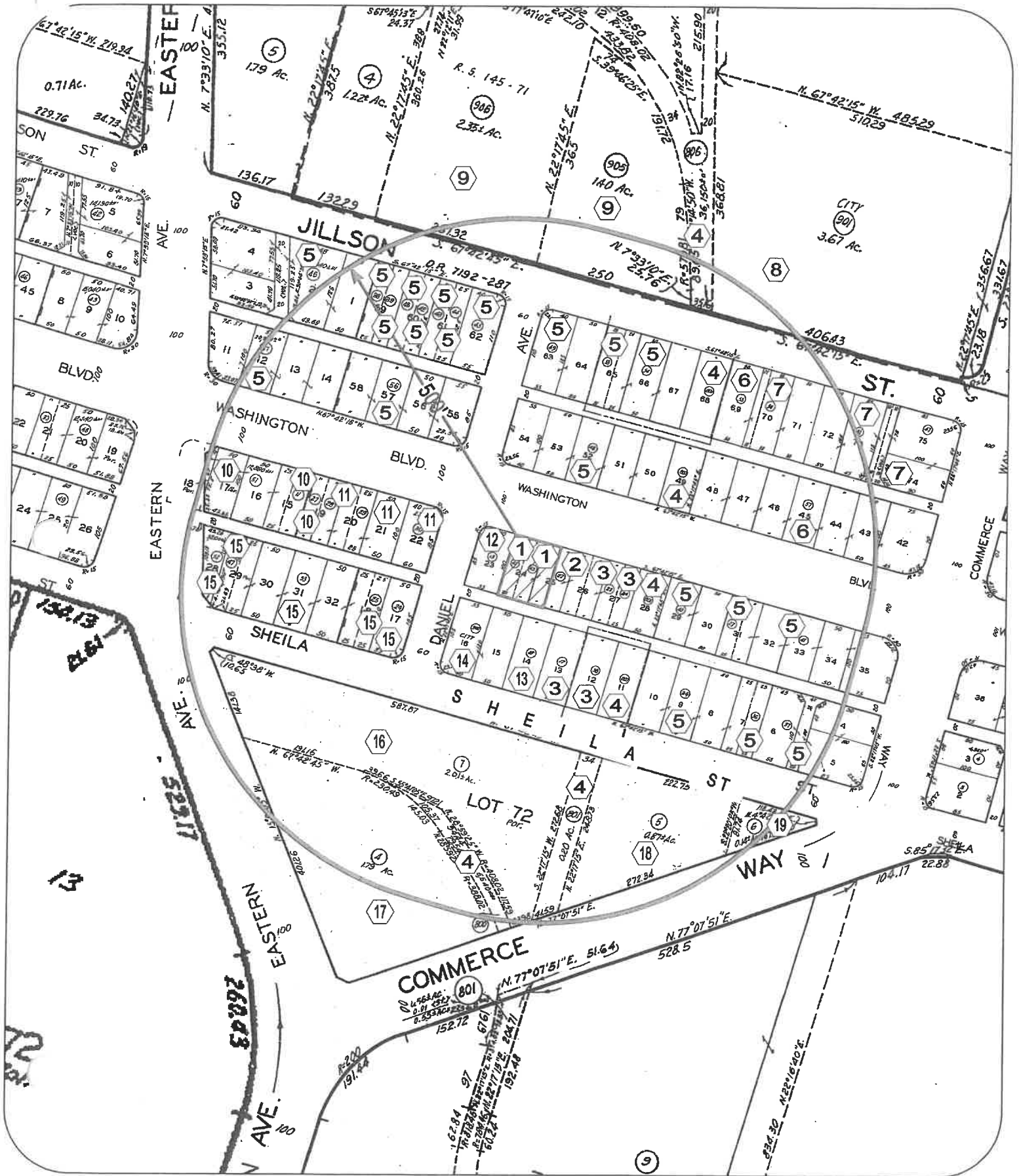
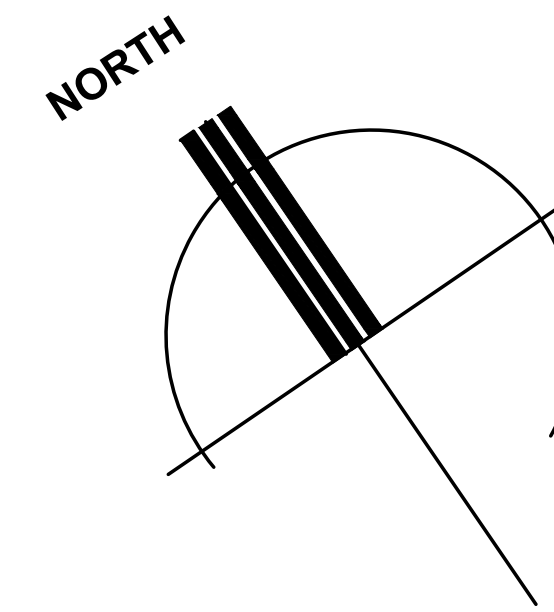


EXHIBIT C

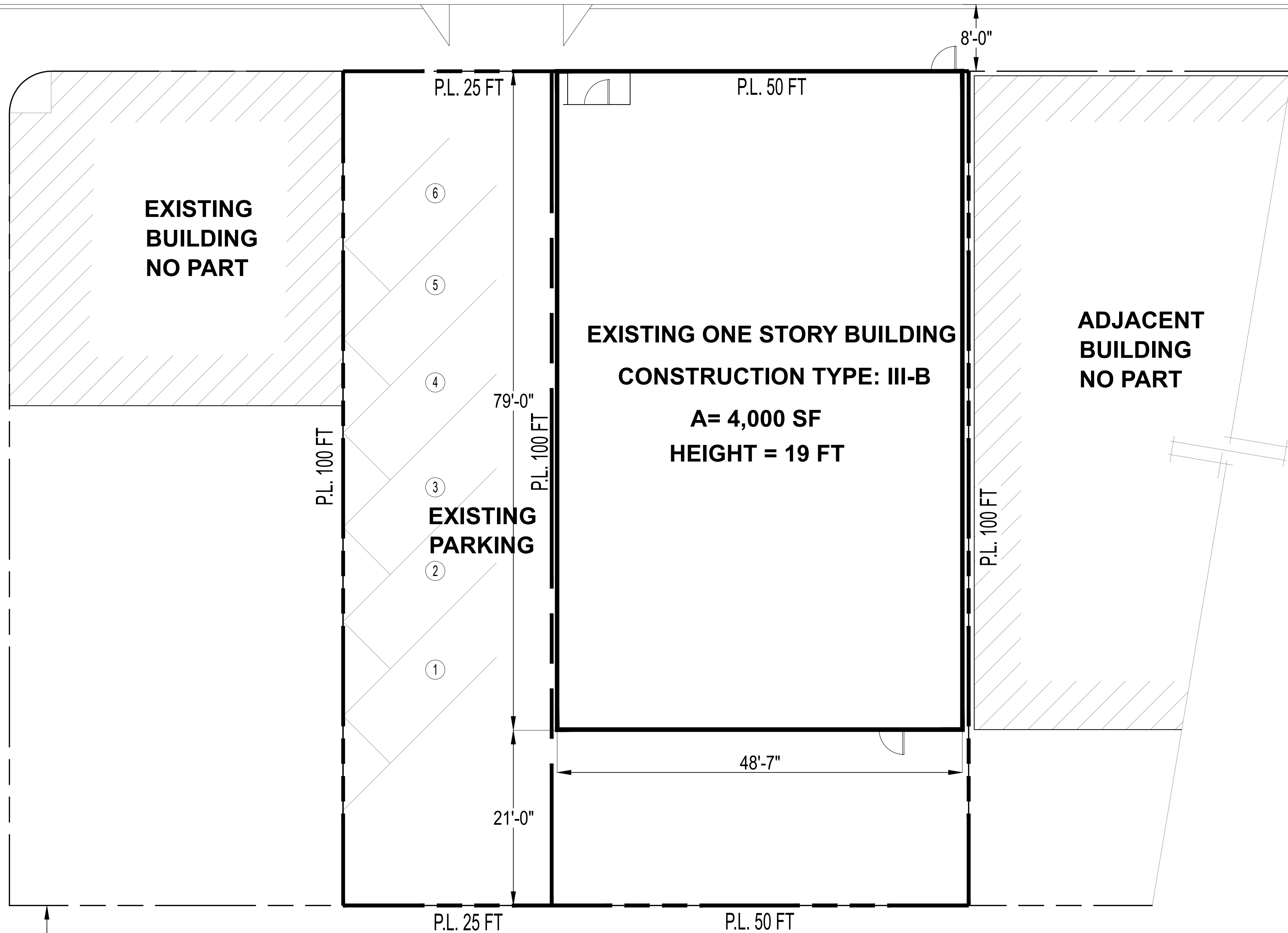
SITE AND/OR FLOOR PLANS

DRAFT

WASHINGTON BLVD.



DANIELS ST



ALLEY

SITE PLAN

SCALE 1/8" = 1' - 0"

1 PROPERTY INFORMATION

OWNER: SOGHOMONYAN, SERGEY
5608 E WASHINGTON AVE
COMMERCE, CA 90040

ADDRESS: **5608 E WASHINGTON BLVD.
COMMERCE CA 90040**

ASSESSOR PARCEL NO: **6335-022-043**

LOT AREA: **5,103 SF**

EXISTING BUILDING: **4,000 SF**

LEGAL DESCRIPTION:
TRACT NO 9999 SE 25 FT OF LOT 24 AND NW 25 FT OF LOT 25

2 SHEET INDEX

SITE PLAN	A1
EXISTING FLOOR PLAN	A2
ELEVATIONS	A3
SECTIONS	A4
REFLECTED CEILING PLAN	A5

**3 SCOPE OF WORK:
TENANT IMPROVEMENT**

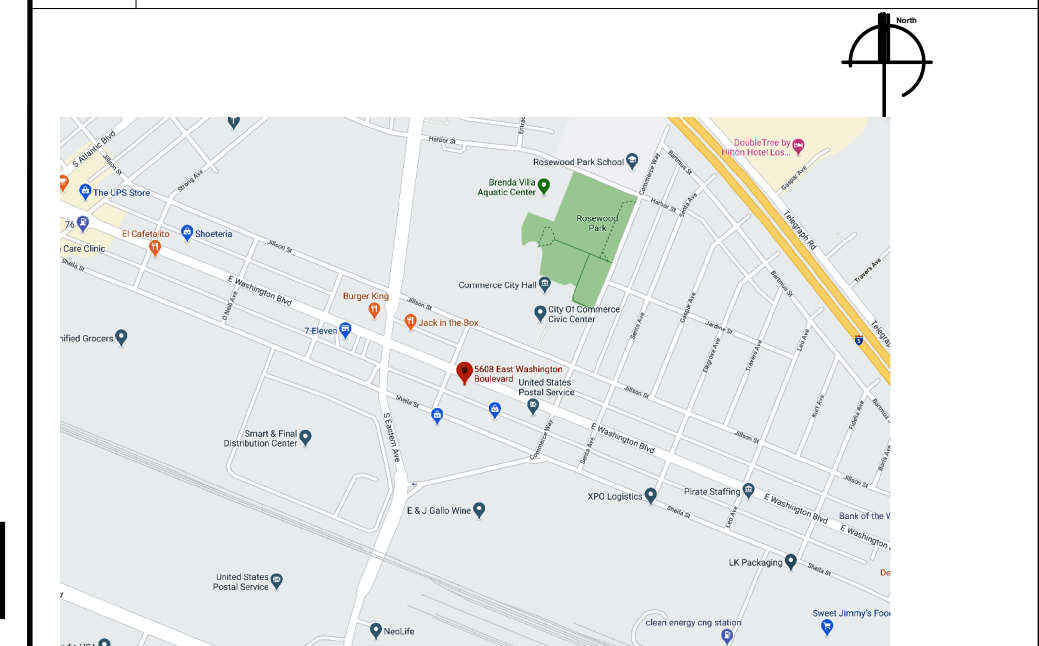
4 APPLICANT NAME:

VK LABS LLC

5 APPLICABLE CODES:

- ALL WORK SHALL CONFORM TO THE REQUIREMENTS OF THE FOLLOWING CODES AND LOCAL ORDINANCES:
- 2019 CALIFORNIA BUILDING CODE
 - 2019 CALIFORNIA MECHANICAL CODE
 - 2019 CALIFORNIA PLUMBING CODE
 - 2019 CALIFORNIA ELECTRICAL CODE
 - 2019 GREEN BUILDING
 - 2019 CALIFORNIA ENERGY CODE

