

DA 715

APP NO 18-059

COMMERCE CONCENTRATES, LLC

UNCODIFIED ORDINANCE NO. _____

AN UNCODIFIED ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMMERCE APPROVING AND ADOPTING FIRST AMENDMENT TO DEVELOPMENT AGREEMENT NO. 715 [ALSO IDENTIFIED AS COMMERCIAL CANNABIS PERMIT I.D. NO. 18-059] BETWEEN THE CITY OF COMMERCE AND COMMERCE CONCENTRATES, LLC [A CALIFORNIA LIMITED LIABILITY COMPANY] FOR CHANGE OF MEMBERSHIP AND OWNERSHIP OF COMMERCE CONCENTRATES, LLC, ADDITION OF CULTIVATION AND NON-STOREFRONT RETAIL DELIVERY AS LICENSE TYPES, AND RELOCATION OF AN APPROVED COMMERCIAL CANNABIS BUSINESS TO 2700 YATES; MAKING FINDINGS CONSISTENT WITH AND PURSUANT TO GOVERNMENT CODE SECTION 65867.5; AND MAKING FINDINGS OF A CEQA CATEGORICAL EXEMPTION

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 Applicant, 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, on September 4 2018, City Council adopted Ordinance No. 700, concerning commercial cannabis regulations, which added new Chapter 5.61 "Commercial Cannabis Activities", of Title 5, "Business Regulations and Licensing", of the Commerce Municipal Code, and became effective October 4, 2018;

WHEREAS, the purpose and intent of Ordinance No. 700 is to regulate the cultivation, manufacturing, testing, distribution, non-storefront retailer-delivery only, and microbusinesses, of medicinal and adult-use cannabis and cannabis products, and the ancillary transportation and delivery of same, in a responsible manner to protect