6 VICINITY MAP



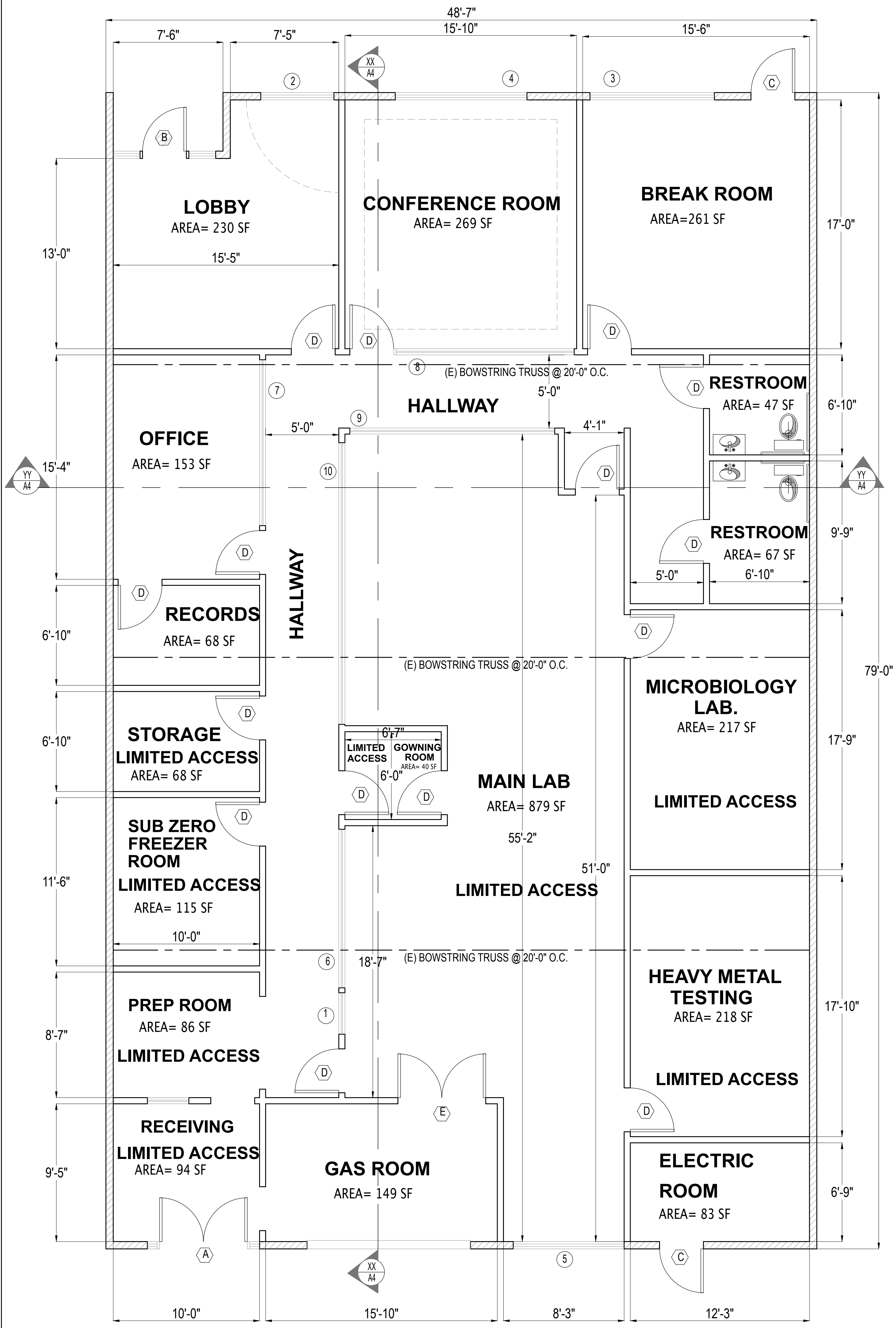
PLANS AND PERMITS EXPRESS

1055 W. 7th. St. Suite 3300
Los Angeles, CA 90017
(562) 991.9537
E-mail: Plansandpermitsexpress@gmail.com

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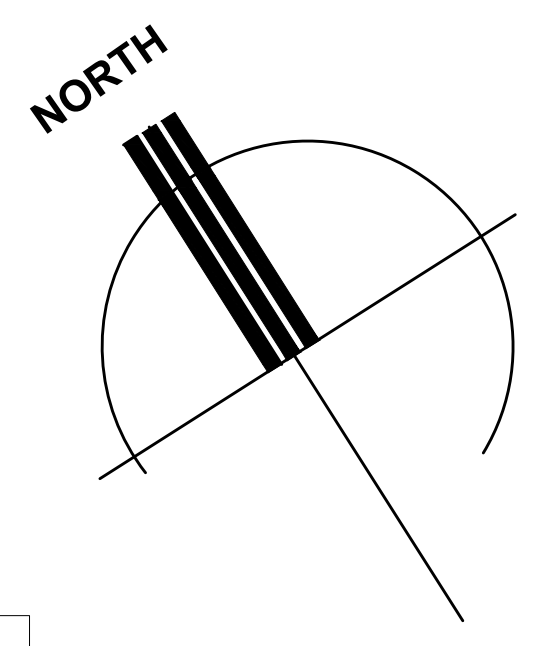
5608 E WASHINGTON BLVD. COMMERCE CA 90040

DATE	03/22/2020	SHEET NO.	A1
DRAWN	VR		
CHECKED	E.P.		
SCALE	NOTED		
DATE	20-0320		



PROPOSED FLOOR PLAN

SCALE 1/4" = 1' - 0"



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DATE	08/19/2020	ISSUED	
DRAWN	VR	CHECKED	E.P.
SCALE	NOTED		
JOB NO.	20-0320		

A2.1

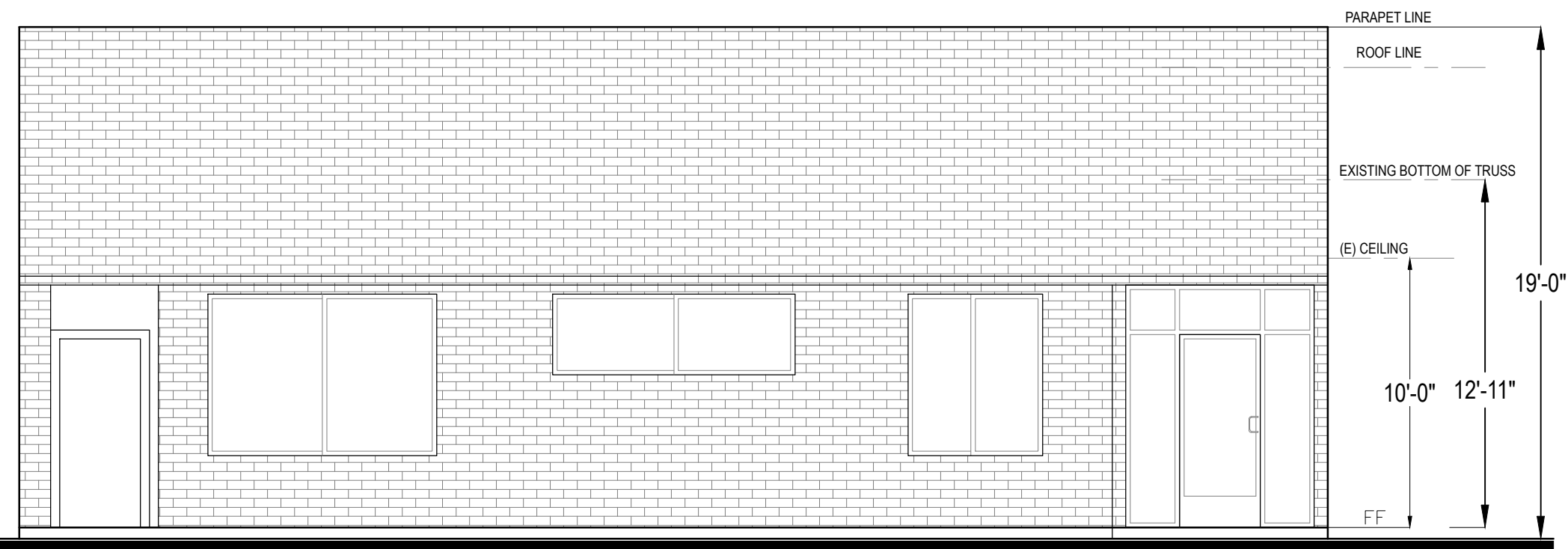


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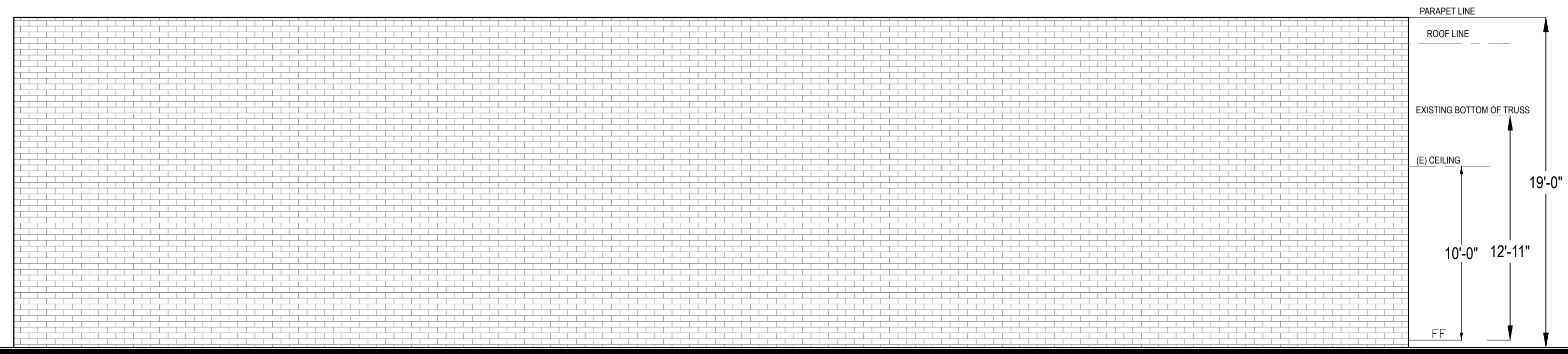
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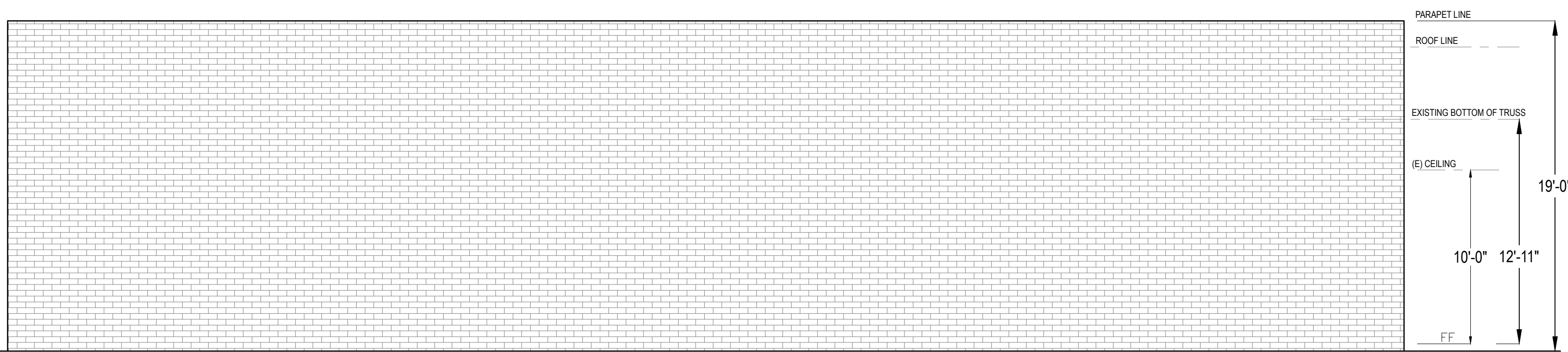
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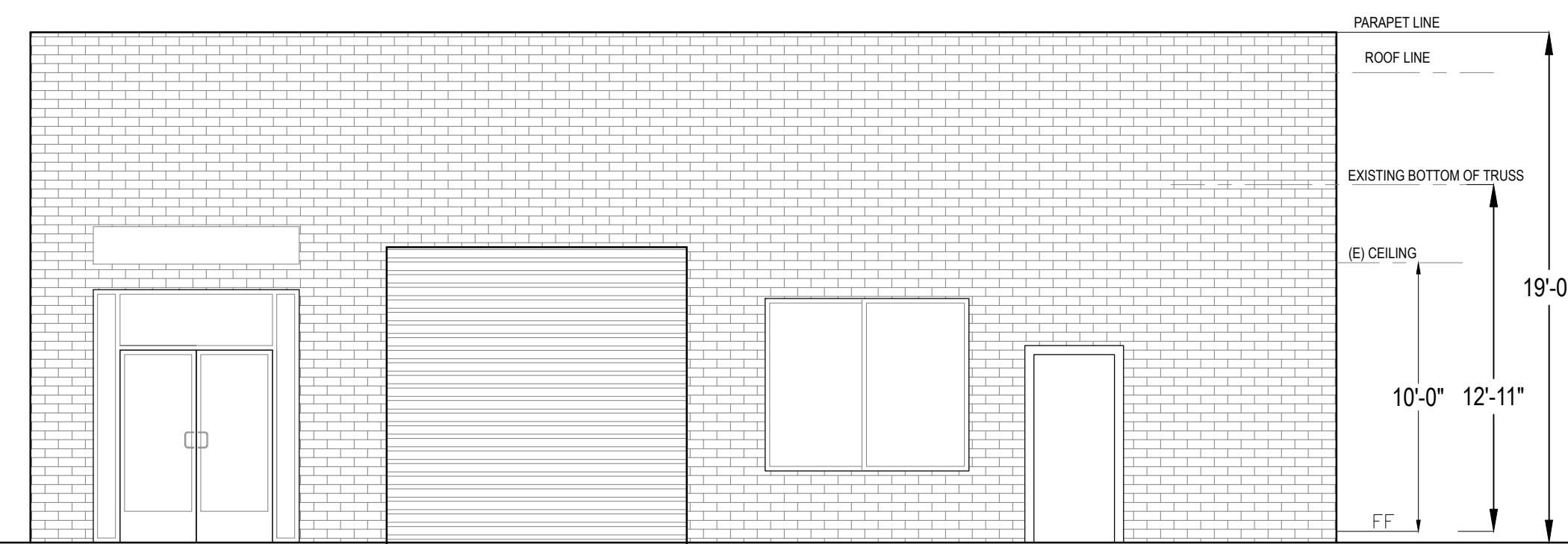
north elevation



west elevation



east elevation



south elevation

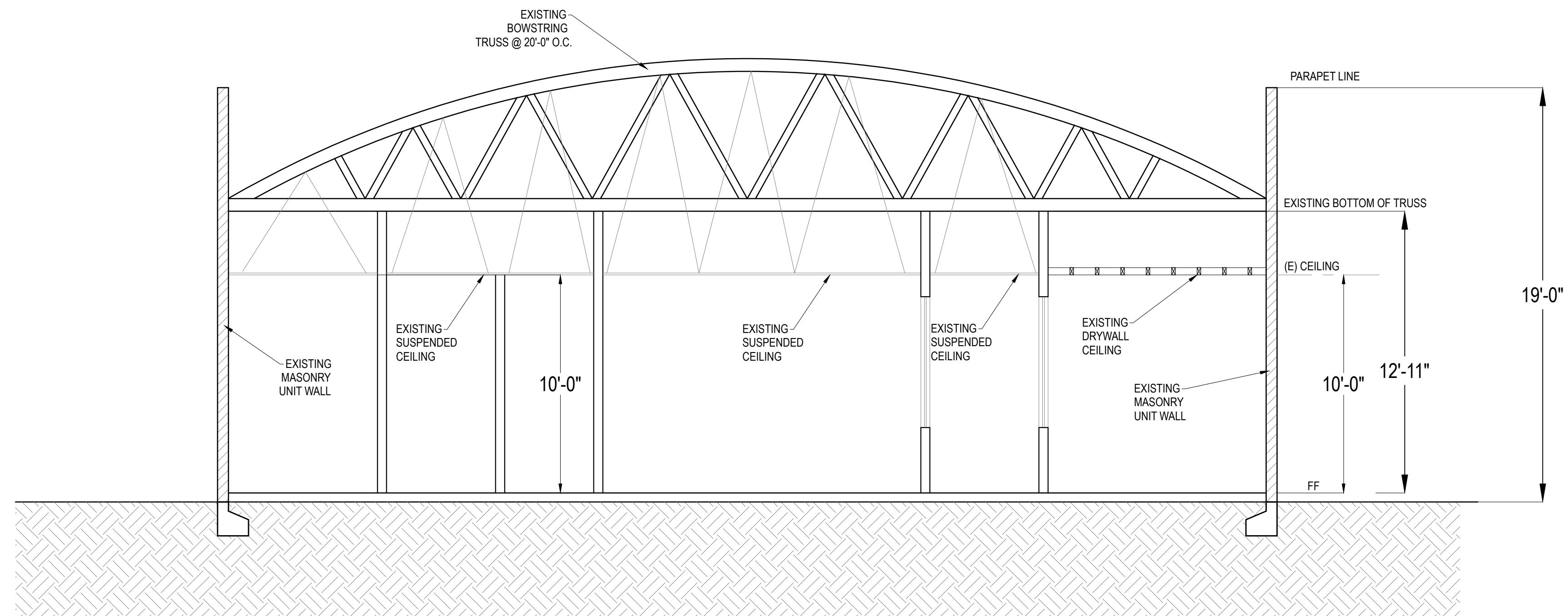
5608 E WASHINGTON BLVD. COMMERCE CA 90040

ELEVATIONS

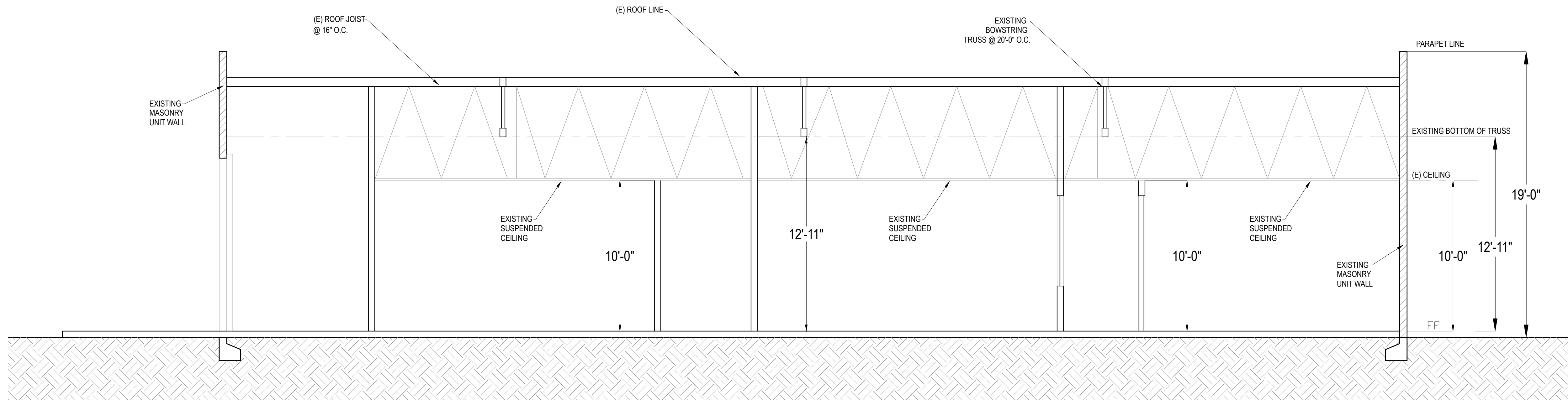
SCALE 3/16" = 1' - 0"

DATE	03/23/2020	DRAWN BY	VR	A3
CHECKED BY		SCALE	NOTED	
DATE				

20-0320



Y-Y



X-X


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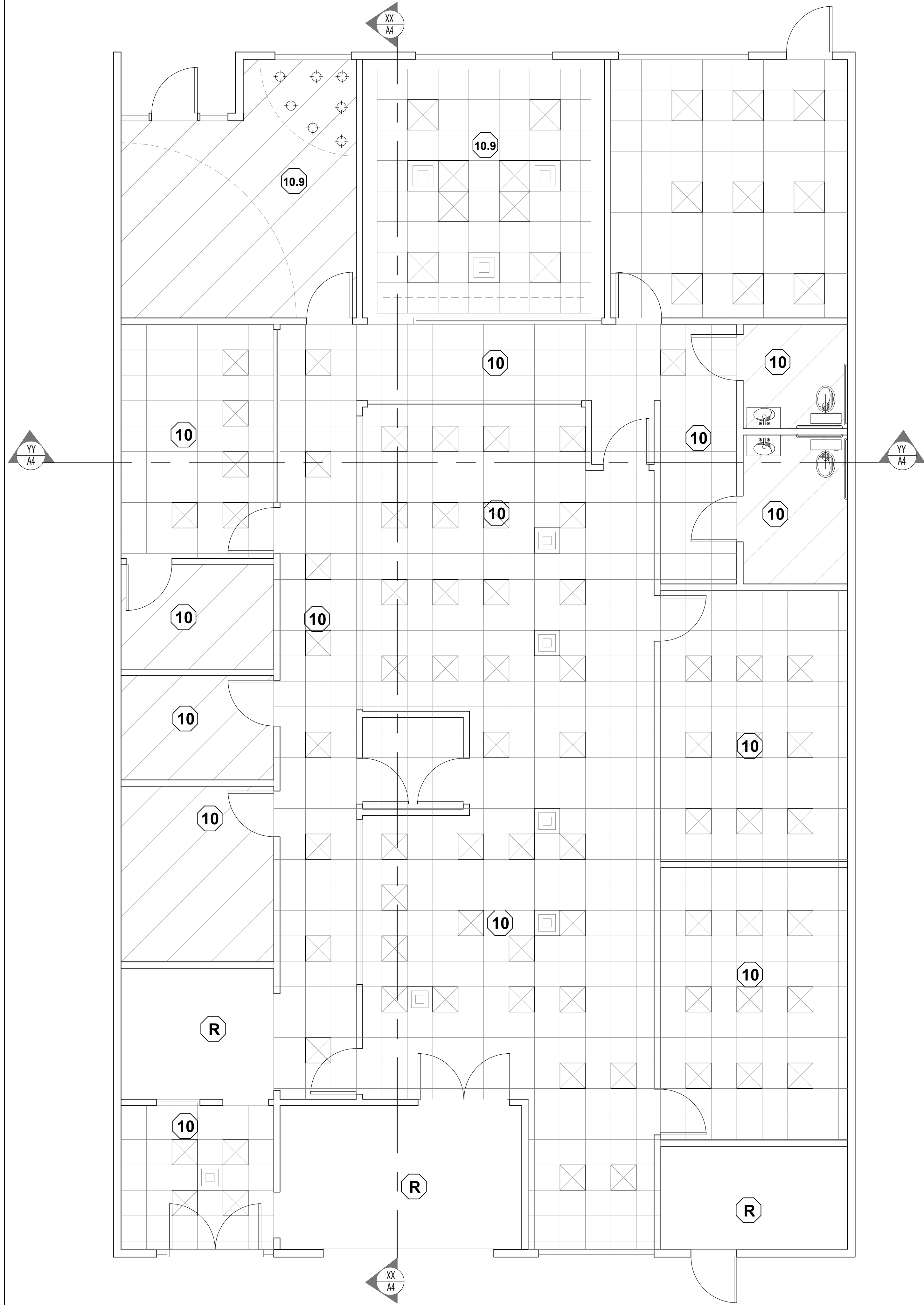
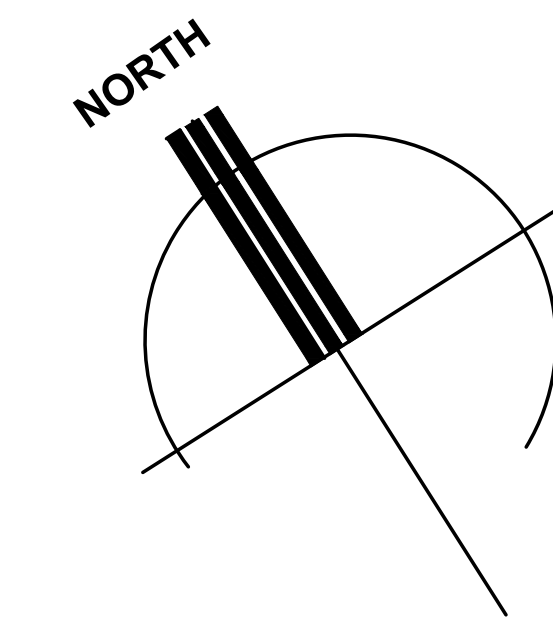
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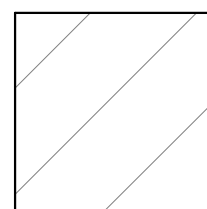
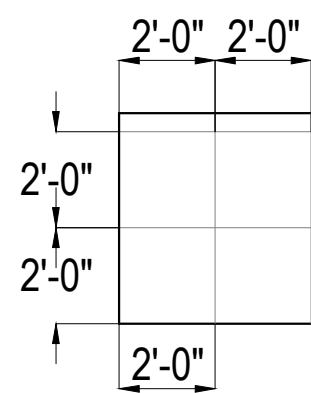
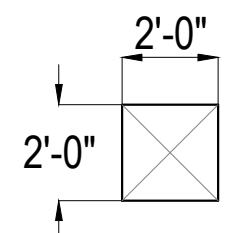
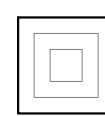

DATE	03/23/2020	DRAWN BY	VR	A4
DESIGNED BY		CHECKED BY	E.P.	
SCALE		NOTED		
DATE		DATE		
			20-0320	


SECTIONS

SCALE 1/4" = 1' - 0"



LEGEND

- 10** INDICATES 10 FT HIGH TO TILE SUSPEND CEILING
- 10.9** INDICATES 10'-9" FT HIGH TO TILE SUSPEND CEILING
- R** INDICATES EXPOSED TO ROOF FRAME
12'-6" FT HIGH
-  INDICATES EXISTING FINISHED PAINTING
DRYWALL AS CEILING
-  INDICATES EXISTING FINISHED PAINTING
DRYWALL AS CEILING
-  INDICATES EXISTING 2 FT X 2 FT
LIGHT FIXTURE
-  INDICATES EXISTING ALL REGISTER
-  INDICATES EXISTING RECESSED LIGHT


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E-mail: Plansandpermitsexpress@gmail.com

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5608 E WASHINGTON BLVD. COMMERCE CA 90040

REFLECTED CEILING PLAN

SCALE 1/4" = 1' - 0"

DATE	03/23/2020	DRAWN BY	VR	A5
PROJECT		DATE	E.P.	
SCALE	NOTED	DATE		
DATE		DATE		
20-0320				

EXHIBIT D

RECORDED GRANT DEED OR EXECUTED LEASE AGREEMENT

DRAFT

COMMERCIAL LEASE

This Lease Agreement is made by and between Sergey Soghomonyan, hereinafter referred to as "Lessor", and VK Labs LLC, hereinafter referred to as "Lessee", collectively referred to herein as the "Parties", agree as follows:

1. **DESCRIPTION OF LEASED PREMISES:** The Lessor agrees to lease to the Lessee, Warehouse Space located at 5608 Washington Blvd. Commerce, CA 90040 and a parking lot abutting the Warehouse Space at 5606 Washington Blvd. Commerce, CA 90040. Hereinafter known as the "Premises."

2. **USE OF LEASED PREMISES:** The Lessor is leasing the Premises to the Lessee and the Lessee is hereby agreeing to lease the Premises for the following use and purpose:

Cannabis Testing Laboratory

Any change in use or purpose the Premises other than as described above shall be allowed upon prior written consent of Lessor only.

3. **TERM OF LEASE:** The term of this Lease shall be for a period of five (5) years commencing on the 1st day of June, 2020 and expiring at Midnight on the 31st day of May, 2025. ("Initial Term").

4. **BASE RENT:** The net monthly payment shall be twelve thousand dollars (\$12,000), payable monthly with the first payment due upon the commencement of the Lease and each monthly installment payable thereafter on the 1st day of each month. Said net monthly payment is-hereafter referred to as the "Base Rent". Rent for any period during the term hereon, which is for less than 1 month shall be a pro-rata portion of the monthly rent.

5. **OPTION TO RENEW:** Lessee may have the right to renew the Lease with a total of 1 renewal period with each term being 5 years which may be exercised by giving written notice to Lessor no less than 60 days prior to the expiration of the Lease or renewal period. Rent for each option period shall increase by 10%.

6. **EXPENSES:** In addition to the Base Rent, the Lessee shall be obligated to pay the following monthly expenses:

All Utilities.

Lessor shall pay the following monthly expenses:

Property Tax and Insurance.

7. **SECURITY DEPOSIT:** In addition to the above, a deposit in the amount of twenty-four thousand dollars (\$24,000), shall be due and payable in advance or at the signing of this Lease, hereinafter referred to as the "Security Deposit." The Security Deposit may not be used to pay the last month's rent unless written permission is granted by the Lessor.

8. **LEASEHOLD IMPROVEMENTS:** The Lessee agrees that no leasehold improvements, alterations or changes of any nature, (except for those listed on any attached addenda) shall be made to the leasehold premises or the exterior of the building without first obtaining the consent of the Lessor in writing, which consent shall not be unreasonably withheld, and thereafter, any and all leasehold improvements made to the Premises which become affixed or attached to the leasehold Premises shall remain the property of the Lessor at the expiration or termination of this Lease Agreement. Furthermore, any leasehold improvements shall be made only in accordance with applicable federal, state or local codes, ordinances or regulations, having due regard for the type of construction of the building housing the subject leasehold Premises. If the Lessee makes any improvements to the Premises the Lessee shall be responsible payment.

Nothing in the Lease shall be construed to authorize the Lessee or any other person acting for the Lessee to encumber the rents of the Premises or the interest of the Lessee in the Premises or any person under and through whom the Lessee has acquired its interest in the Premises with a mechanic's lien or any other type of encumbrance. Under no circumstance shall the Lessee be construed to be the agent, employee or representative of Lessor. In the event a lien is placed against the Premises, through actions of the Lessee, Lessee will promptly pay the same or bond against the same and take steps immediately to have such lien removed. If the Lessee fails to have the Lien removed, the Lessor shall take steps to remove the lien and the Lessee shall pay Lessor for all expenses related to the Lien and removal thereof and shall be in default of this Lease.

9. **LICENSES AND PERMITS:** A copy of any and all local, state or federal permits acquired by the Lessee which are required for the use of the Premises shall be kept on site at all times and shall be readily accessible and produced to the Lessor and/or their agents or any local, state, or federal officials upon demand.

10. **OBLIGATIONS OF LESSEE:** The Lessee shall be primarily responsible whenever needed for the maintenance and general pickup of the entranceway leading into the Premises, so that this is kept in a neat, safe and presentable condition. The Lessee shall also be responsible for all minor repairs and maintenance of the leasehold Premises, particularly those items which need immediate attention and which the Lessees, or their employees, can do and perform on their own, including but not limited to, the replacement of light bulbs, as well as the normal repair and cleaning of windows, cleaning and clearing of toilets, etc., and the Lessee shall properly maintain the Premises in a good, safe, and clean condition. The Lessee shall properly and promptly remove all rubbish

and hazardous wastes and see that the same are properly disposed of according to all local, state or federal laws, rules regulations or ordinances.

In the event the structure of the Premises is damaged as a result of any neglect or negligence of Lessee, their employees, agents, business invitees, or any independent contractors serving the Lessee or in any way as a result of Lessee's use and occupancy of the Premises, then the Lessee shall be primarily responsible for seeing that the proper claims are placed with the Lessee's insurance company, or the damaging party's insurance company, and shall furthermore be responsible for seeing that the building is safeguarded with respect to said damage and that all proper notices with respect to said damage, are made in a timely fashion, including notice to the Lessor, and the party or parties causing said damage. Any damage that is not covered by an insurance company will be the liability of the Lessee.

The Lessee shall, during the term of this Lease, and in the renewal thereof, at its sole expense, keep the interior of the Premises in as good a condition and repair as it is at the date of this Lease, reasonable wear and use excepted. This obligation would include the obligation to replace any plate glass damaged as a result of the neglect or acts of Lessee or her guests or invitees. Furthermore, the Lessee shall not knowingly commit nor permit to be committed any act or thing contrary to the rules and regulations prescribed from time to time by any federal, state or local authorities and shall expressly not be allowed to keep or maintain any hazardous waste materials or contaminates on the Premises. Lessee shall also be responsible for the cost, if any, which would be incurred to bring her contemplated operation and business activity into compliance with any law or regulation of a federal, state or local authority.

11. **INSURANCE:** In the event the Lessee shall fail to obtain insurance required hereunder and fails to maintain the same in force continuously during the term, Lessor may, but shall not be required to, obtain the same and charge the Lessee for same as additional rent. Furthermore, Lessee agrees not to keep upon the Premises any articles or goods which may be prohibited by the standard form of fire insurance policy, and in the event the insurance rates applicable to fire and extended coverage covering the Premises shall be increased by reason of any use of the Premises made by Lessee, then Lessee shall pay to Lessor, upon demand, such increase in insurance premium as shall be caused by said use or Lessee's proportionate share of any such increase.

12. **DAMAGE TO LEASED PREMISES:** In the event the building housing the Premises shall be destroyed or damaged as a result of any fire or other casualty which is not the result of the intentional acts or neglect of Lessee and which precludes or adversely affects the Lessee's occupancy of the Premises, then in every such cause, the rent herein set forth shall be abated or adjusted according to the extent to which the leased Premises have been rendered unfit for use and occupation by the Lessee and until the demised Premises have been put in a condition at the expense of the Lessor, at least to the extent of the value and as nearly as possible to the condition of the Premises existing immediately prior to

such damage. It is understood, however, in the event of total or substantial destruction to the Premises that in no event shall the Lessor's obligation to restore, replace or rebuild exceed an amount equal to the sum of the insurance proceeds available for reconstruction with respect to said damage.

13. **DEFAULT AND POSSESSION:** In the event that the Lessee shall fail to pay said rent, and expenses as set forth herein, or any part thereof, when the same are due and payable, or shall otherwise be in default of any other terms of said Lease for a period of more than 15 days, after receiving notice of said default, then the parties hereto expressly agree and covenant that the Lessor may declare the Lease terminated and may immediately re-enter said Premises and take possession of the same together with any of Lessee's personal property, equipment or fixtures left on the Premises which items may be held by the Lessor as security for the Lessee's eventual payment and/or satisfaction of rental defaults or other defaults of Lessee under the Lease. It is further agreed, that if the Lessee is in default, that the Lessor shall be entitled to take any and all action to protect its interest in the personal property and equipment, to prevent the unauthorized removal of said property or equipment which threatened action would be deemed to constitute irreparable harm and injury to the Lessor in violation of its security interest in said items of personal property. Furthermore, in the event of default, the Lessor may expressly undertake all reasonable preparations and efforts to release the Premises including, but not limited to, the removal of all inventory, equipment or leasehold improvements of the Lessee's, at the Lessee's expense, without the need to first procure an order of any court to do so, although obligated in the interim to undertake reasonable steps and procedures to safeguard the value of Lessee's property, including the storage of the same, under reasonable terms and conditions at Lessee's expense, and, in addition, it is understood that the Lessor may sue the Lessee for any damages or past rents due and owing and may undertake all and additional legal remedies then available.

In the event any legal action has to be instituted to enforce any terms or provisions under this Lease, then the prevailing party in said action shall be entitled to recover a reasonable attorney's fee in addition to all costs of said action.

Rent which is in default for more than thirty (30) calendar days after due date shall accrue a payment penalty of one of the following:

Late fee of one thousand dollars (\$1,000) per day until the amount is paid in full.

In this regard, all delinquent rental payments made shall be applied first toward interest due and the remaining toward delinquent rental payments.

14. **INDEMNIFICATION:** The Lessee hereby covenants and agrees to indemnify, defend and hold the Lessor harmless from any and all claims or liabilities which may arise from any cause whatsoever as a result of Lessee's use and occupancy of the Premises, and further shall indemnify the Lessor for any

losses which the Lessor may suffer in connection with the Lessee's use and occupancy or care, custody and control of the Premises. The Lessee also hereby covenants and agrees to indemnify and hold harmless the Lessor from any and all claims or liabilities which may arise from any latent defects in the subject Premises that the Lessor is not aware of at the signing of the lease or at any time during the lease term.

15. **BANKRUPTCY - INSOLVENCY:** The Lessee agrees that in the event all or a substantial portion of the Lessee's assets are placed in the hands of a receiver or a Trustee, and such status continues for a period of 30 days, or should the Lessee make an assignment for the benefit of creditors or be adjudicated bankrupt; or should the Lessee institute any proceedings under the bankruptcy act or any amendment thereto, then such Lease or interest in and to the leased Premises shall not become an asset in any such proceedings and, in such event, and in addition to any and all other remedies of the Lessor hereunder or by law provided, it shall be lawful for the Lessor to declare the term hereof ended and to re-enter the leased land and take possession thereof and all improvements thereon and to remove all persons therefrom and the Lessee shall have no further claim thereon.

16. **SUBORDINATION AND ATTORNMENT:** Upon request of the Lessor, Lessee will subordinate its rights hereunder to the lien of any mortgage now or hereafter in force against the property or any portion thereof, and to all advances made or hereafter to be made upon the security thereof, and to any ground or underlying lease of the property provided, however, that in such case the holder of such mortgage, or the Lessor under such Lease shall agree that this Lease shall not be divested or in any way affected by foreclosure, or other default proceedings under said mortgage, obligation secured thereby, or Lease, so long as the Lessee shall not be in default under the terms of this Lease. Lessee agrees that this Lease shall remain in full force and effect notwithstanding any such default proceedings under said mortgage or obligation secured thereby. Lessee shall, in the event of the sale or assignment of Lessor's interest in the building of which the Premises form a part, or in the event of any proceedings brought for the foreclosure of, or in the event of exercise of the power of sale under any mortgage made by Lessor covering the Premises, attorn to the purchaser and recognize such purchaser as Lessor under this Lease.

17. **MISCELLANEOUS TERMS:**

- I. Usage by Lessee: Lessee shall comply with all rules, regulations and laws of any governmental authority with respect to use and occupancy. Lessee shall not conduct or permit to be conducted upon the Premises any business or permit any act which is contrary to or in violation of any law, rules or regulations and requirements that may be imposed by any authority or any insurance company with which the Premises is insured, nor will the Lessee allow the Premises to be used in any way which will invalidate or be in conflict with any insurance policies applicable to the building. In no event shall explosives or extra hazardous materials be taken onto or retained on

the Premises. Furthermore, Lessee shall not install or use any equipment that will cause undue interference with the peaceable and quiet enjoyment of the Premises by other tenants of the building.

- II. Signs: Lessee shall not place on any exterior door, wall or window of the Premises any sign or advertising matter without Lessor's prior written consent and the approval of the owner. Thereafter, Lessee agrees to maintain such sign or advertising matter as first approved by Lessor in good condition and repair. Furthermore, Lessee shall conform to any uniform reasonable sign plan or policy that the Lessor may introduce with respect to the building. Upon vacating the Premises, Lessee agrees to remove all signs and to repair all damages caused or resulting from such removal.
- III. Condition of Premises/Inspection by Lessee: The Lessee has had the opportunity to inspect the Premises and acknowledges with its signature on this lease that the Premises are in good condition and comply in all respects with the requirements of this Lease. Furthermore, the Lessor makes no representation or warranty with respect to the condition of the Premises or its fitness or availability for any particular use, and the Lessor shall not be liable for any latent or patent defect therein. Furthermore, the Lessee represents that Lessee has inspected the Premises and is leasing and will take possession of the Premises with all current fixtures present in their "as is" condition as of the date hereof.
- IV. Right of Entry: It is agreed and understood that the Lessor and its agents shall have the complete and unencumbered right of entry to the Premises at any time or times for purposes of inspecting or showing the Premises and for the purpose of making any necessary repairs to the building or equipment as may be required of the Lessor under the terms of this Lease or as may be deemed necessary with respect to the inspection, maintenance or repair of the building.

18. **ESTOPPEL CERTIFICATE:** Lessee at any time and from time to time, upon at least ten (10) days prior notice by Lessor, shall execute, acknowledge and deliver to Lessor, and/or to any other person, firm or corporation specified by Lessor, a statement certifying that the Lease is unmodified and in full force and effect, or if the Lease has been modified, then that the same is in full force and effect except as modified and stating the modifications, stating the dates to which the fixed rent and additional rent have been paid, and stating whether or not there exists any default by Lessor under this Lease and, if so, specifying each such default.

19. **HOLDOVER:** Should Lessee remain in possession of the Premises after the cancellation, expiration or sooner termination of the Lease, or any renewal thereof, without the execution of a new Lease or addendum, such holding over in the absence of a written agreement to the contrary shall be deemed, if Lessor so elects, to have created and be construed to be a tenancy from month to month, terminable upon thirty (30) days' notice by either party.

20. **WAIVER:** Waiver by Lessor of a default under this Lease shall not constitute a waiver of a subsequent default of any nature.

21. **GOVERNING LAW:** This Lease shall be governed by the laws of the State of California.

22. **AMENDMENT:** No amendment of this Lease shall be effective unless reduced to writing and subscribed by the parties with all the formality of the original.

23. **BINDING EFFECT:** This Lease and any amendments thereto shall be binding upon the Lessor and the Lessees and/or their respective successors, heirs, assigns, executors and administrators.

IN WITNESS WHEREOF, the parties hereto set their hands and seal this agreement.

Lessee's Signature



Albert Poghosyan
VK Labs LLC

Lessor's Signature



Sergey Soghomonyan

**COMMERCIAL LEASE AMENDMENT
FIRST AMENDMENT TO LEASE AGREEMENT**

THIS AMENDMENT TO THE LEASE AGREEMENT (the "Amendment") is made this 12th day of June 20²⁰, by and between Sergey Soghomonyan (Lessor) and VK Labs LLC (Lessee).

WITNESSETH:

WHEREAS, the Tenant having previously executed a lease agreement (the "Lease") pursuant to the terms of which Tenant has leased 5606 and 5608 Washington BLVD E, Commerce, CA 90040 (Premises).

WHEREAS, the Lessor and Lessee have agreed to make certain modifications to the Lease: **NOW THEREFORE**, in consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, effective June 12, 2020, the parties agree as follows:

The leased Premises address (found in Section 1 of the Lease) is amended to include the "E" designation to signify the direction of the street. Thus, the full and complete address of the Premises is as follows: 5608 Washington BLVD E, Commerce, CA 90040; and 5608 Washington BLVD E, Commerce, CA 90040.


All other terms of existing lease will remain in effect.

Sergey Soghomonyan
Lessor Name


Lessor signature

June 12, 2020
Date

VK Labs LLC
Lessee Name


Lessee Signature Albert Poghosyan

June 12, 2020
Date

EXHIBIT E

PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM

DRAFT

PROPERTY OWNER SIGNED AND NOTARIZED CONSENT FORM

Property Address: 5608 E Washington Blvd Commerce, CA 90040

APN(s): 6335-022-043

Legal Property Owner Name: SGL INVESTMENTS INC.

I, Hayk Arush Hunanyan owner
Authorized Person First and Last Name Title (owner, president, managing partner, managing member, trustee)

have read City of Commerce Ordinance No. 700 and consent to the operation of

VK LABS LLC, a proposed commercial cannabis business, at the
Primary Owner / Applicant Business Name

real property identified hereinabove.

Authorized Signature: [Signature] Date: 9/27/2024

Commercial Cannabis Permit Primary Owner / Applicant Information:

Primary Owner / Applicant First and Last Name: Albert Poghosyan

Applicant I.D. No.: 18 - 026

Phone Number: (818) 913-5404 Email: doctorpoghosyan@yahoo.com

Check all that apply:

- Property is leased to the Primary Applicant. Property is optioned by the Primary Applicant.
- Property is optioned to more than one entity. (List others, below.) Other (explain below)

ACKNOWLEDGEMENT

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

this is not in the box must be in the box!

State of _____, County of _____
On _____ (Date) before me _____ (Notary name)
personally appeared _____ (Property Owner Name), who
proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature _____ (Notary Public)

(Seal)

Please See Correct Form Attached---->

CALIFORNIA ACKNOWLEDGMENT

CIVIL CODE § 1189

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

State of California }
County of Los Angeles }

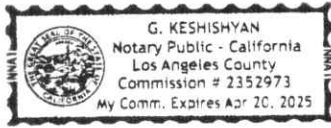
On Sep. 27, 2024 before me, G.KESHISHYAN, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Haykanush Hunanyan
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.



Place Notary Seal and/or Stamp Above

Signature G. Keshishyan
Signature of Notary Public

OPTIONAL

Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document Property owner signed and notarized consent form
Title or Type of Document:
Document Date: No other date Number of Pages: 02 pg with this

Signer(s) Other Than Named Above:

Capacity(ies) Claimed by Signer(s)

Signer's Name:
[] Corporate Officer - Title(s):
[] Partner - [] Limited [] General
[X] Individual [] Attorney in Fact
[] Trustee [] Guardian or Conservator
[] Other:
Signer is Representing:

EXHIBIT F

ZONING ANALYSIS

DRAFT



ZONING ANALYSIS

LAND USE, ZONING AND APPLICABLE REGULATIONS:

Project Site - 5608 E. Washington Boulevard	
General Plan Designation:	Commercial Manufacturing
Zoning:	C/M-1 (Commercial Manufacturing)
Applicable Zoning Regulations:	Commerce Municipal Code Chapter 19.11, Manufacturing Zones; CMC Chapter 19.19, Development Standards; CMC Chapter 19.21, Off-Street Parking; CMC Chapter 19.23, Landscaping; CMC Chapter 19.39 Division 10, Site Plan Review; CMC Section 19.39.680 Basis for Approval.

SURROUNDING ZONING AND LAND USES:

Direction	Zoning	Land Use
North	C/M-1	Commercial
South	C/M-1	Commercial
East	C/M-1	Commercial

ENVIRONMENTAL ASSESSMENT:

A Notice of Exemption from CEQA was prepared by ejma Planning & Development pursuant to CEQA (Public Resources Code §21000 et seq.) and the State CEQA Guidelines (Title 14, California Code of Regulations, Division 6, Chapter 3, §15000 et seq.), the subject application is a "project" that is subject to environmental review.

The proposed project is exempt from CEQA pursuant to the CEQA Guidelines Section 15301. The proposed project does not include any new construction beyond interior or



exterior alterations involving such things as interior partitions, plumbing, and electrical conveyances, in accordance with CEQA Section 15301(a).

PROPERTY DESCRIPTION:

The project site is currently developed with one approximately 4,000 square foot commercial building, currently vacant, located south of E. Washington Boulevard and measures approximately 0.12 acres (5,103 square feet). It is generally flat in nature and is situated in the City's Commercial Manufacturing Zoning District (C/M-1), surrounded by commercial to the north, south, east and west. The proposed project includes a Commercial Cannabis Permit, which is a type of regulatory permit, to allow for a Commercial Cannabis Facility and a Development Agreement (DA) for commercial cannabis activities including testing laboratory.

EXHIBIT G

CONDITIONS OF APPROVAL

DRAFT



CONDITIONS OF APPROVAL – EXHIBIT [G]

COMMERCIAL CANNABIS PERMIT
DEVELOPMENT AGREEMENT NO. ###
VK LABS, LLC
5608 E. Washington Blvd., Commerce, 90040

SPECIFIC CONDITION OF APPROVAL

1. Prior to submittal for Building and Safety plan check, the applicant shall provide proof of compliance with parking requirements pursuant to Section 19.21.090 – Remote Parking of the City of Commerce Municipal Code.

GENERAL CONDITIONS OF APPROVAL

Condition of Approval No. 1 - Financial Responsibility for Compliance Monitoring and Enforcement

- a. **Cost Responsibilities:** The Permittee shall bear the full costs of all City staff time, materials, and City-retained consultants associated with condition compliance review and monitoring, CEQA mitigation monitoring, if any, other permit monitoring programs, and enforcement activities, actions, and processes conducted pursuant to the Ordinance No. 700 related to this Commercial Cannabis Permit (CCP) and Development Agreement (DA). Such condition compliance review, monitoring and enforcement activities may include (but are not limited to): periodic site inspections; preparation, review, and approval of studies and reports; review of permit conditions and related records; enforcement hearings and processes; drafting and implementing compliance agreements; and attending to the modification, suspension, or revocation of permits. Costs will be billed at the rates set forth in the Planning Division or other applicable City Fee Schedule, and at the contract rates of City-retained consultants, in effect at the time the costs are incurred.

Establishment of Compliance Account: Within 10 calendar days of the effective date of the final decision approving this CCP, the Permittee shall submit a new, updated, and completed reimbursement agreement for Condition Compliance Account No. CCP#18-052, in a form provided by the City, obligating the Permittee to pay all condition compliance review, monitoring, and enforcement costs, and any civil administrative penalties, subject to the Permittee's right to challenge all such charges and penalties prior to payment.

- b. **Billing Process:** The Permittee shall pay all City invoices within 30 days of receipt thereof. Failure to timely pay an invoice shall subject the Permittee to late fees and charges set forth in the City Fee Schedule, and shall be grounds for



suspension, modification, or revocation of this CCP. The Permittee shall have the right to challenge any charge or penalty prior to payment.

Condition of Approval No. 2 - Defense and Indemnification

- a. The Permittee shall defend, at the Permittee's sole expense with legal counsel acceptable to the City, against any and all claims, actions, or proceedings against the City, including staff and councilmembers, officials, contractors and agents (collectively, "Indemnified Parties") arising out of or in any way related to the City's issuance, administration, or enforcement of this CCP. The City shall promptly notify the Permittee of any such claim, action or proceeding and shall cooperate fully in the defense.
- b. The Permittee shall also indemnify and hold harmless the Indemnified Parties from and against any and all losses, damages, awards, fines, expenses, penalties, judgments, settlements, or liabilities of whatever nature, including but not limited to court costs and attorney fees (collectively, "Liabilities"), arising out of or in any way related to any claim, action or proceeding subject to subpart (a) above, regardless of how a court apportions any such Liabilities as between the Permittee, the City, and/or third parties.
- c. Except with respect to claims, actions, proceedings, and Liabilities resulting from an Indemnified Party's sole active negligence or intentional misconduct, the Permittee shall also indemnify, defend (at Permittee's sole expense with legal counsel acceptable to City), and hold harmless the Indemnified Parties from and against any and all claims, actions, proceedings, and Liabilities arising out of, or in any way related to, the construction, maintenance, land use, or operations conducted pursuant to this CCP, regardless of how a court apportions any such Liabilities as between the Permittee, the City, and/or third parties. The City shall promptly notify the Permittee of any such claim, action, or proceeding and shall cooperate fully in the defense.
- d. Neither the issuance of this CCP, nor compliance with the conditions hereof, shall relieve the Permittee from any responsibility otherwise imposed by law for damage to persons or property; nor shall the issuance of this CCP serve to impose any liability upon the Indemnified Parties for injury or damage to persons or property.

Condition of Approval No. 3 Relationship of CCP Conditions, Laws, and Other Entitlements

The Permittee shall implement the Commercial Cannabis Permit Project in compliance with all applicable requirements and enactments of federal, state, and local authorities. In the event of conflict between various requirements, the more



restrictive requirements shall apply. In the event the City Manager determines that any CCP condition contained herein is in conflict with any other CCP condition contained herein, when principles of law do not provide to the contrary, the CCP condition most protective of public health and safety and environmental resources shall prevail to the extent feasible.

Neither the approval of this CCP, nor compliance with the conditions of this CCP, shall relieve the Permittee from any responsibility otherwise imposed by law for damage to persons or property.

The Permittee shall obtain a business tax certificate and regulatory licenses for the operation of Commercial Cannabis operations.

Condition of Approval No. 4 – Site Contact and Community Liaison

PURPOSE: Permittee shall establish a contact person responsible for responding to City and/or community concerns.

The Permittee shall designate a contact person(s) to respond to concerns from citizens and the City which are related to the permitted uses of this CCP.

1. Each commercial cannabis business shall provide the name, telephone number, and email address of a community relations liaison contact to whom notice of problems associated with the commercial cannabis business can be provided. Each commercial cannabis business shall also provide the above information to all properties located within six hundred (600) feet of the commercial cannabis business.
2. Each commercial cannabis business shall provide the City Manager with the name, telephone number (both landline and mobile) of an on-site manager or owner to whom emergency notice may be provided at any hour of the day.
3. Community Liaison must live within three (3) miles of CCP Permittees business address.

Timing: Within 60 calendar days of the effective date of the final decision approving this CCP, the Permittee shall provide the City Manager the contact information of the Permittee's field agent(s) as stipulated above. If the address or phone number of the Permittee's field agent(s) should change, or the responsibility is assigned to another person, the Permittee shall provide the City Manager with the new information in writing within three calendar days of the change in the Permittee's field agent.

During the first year of operation, The owner, manager, and community relations liaison from each commercial cannabis business holding a permit and Development Agreement issued pursuant to Ordinance No. 700 shall attend a quarterly meeting with



the City Manager and other interested parties as deemed appropriate by the City Manager, to discuss costs, benefits, and other community issues arising as a result of implementation of this Chapter. After the first year of operation, the owner, manager, and community relations liaison from each commercial cannabis business shall meet with the City Manager when and as requested by the City Manager.

The Planning Division maintains the contact information provided by the Permittee for the City Manager in the Project file. The Planning Division and the City Manager have the authority to periodically confirm the contact information consistent with the requirements of this permit.

Condition of Approval No. 5 - Resolution of Complaints

PURPOSE: To establish a process to resolve complaints.

The following process shall be used to resolve complaints related to the Project:

- a. The Permittee shall post the telephone number for the designated Contact Person as identified pursuant to Condition No. 4 in a visible location on the site. The Contact Person shall be available via telephone on a 24-hour basis. Persons with concerns about an activity as it is occurring may directly contact the Contact Person;
- b. If City staff receives a written complaint about the Project, the City Manager, or his designee, may contact the Permittee's Contact Person or the Permittee to request information regarding the alleged violation; and
- c. If, following a complaint investigation by City staff, a violation of the City Municipal Code, Ordinance No, 700 or a condition of this CCP is confirmed, City staff may initiate enforcement actions, in accordance with City Municipal Code.

Condition of Approval No. 6 - Reporting of Major Incidents

PURPOSE: To ensure that the City Manager is notified of major incidents associated with, or resulting from, the Project, the Permittee shall immediately notify the City Manager by telephone, email, and/or voicemail of any incidents (e.g., fires, explosions, spills, or other events) that could pose a hazard to life or property inside or outside the Project Site.

Upon request of any City, County or State regulatory agency, the Permittee shall provide a written report of any incident that shall include, but not limited to: a description of the facts of the incident; the corrective measures used, if any; and the steps taken to prevent a recurrence of the incident.



Timing: The Permittee shall provide the written report to the requesting agency and Planning Division within seven days of receiving the request.

The Planning Division maintains any documentation provided by the Permittee related to major incidents in the Project file.

Condition of Approval No. 7 - Change of Permittee/Operator Request

PURPOSE: To ensure that the Planning Division is properly and promptly notified of any change of Permittee, the Permittee shall file, as an initial request with the City Manager, the new name(s), address(es), telephone/FAX number(s), and email addresses of the proposed new owner(s), lessee(s), operator(s) of the permitted uses, and the company officer(s).

Upon the City Manager's written approval of the proposed change, the Permittee/Operator shall provide the City Manager with a final notice once the transfer of ownership and/or operational control has occurred.

The initial request must be submitted with the new Permittee's contact information. The final notice of transfer must include the effective date and time of the transfer and a letter signed by the new Property Owner(s), lessee(s), and/or operator(s) of the permitted uses acknowledging and agreeing to comply with all conditions of this CCP.

Timing: The Permittee shall provide a written request to the City Manager 30 calendar days prior to the proposed change of ownership or change of Permittee. The Permittee shall provide the final notice to the City Manager within 10 calendar days of the effective date of the transfer.

The Planning Division maintains notices submitted by the Permittee in the Project file and has the authority to periodically confirm the information consistent with the requirements of this permit.

Condition of Approval No. 8 – Zoning and Land Use.

PURPOSE: To ensure community quality of life is observed.

No new premises shall be established, developed, or operated within 600 feet of a Day Care Center, Youth Center, or public or private school providing K-12 instruction. The new premises must meet all the City's zoning and land use regulations.

COMMERCIAL CANNABIS CULTIVATION

PURPOSE: The purpose and intent of this section is to permit and regulate the commercial Cannabis Cultivation in order to promote the health, safety, morals, and general welfare of the residents and businesses within the City. The City is authorized to regulate this activity pursuant to State Law. All commercial cannabis cultivation



activities must be conducted in compliance with all applicable local and state laws, as they may change from time to time, without exception.

Condition of Approval No. 9 - Cultivation Operating Fees.

Operator/Permittee must pay all operating fees as stipulated within Development Agreement No. 801.

Condition of Approval No. 10 – Outdoor Cultivation.

Outdoor Cultivation is prohibited within the City.

Condition of Approval No. 11 – Indoor Cultivation.

Indoor Cultivation is permitted only on properties within the applicable zone with a valid Development Agreement, Commercial Cannabis Permit (CCP) for Cultivation and other requisite permits and entitlements. Indoor Cultivation may include growing Cannabis plants, harvesting Cannabis plants, and drying Cannabis flowers but shall not include the Manufacturing or of Cannabis Products, unless otherwise authorized pursuant to Ordinance No. 700 and in accordance with State Law.

Condition of Approval No. 12 – Cultivation Security Control Plan.

Entrance to the Cultivation area, and all storage areas, of the applicable Premises shall be locked at all times and under the control of the staff of such Premises.

Timing: Within 60 calendar days of the effective date of the final decision approving this CCP, the Permittee shall prepare and submit a security plan compliant with and applicable State Law, including MAUCRSA, to the City Manager, or his designee and obtain approval of said plan.

COMMERCIAL CANNABIS PRODUCTS MANUFACTURING

PURPOSE: The purpose and intent of this Section is to permit and regulate the commercial Cannabis Products Manufacturing to promote the health, safety, morals, and general welfare of the resident and businesses within the City. The City is authorized to regulate this activity pursuant to State Law. All commercial cannabis manufacturing activities must be conducted in compliance with all applicable local and state laws, as they may change from time to time, without exception.

Condition of Approval No. 13 - Manufacturing Operating Fees.

Operator/Permittee must pay all operating fees as stipulated within Development Agreement No. DA 801.

Condition of Approval No. 14 – Manufacturing Properties.

Commercial Cannabis Products Manufacturing is a permitted use only on properties within the applicable zone with a valid Development Agreement, CCP for Manufacturing and other requisite permits and entitlements.



Condition of Approval No. 15 – Quality Control Employee.

The Permittee must employ at least one (1) member of its personnel dedicated full time to quality control.

Condition of Approval No. 16 – Standard Operating Procedures and Batch Record.

The Manufacturing Permittee must establish standard operating procedures and batch record that comply with current good manufacturing practices and applicable State Law, including MAUCRSA.

Condition of Approval No. 17 – Labeling and Packaging.

- a) All Cannabis Products produced by a Manufacturing Permittee must be packaged in child resistant containers prior to leaving the Premises for such Manufacturing Permittee in accordance with applicable State Law, including MAUCRSA.
- b) All Cannabis Products produced by a Manufacturing Permittee must be labeled in compliance with applicable State Law, including MAUCRSA.
- c) Labeling Requirements – Edibles
 - i. Before a Manufacturing Permittee prepares any edible Cannabis or edible Cannabis Product for retail sale, it shall be labeled and placed in tamper-evident packaging which at least meets the requirements of State Law, including, but not limited to, MAUCRSA.
 - ii. All items to be sold or distributed shall be individually wrapped at the original point of preparation by the Cannabis Permittee.
 - iii. Labeling must include a warning if nuts or other known allergens are used, and must include the total weight (in ounces or grams) of Cannabis in the package, not to exceed ten (10) milligrams of tetrahydrocannabinol (THC) per serving.
 - iv. A warning that the item is a medication and not a food must be clearly legible on the front of the package and/or must comply with state packing requirements.
 - v. The package must have a label warning that the product is to be kept away from children.
 - vi. The label must also state that the product contains Cannabis and must specify the date of Manufacture and the Manufacture Permittee's information, including, but not limited to, address, and phone number.
 - vii. Distribution must be in a properly labeled opaque package when distributed.
 - viii. The City Manager, or designee, may impose additional packaging and labeling requirements on Cannabis or Cannabis Products.

Condition of Approval No. 18 – Use of Solvents.

- a) Manufacturing Permittees may conduct Manufacturing using any type of solvents, including Volatile Solvents, or Manufacturing processes if such



Manufacturing complies with the requirements of this Chapter and State or local law, including but not limited to Health and Safety Code Section 11362.775 (or any successive State Law) all applicable fire and building codes in the City and any other laws of the City designed to ensure the safety of such operation.

- b) Manufacturing Permittees using Volatile Solvents for Manufacturing Cannabis Products must operate in a manner to reduce the risk of explosion or danger to public health, including through the use of a close-loop or solvent dispersion system consistent with the requirements of Health and Safety Code Section 11362.775 (or any successive State Law).

Condition of Approval No. 19 – Use of Hazardous and Flammable Materials.

If hazardous materials, flammable gas, flammable liquefied gas, flammable and combustible liquids, or other flammable material, as those terms are defined in California Fire Code Section 202, are to be used in the processing of commercial Cannabis, then the provisions of California Fire Code Section 407 shall be applicable where hazardous materials are subject to permits under California Fire Code Section 50 (Hazardous Materials) are located on the Premises or where required by the applicable building or fire official.

Timing: Prior to the issuance of a Temporary/Certificate of Occupancy, the Permittee must obtain LA County Fire Approval for site design; sprinklers and alarms; water and access; hazardous materials use and storage; and any other areas deemed appropriate for review and approval by the Fire Department.

Condition of Approval No. 20 – Compressed Gases.

Storage, use, and handling of compressed gases in compressed gas containers, cylinders, tanks, and systems shall comply with California Fire Code Chapter 53. Partially full compressed gas containers, cylinders, or tanks containing residual gases shall be considered as full for the purposes of the controls required. Compressed gases classified as hazardous materials shall also comply with California Fire Code Chapter 50 for general requirements and California Fire Code Chapter 53 addressing specific hazards, including California Fire Code Chapter 58 (Flammable Gases), California Fire Code Chapter 60 (Highly Toxic and Toxic Materials), California Fire Code Chapter 63 (Oxidizers, Oxidizing Gases and Oxidizing Cryogenic Fluids, and California Fire Code Chapter 64 (Pyrophoric Materials). Prevention, control, and mitigation of dangerous conditions related to storage, use, dispensing, mixing, and handling of flammable and combustible liquids shall be in accordance with California Fire Code Chapters 50 and 57.

Timing: Prior to the issuance of a Temporary/Certificate of Occupancy, the Permittee must obtain LA County Fire Approval for site design; sprinklers and alarms; water and access; hazardous materials use and storage; and any other areas deemed appropriate for review and approval by the Fire Department.



COMMERCIAL CANNABIS AND CANNABIS PRODUCTS NON-STOREFRONT RETAIL DELIVERY

PURPOSE: The purpose and intent of this Section is to regulate the Non-Storefront Retail Delivery of commercial Cannabis and Cannabis Products in order to promote the health, safety, and general welfare of the residents and businesses within the City. The City is authorized to regulate this activity pursuant to the State Law. All commercial cannabis non-storefront Retail Delivery activities must be conducted in compliance with all applicable local and state laws, as they may change from time to time, without exception.

Condition of Approval No. 21 – Non-Storefront Retail Delivery Operating Fees.
Operator/Permittee must pay all operating fees as stipulated within Development Agreement No DA ###

Condition of Approval No. 22 – Non-Storefront Retail Delivery Permitted Use Locations.
Non-Storefront Retail Delivery of Cannabis and Cannabis Products is a permitted use only on properties within the applicable zone with a valid Development Agreement, CCP for Non-Storefront Retail Delivery and other requisite permits and entitlements.

Condition of Approval No. 23 – Non-Storefront Retail Delivery Customers.
The Non-Storefront Retail Delivery of commercial Cannabis and Cannabis Products may only include the Non-Storefront Retail Delivery of Cannabis and Cannabis Products by a Non-Storefront Retail Delivery Permittee to a customer, patient or primary caregiver, in accordance with State Law, including MAUCRSA.

Condition of Approval No. 24 – Non-Storefront Retail Delivery Security.

- a) Non-Storefront Retail Delivery Permittees shall implement sufficient security measures to both deter and prevent unauthorized entrance into areas containing Cannabis and Cannabis Products and theft of Cannabis and Cannabis Products from the Non-Storefront Retail Delivery Establishment or employees participating in Non-Storefront Retail Delivery.
- b) All Cannabis and Cannabis Products shall be stored in a secured and locked room, safe, or vault, and in a manner as to prevent diversion, theft, or loss.
- c) All security measures must be implemented at the approved facility in accordance with local and State Law, without exception.

Condition of Approval No. 25 – Non-Storefront Retail Delivery Premises.
Individuals shall not be allowed to remain on the Premises comprising of the Non-Storefront Retail Delivery Establishment unless they are engaging in activity expressly related to the operations of the Non-Storefront Retail Delivery Establishment or are a customer.

Condition of Approval No. 26 – Non-Storefront Retail Delivery 24 Hour Notifications.



A Non-Storefront Retail Delivery Permittee shall notify the City Manager or the City Manager's designee within 24 hours of discovering any of the following:

- a) Significant discrepancies identified during inventory. The level of significance shall be determined by the City Manager or the City Manager's designee.
- b) Diversion, theft, loss, or any criminal activity involving the Non-Storefront Retail Delivery Establishment or any agent or employee of the Non-Storefront Retail Delivery Establishment.
- c) The loss or unauthorized alteration of records related to Cannabis, Cannabis Products, registered qualifying patients, primary caregivers, or Non-Storefront Retail Delivery Establishment agents or employees.
- d) Any other material breach of security.

Condition of Approval No. 27 – Non-Storefront Retail Delivery Compliance.

The Non-Storefront Retail Delivery of commercial Cannabis and Cannabis Products shall comply with all State and local Law, including all laws requiring presentment of government-issued identification card, physician's recommendation, or commercial Cannabis identification card at the time of initial purchase.

Condition of Approval No. 28 – Non-Storefront Retail Delivery Physician Recommendation Verification.

With respect to commercial Cannabis, physicians' recommendations for commercial cannabis use shall be verified by a Non-Storefront Retail Delivery Permittee prior to the Non-Storefront Retail Delivery any commercial Cannabis to a qualified patient or primary caregiver and at least every six months thereafter.

Condition of Approval No. 29 – Non-Storefront Retail Delivery Physician Employment.

A Non-Storefront Retail Delivery Establishment may not employ or enter into any agreements with any physicians who recommend commercial Cannabis; Physician Services are prohibited from any and all Non-Storefront Retail Delivery Establishments.

Condition of Approval No. 30 – Non-Storefront Retail Delivery Inspection, Quality Testing and Quality Assurance.

- a) A Non-Storefront Retail Delivery Permittee shall inspect all Cannabis and Cannabis Products received for quality assurance prior to the Non-Storefront Retail Delivery to any Person.
- b) The Non-Storefront Retail Delivery of Cannabis and Cannabis Products shall occur only after such Cannabis and Cannabis Products have been inspected and quality tested in accordance with applicable State Law, including MAUCRSA.

Condition of Approval No. 31 – Non-Storefront Retail Delivery Monthly Inventories.



Each Non-Storefront Retail Delivery Establishment shall do regular monthly inventories and record the total quantity of Cannabis and Cannabis on the Premises. These records shall be maintained for three years from the date created and shall be open to inspection by the City Manager, the City Manager 's Designee, and law enforcement.

Condition of Approval No. 32 – Non-Storefront Retail Delivery Registration.

A Non-Storefront Retail Delivery Permittee shall register with the City each location where Cannabis or Cannabis Products are stored for purposes of Non-Storefront Retail Delivery by such Non-Storefront Retail Delivery Permittee within the City.

Condition of Approval No. 33– Non-Storefront Retail Delivery Business Records.

A Non-Storefront Retail Delivery Establishment shall maintain customer and patient and other business records in a secure location (including electronically or cloud-based) that is compliant with, as applicable, HIPAA and other federal and state privacy laws.

Condition of Approval No. 34 – Non-Storefront Retail Delivery Vehicle Driver Documents.

During the Non-Storefront Retail Delivery of Cannabis or Cannabis Products, each vehicle driver shall carry a copy of the Non-Storefront Retail Delivery Permit, a copy of the Non-Storefront Retail Delivery request, a form of government-issued identification, and all other information required by State and local Law. The driver shall present these documents upon the request of law enforcement, the City Manager, or the City Manager's designee.

Condition of Approval No.35 – Non-Storefront Retail Delivery Labeling and Packaging.

Prior to Non-Storefront Retail Delivery of Cannabis and Cannabis Products, such Cannabis and Cannabis Products shall be labeled and placed in a tamper-evident package. Labels and packages of Cannabis and Cannabis Products shall, at minimum, meet the requirements specified under State Law, including MAUCRSA.

Condition of Approval No. 36 – Non-Storefront Retail Delivery Requirements.

All Non-Storefront Retail Delivery vehicles shall:

- a) Be equipped with, and utilize, a vehicle alarm system.
- b) Have and utilize a direct communication system with the related Non-Storefront Retail Delivery Establishment.
- c) Keep all Cannabis and Cannabis Products in a secure and locked container.
- d) Have an internal partition between the driver and all passengers from the Cannabis and Cannabis Products storage containers that prevents access by the driver and passengers to all cannabis products from inside the vehicle.
- e) Not carry more Cannabis and Cannabis Products than allowed by State and local Law and required to fulfill all immediate Non-Storefront Retail Delivery requests
- f) Not display any logo, signage, or other information that identifies, advertises, or lists the services or the products offered.



COMMERCIAL CANNABIS AND CANNABIS PRODUCTS DISTRIBUTION

PURPOSE: The purpose and intent of this Section is to permit and regulate the Distribution of Cannabis and Cannabis Products between Cannabis Permittees in order to promote the health, safety, morals, and general welfare of the residents and businesses within the City. The City is authorized to regulate this activity pursuant to State Law. All commercial cannabis manufacturing activities must be conducted in compliance with all applicable local and state laws, as they may change from time to time, without exception.

Condition of Approval No. 37 - Distribution Operating Fees.

Operator/Permittee must pay all operating fees as stipulated within Development Agreement No. DA ###.

Condition of Approval No. 38 – Distribution Development Agreement and Location.

Distribution of Cannabis and Cannabis Products requires a Development Agreement with the City and must be located within the applicable zone.

Condition of Approval No. 39 - Distribution Activities.

Distribution activities includes the receiving and releasing of Cannabis and Cannabis Products for inspection, testing, and quality assurance, as required under applicable State Law and such other activities as are permitted pursuant to State Law.

Condition of Approval No. 40 – Distribution Customers.

A Distribution Permittee shall only Distribute Cannabis and Cannabis Products between Cannabis Permittees or to facilities or portions of facilities wholly controlled by such Distribution Permittee to the extent permitted by State Law.

Condition of Approval No. 41 – Distribution Quality Assurance.

- a) A Distribution Permittee shall inspect all Cannabis and Cannabis Products received by it for quality assurance prior to Distributing to any Cannabis Permittee, as required under applicable State Law.
- b) A Distribution Permittee shall Distribute Cannabis and Cannabis Products to Cannabis Permittees only after such Cannabis and Cannabis Products have been inspected and quality tested in accordance with applicable State Law, including MAUCRSA.

Condition of Approval No. 42 – Distribution Registration.

A Distribution Permittee shall register with the City each location within the City where Cannabis and Cannabis Products are stored for purposes of Distribution activities within the City.



Condition of Approval No. 43 – Multiple Permit Types.

A Distribution Permittee may also hold any other Permit type to the extent permitted by State Law. To the extent permitted by State law, a Distribution Permittee that also holds another Permit type may self-distribute its Cannabis Products.

OTHER OPERATIONAL CONDITIONS

PURPOSE: To ensure compliance with all applicable City, State and other regulatory agency requirements.

Condition of Approval No. 44 – Final Floor Plan Approval

Permittee must submit to and obtain approval from the City Manager, or his designee, on all proposed Final Floor Plans. All Final Floor Plans shall be stamped and dated by the Planning Department. Changes to the floor plan design or other elements (including, but not limited to security, fire or hazmat details) require administrative approval by the Planning Department, prior to any construction activity or Building Permit Issuance.

Timing: Within 60 calendar days of the effective date of the final decision approving this CCP, Permittee shall prepare and submit a Final Floor Plan which demonstrates compliance with all City and State Commercial Cannabis regulations.

Condition of Approval No. 45 – Payment of Development Agreement Fees

Operator(s) must pay all required DA fees in accordance with DA terms. Failure to pay fees, as assessed by the City Manager, will constitute a breach of the DA and may result in suspension or immediate revocation of the DA.

Condition of Approval No. 46 – Additional Plans and Approvals

Purpose: To ensure all Commercial Cannabis facilities meet the development standards of the zoning code, policies, goals and programs of the general plan and City economic development activities—including City beautification and future public improvement projects.

Site Design Plan – The Operator must submit a site design plan in compliance with all applicable development standards, as determined by the Planning Director. The Site Design Plan should include a complete site plan with landscaping, screening, façade improvements, parking, signage and any other proposed site changes.

- i. **Landscape Plan** – The Operator must submit a landscaping plan, prepared in accordance with CMC §19.23, designed by a licensed landscape architect or arborist. The plan must include drought tolerant plants, approved by the City.



- i. Screening Plan – Fencing and/or Hedges, as determined by the Planning Department and in accordance with CMC §19.09.60, must be provided along the front perimeter of all Commercial Cannabis facilities. Screening must comply with applicable zoning development standards.

Materials: Corrugated metal, wrought iron, concrete and block wall are all allowed materials. Alternative materials may be allowed with City approval. Chain-link and razor wire are strictly prohibited. All facility screening plans must be submitted to and approved by the Planning Department prior to construction.
- ii. Façade Improvement Plan - All new Commercial Cannabis facilities must submit a Façade Improvement Plan for City approval. The plan must include new paint, siding or other building improvement materials, in a color scheme approved by the City. Plans must also include new paving, as needed, parking striping, and other site improvements, as determined by the City.
- iii. Sign Plans – All proposed signage must be designed in accordance with the provisions of CMC §19.25. All signage is subject to review and approval of the City Manager. Off-site advertising signage is not permitted (i.e. billboards, banners, etc.) within or outside of the City limits.
- v. City Business License – All operators must file for a City business license to conduct business within the City, pay all required business license fees and obtain a City Business License prior to conducting sales transactions in the City. The original copy of the Commercial Cannabis Permit, the City issued business license, the state-issued Seller’s Permit, and all applicable State-issued commercial cannabis licenses, shall be posted inside the commercial cannabis business in a location readily-visible to any City, County or State employee, official, or agent authorized to enforce the City’s Code, or applicable cannabis-related laws.

Timing: Within 60 calendar days of the effective date of the final decision approving this CCP, the Permittee shall submit all plans to the City Planning Department for review and approval. Prior to operation, all City and State permits and licenses must be posted in the facility.

Condition of Approval No. 47 – Site Maintenance

PURPOSE: To ensure that the Project site is maintained in a neat and orderly manner so as not to create any hazardous conditions or unsightly conditions which are visible from outside of the Project site.

The Permittee shall maintain the Project site in a neat and orderly manner, and in compliance with the Project description. Only equipment and/or materials which the City Manager, or his designee, determines to substantially comply with the Project description shall be stored within the Project site during the life of the Project.



The Permittee shall maintain the Project site in compliance with Condition No. 1 and the approved plans for the Project.

Monitoring and Reporting: The City Building Inspector, City Cannabis Enforcement staff, or Planning Department staff have the authority to conduct periodic site inspections to ensure the Permittee's ongoing compliance with this condition.

Condition of Approval No. 48 – Commercial Cannabis Permit (CCP) Modification

Prior to undertaking any operational or construction-related activity which is not expressly described in these conditions, the Permittee shall first contact the City Manager, or his designee, to determine if the proposed activity requires a modification of this CCP. The City Manager may, at his sole discretion, require the Permittee to file a written and/or mapped description of the proposed activity in order to determine if a permit modification is required.

Condition of Approval No. 49 - Construction Activities

Prior to any construction, the Permittee shall obtain a clearance for construction from the Planning Division and a Building Permit from the Building and Safety Department.

Condition of Approval No. 50 - Acceptance of Conditions and Schedule of Enforcement Responses

The Permittee's acceptance of this CCP and/or commencement of construction and/or operations under this CCP shall constitute the Permittee's formal agreement to comply with all conditions of this CCP. Failure to abide by and comply with any condition of this CCP shall constitute grounds for enforcement action provided in the City Municipal Code which shall include, but is not limited to, the following:

- a. Public reporting of violations to the Planning Commission and/or City Council;
- b. Suspension of the permitted land uses;
- c. Modification of the CCP conditions listed herein;
- d. Recordation of a "Notice of Noncompliance" on the deed to the subject property;
- e. The imposition of civil administrative penalties; and/or
- f. Revocation of this CCP.

The Permittee is responsible for being aware of and complying with the CCP conditions and all applicable federal, state, and local laws and regulations. In the event of any actual and direct conflict between these Conditions of Approval and the terms of the approved Development Agreement, the terms of the Development Agreement shall control and take precedence.

Condition of Approval No. 51. - Time Limits



A. Use inauguration: The approval decision for this CCP becomes effective upon the expiration of the 15-day appeal period following the approval decision, or when any appeals of the decision are finally resolved. Once the approval decision becomes effective, the Permittee must obtain clearance for Use Inauguration in order to initiate the land uses set forth herein.

- i. This CCP shall expire and become null and void if the Permittee fails to obtain a Clearance for use inauguration within 90 days –from the date the approval decision of this CCP becomes effective. The City Manager may grant an extension of time to the Permittee in order to obtain the Clearance for use inauguration if the Permittee can demonstrate to the satisfaction of the City Manager that the Permittee has made a diligent effort to implement the Project, and the Permittee has requested the time extension in writing at least 30 days prior to the 90-day expiration date.
- i. Within 180 of the permit's effective date, the Permittee must complete all Tenant Improvements and construction as indicated on the approved Final Floor Plan and obtain a Certificate of Occupancy from the City Building Department. The City Manager may grant an extension of time to the Permittee to obtain the Certificate of Occupancy if the Permittee can demonstrate to the satisfaction of the City Manager that the Permittee has made a diligent effort to implement the Project.
- ii. Prior to issuance of Clearance for Use Inauguration, any final billed processing fees must be paid in full, or the City may revoke this CCP
- iv. Prior to the issuance of all clearances, the Permittee shall pay all fees and charges billed to that date by the City, as well as any fines, penalties, and sureties must be paid in full.

In the event of any actual and direct conflict between these Conditions of Approval and the terms of the approved Development Agreement, the most restrictive language, subject to the City's discretion, shall control and take precedence.

Understand and acknowledge,

X _____

Name, Owner

[end of conditions]

EXHIBIT H

LABOR PEACE AGREEMENT OR NOTARIZED STATEMENT OF INTENT

DRAFT

State of California, Department of Cannabis Control

Labor Peace Agreement Notarized Statement

An applicant for a commercial cannabis business **that has not already entered into a labor peace agreement** may use this form to complete the notarized statement required by Business and Professions Code section 26051.5(a)(5). This statement must be signed by an owner who is identified and disclosed on the license application.

Business Information

Legal Business Name: VK Labs LLC

Application/License #: C8-0000138-LIC

Premises Address: 5608 E Washington Blvd., Commerce, CA 90040

Labor Peace Agreement Statement

As an owner of the business named above, I affirm the following (select **ONE**):

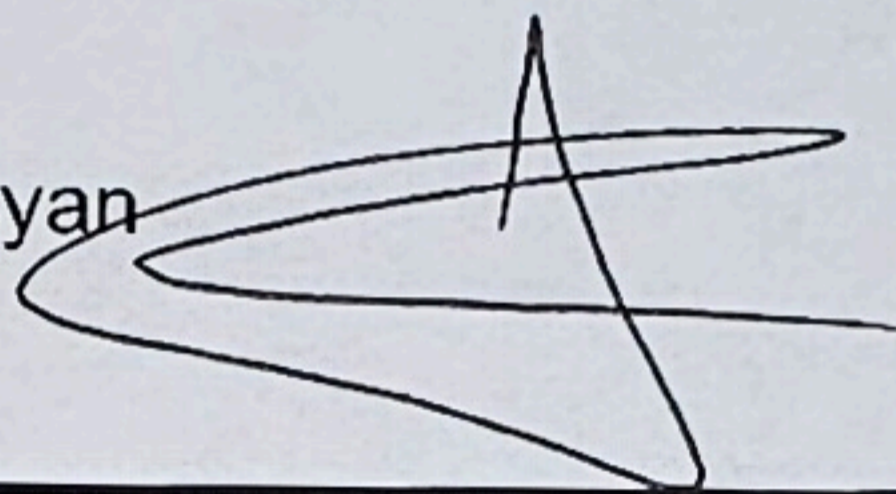
10+ employees: The applicant will enter into and abide by the terms of a labor peace agreement.

0-9 employees: The applicant will enter into and abide by the terms of a labor peace agreement within 60 days of employing its 10th employee.

Signature of Owner:

Date: 09/23/24

Name of Owner: Albert Poghosyan



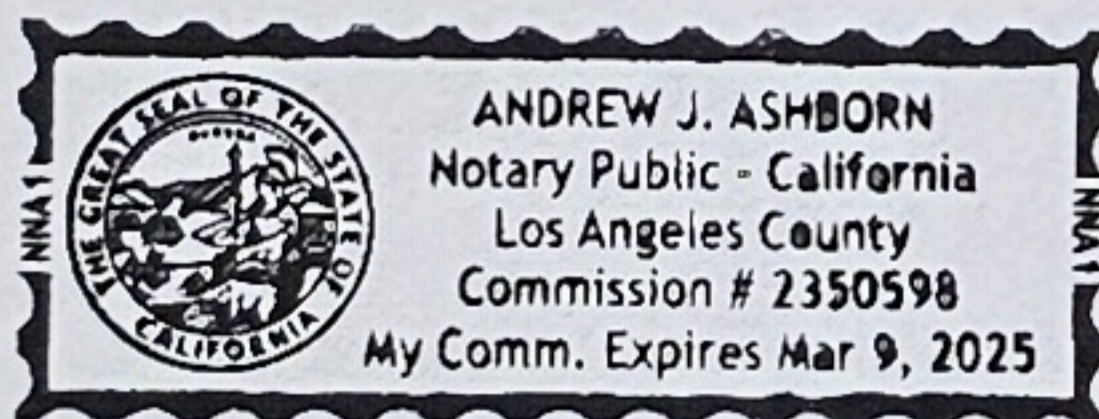
Notary Information

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

State of: *California*

County of: *Los Angeles*

This record was signed before me on: *09.23.2024* by: *Albert Poghosyan*
proved to me on the basis of satisfactory evidence to be the person who appeared before me.



Signature of Notary: *Andrew J. Ashborn*

Name of Notary: *Andrew J. Ashborn*

(Notary Seal/Stamp)

**This form is optional. If you would prefer not to use this form, you can provide a separate statement containing the required affirmation, owner's signature, and notarization.*

EXHIBIT I

INDEMNIFICATION AGREEMENT

DRAFT

**INDEMNIFICATION AGREEMENT
FOR
COMMERCIAL CANNABIS PERMIT**

THIS AGREEMENT is made and entered into on _____, 2024, by **VK LABS LLC** (“OWNER”) and the City of Commerce, California referred to herein as “Commerce” or the “CITY.” CITY and OWNER are sometimes individually referred to herein as a “Party,” and jointly as “Parties.”

R E C I T A L S

WHEREAS, OWNER has requested that the City of Commerce process its application for a Commercial Cannabis Permit submitted by OWNER which will allow OWNER to operate Commercial Cannabis Activities consistent with City Ordinance No. 700, and as described in OWNER’s submittal documents and Development Agreement No.### previously identified as Application No. **18-026**, (collectively “PERMIT”).

WHEREAS, OWNER desires to defend and indemnify CITY from liability or loss connected with the approval of the PERMIT and environmental clearances if any, as provided in this Agreement.

NOW, THEREFORE, IT IS MUTUALLY AGREED between CITY and OWNER as follows:

1. Parties

For the purposes of this Agreement, the term CITY shall include the City of Commerce, the City of Commerce Planning Commission, City Council, City Manager, and/or any City of Commerce agencies, departments, commissions, agents, officers, and/or employees. For the purposes of this Agreement, the term OWNER shall include all parties applying for approval of the PERMIT, including but not limited to the owner or owners of the property or properties upon which the Commercial Cannabis Activities will be sited and the OWNER’(s) successor(s)-in interest.

2. Indemnification and Defense by OWNER

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) the issuance of a Commercial Cannabis Permit, the approval and execution of a Development Agreement and the issuance, approval and/or execution of

concurrent and subsequent permits, licenses and entitlements approved by the CITY for Commercial Cannabis Activities; (ii) the environmental impact report, mitigated negative declaration or negative declaration, as the case may be, prepared in connection with the Commercial Cannabis Activities; (iii) any claims based on or alleging inverse condemnation by any person or entity with an interest in the property or properties upon which the Commercial Cannabis Activities will be sited; and (iv) 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 the PERMIT 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 its 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 special counsel, and OWNER shall pay all costs of defense, including but not limited to, special counsel's fees and costs, CITY staff time, and City Attorney fees and costs.

3. Cooperation in the Event of Initiative or Legal Challenge

a. Legal Challenge

If any legal action or special proceeding related to the PERMIT is commenced by anyone for any reason, the CITY and OWNER agree to cooperate with each other in good faith to defend the CITY. The OWNER shall not settle any lawsuit on grounds that include, but are not limited to, non-monetary relief, without the consent of the CITY.

b. Initiative

Should a non-City initiative measure or measures be enacted which could affect the PERMIT:

(1) OWNER and CITY shall meet and confer in good faith to mutually determine the proper course of action; and

(2) In the event CITY and OWNER jointly determine to challenge the such initiative measure, OWNER shall provide for any challenge to such initiative measure at its sole cost and expense.

4. No Duty of CITY

OWNER acknowledges and agrees that the Commercial Cannabis Activities that are the subject of the PERMIT is a private development and CITY has no interest in, responsibility for, or duty to anyone concerning the PERMIT and/or the business operated by the OWNER pursuant to the PERMIT.

5. Release

OWNER acknowledges and waives its rights under California Civil Code Section 1542 which

provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.” _____(OWNER’s Initials)

6. Notices

Except as may be otherwise required by law, any notice to be given shall be written and shall be either personally delivered, sent by facsimile transmission, or sent by first class mail, postage prepaid and addressed as follows:

CITY: CITY OF COMMERCE
Attention: Ernie Hernandez City Manager
2535 Commerce Way
Commerce, CA 90040
(323) 722-4805

With a Copy to: Noel Tapia
Alvarez-Glasman & Colvin
13181 Crossroads Pkwy North
Suite 400 – West Tower
City of Industry, CA 91746

OWNER: _____

Notice that personally delivered is effective when delivered. Notice sent by facsimile transmission is deemed to be received upon successful transmission. Notice sent by first class mail shall be deemed received on the fifth day after the date of mailing. Either Party may change the above address by giving written notice pursuant to this paragraph.

7. Entire Agreement

This Agreement combined with the Development Agreement and the terms contained in Ordinance No. 700 contains the entire contract of the Parties with respect to the subject matter hereof and supersedes all prior negotiations, understandings, or agreements.

8. Enforcement Action

In the event it becomes necessary for CITY to take any action against the OWNER to enforce or interpret the terms of this Agreement, CITY shall be entitled to its reasonable attorneys' fees and costs, including all costs of investigation, and all pre-litigation costs.

9. Severability

If any provision of this Agreement is held by an arbitrator or court of competent jurisdiction to be invalid or unenforceable, the remainder of the Agreement shall continue in full force and effect and shall in no way be impaired or invalidated.

10. Governing Law

The rights and obligations of the parties and the interpretation and performance of this Agreement shall be governed by the laws of the State of California and the venue shall be in Los Angeles County.

11. No Third Party Beneficiaries Intended

Unless specifically set forth, the parties to this Agreement do not intend to provide any other party with any benefit or enforceable legal or equitable right or remedy.

12. Waiver

The failure of either Party to insist on strict compliance with any provision of this Agreement shall not be considered a waiver of any right to do so, whether for that breach or any subsequent breach. The acceptance by either Party of either performance or payment shall not be considered to be a waiver of any preceding breach of the Agreement by the other Party.

[**Signatures on Following Page**]

The undersigned OWNER expressly warrant his/her authority to enter into this Agreement.

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

CITY OF COMMERCE

OWNER

Hugo A. Argumedo
Mayor

Name: _____
Title: _____
Company: _____

APPROVED AS TO FORM:

City Attorney
City of Commerce



CITY OF COMMERCE

INDEMNIFICATION AND HOLD HARMLESS AGREEMENT: RELEASE OF LIABILITY, ASSUMPTION OF RISK AND WAIVER OF VESTED RIGHTS

Request to Process City Council-Approved Development Agreement

It is the intent, desire and request of Business Owner and Operator **VK LABS LLC** (“Operator”) and/or Applicant Seeking consideration of a Development Agreement (“Applicant”) in relation to Commercial Cannabis Permit No. **18-026**, and/or Development Agreement and Ordinance No. **###** for the City of Commerce (“City”) to proceed with the processing, consideration and execution of its application of City Council-approved Development Agreement No. **###** (“DA”), in order to thereafter apply for City and County of Los Angeles approvals for, and inspections of, proposed improvements, alterations, construction and/or modifications at real property located at **5608 E. Washington Boulevard, City of Commerce, California** (“Subject Property”), with the objective of securing the required City and County permits and licenses to occupy said Subject Property (collectively, “TIs”) to ultimately secure a City Commercial Cannabis Permit (“CCP”) in order to lawfully commence commercial cannabis operations at the Subject Property.

Operator and/or Applicant is/are knowingly aware that the validity and effectiveness of the City’s CCP Program, including but not limited to, the approval and execution of a DA or an Amendment to the DA, and the approval of TIs with the issuance of City and County corresponding permits and licenses, may be challenged at any point in time by any available remedies, including referenda and litigation.

It is the intent and purpose of this Indemnification and Hold Harmless Agreement (“Agreement”) to incorporate herein (1) Section 5.61.240 of Commerce Municipal Code, “Indemnification and Limitation on City’s Liability,” as enacted by Ordinance No. 700, and (2) indemnification provisions in the DA, inclusive of Exhibit I, “Indemnification Agreement”, to impose said burdens and obligations herein as against the Operator and Applicant, if the latter is applicable. Said burdens and obligations as incorporated herein require Operator and Applicant to indemnify, and defend at the Operator’s and Applicant’s sole cost and expense, and hold harmless the City from any and all claims, losses, damages, injuries, liabilities or losses which arise out of, or which are in any way related to the City’s adoption and implementation of its CCP program, including the City’s approval and/or execution of a DA, or Amendments to a DA.

As lawful consideration for the City processing, considering and executing its request to for City Council-approved DA No. **###**, by processing, considering, and/or executing the DA, and accepting and processing TI applications and application fees, thereafter (i.e., including but not limited to accepting submittal of proposed plans, building and/or fire code permit applications, certificate of occupancy applications, etc.), Operator and Applicant, if the latter is applicable, *agree to all the terms and conditions set forth in this Agreement:*

1. Operator and Applicant hereby agree to defend, indemnify and hold harmless, waive, discharge and release from any legal liability, and agree not to sue, the City of Commerce, its council

members, elected officials, officers, officials, employees, representatives, agents, administrators, successors and assigns (hereinafter, collectively "Releasees"), from any and all injuries or death, damages to property, actions, causes of action, claims, and demands whatsoever, and from all liabilities, suits, debts, controversies, agreements, promises, damages, judgments, executions, claims and demands whatsoever, at law or in equity against the City caused by, or to have resulted from:

a. The City's drafting, adoption and passage of an ordinance, including Ordinance No. 700 and each ordinance approving and adopting the Operator's and Applicant's respective DA, and Amendments to DA, and related resolutions, ordinances, policies, rules and regulations, allowing for commercial cannabis businesses and/or, if necessary in the future, making any zoning law amendment(s);

b. The City accepting and processing any TI applications;

c. The City issuing any approvals, permits, licenses or final inspections related or connected to TI applications;

d. The City's approval and execution of a DA, or an Amendment to a DA;

e. The City's issuance of the Commercial Cannabis Permit;

f. The City's decision to approve the operation of the commercial cannabis business or activity;

g. The process used by the City in making its decision to issue, approve or deny a permit or a DA, or an Amendment to a DA; and/or

h. The alleged violation of any federal, state or local laws by the commercial cannabis business or any of its officers, employees, or agents.

2. The Operator and Applicant hereby expressly represent(s) it has not performed any substantial work or incurred substantial liabilities as no City and/or County approvals, permits, and licenses have yet been issued. The Operator and Applicant hereby expressly agrees to waive any rights or vested rights and claims it has acquired or will acquire related to (a) the execution of a DA, or an Amendment to a DA; and (b) the City's issuance of building permit(s), intermittent or final approval(s) from the City or Los Angeles County Fire Department, certificate of occupancy related to TI applications, or any other City and/or County approvals, permits, and licenses, including a Commercial Cannabis Permit, which may be invalidated due to a successful legal challenge and/or referendum process.

3. This Agreement is independent, as well as supplemental, to any other Indemnification and/or Hold Harmless agreement(s), term(s), or provision(s) the Operator or Applicant may have with the City, imposed by law or contract, including Ordinance No. 700 and the Operator's or Applicant's DA, and which Applicant, if applicable, has assumed said burdens and obligations by signing this Agreement. If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. This Agreement is binding on and shall insure to the benefit of the Operator and Applicant and their respective successors and assigns. Operator and Applicant, if the latter is applicable, shall be jointly and severally liable under this Agreement.

4. All matters arising out of or relating to this Agreement shall be governed by and constructed in accordance with the laws of the State of California without giving effect to any choice or conflict of law provision or rule (whether of the State of California or any other jurisdiction). Any claim or cause of action arising under this Agreement may be brought only in the federal and state courts located in Los Angeles County, California and the Operator and Applicant hereby consent to the exclusive jurisdiction of such courts.

5. This Agreement shall remain valid and in effect at any and all times from the date all the undersigned parties execute said Agreement, and is to run concurrently with the terms of the respective City-executed DA, or City-approved and executed Amendment to DA, and City-issued CCP. Notwithstanding, the validity and effectiveness of this Agreement shall be an independent and standalone agreement, and is not invalidated if at any time any action or proceeding is initiated, continued or pursued – in equity or in law - to challenge the City-approved and/or City-executed DA, or City-approved and/or City-executed Amendment to DA.

6. The Operator and Applicant, if applicable, has read this Agreement and understands and knows the contents thereof, and represents and warrants that the officer or agent executing this Agreement on behalf of the Operator and Applicant, and therefore on behalf of the respective corporations, partnerships, companies, or other organizations, is empowered to do so and hereby binds the respective corporation, partnership, company or other organization.

BY SIGNING, THE OPERATOR AND APPLICANT ACKNOWLEDGE(S) THAT IT HAS READ AND UNDERSTOOD ALL THE TERMS OF THIS AGREEMENT AND THAT THEY ARE VOLUNTARILY SIGNING THIS AGREEMENT AND GIVING UP SUBSTANTIAL LEGAL RIGHTS BY DOING SO, INCLUDING THE RIGHT TO SUE THE CITY.

City Manager

(Print Name): _____
Authorized Person Signing on Behalf **OPERATOR**

Date: _____

Signature: _____

Date: _____

APPROVED AS TO FORM

City Attorney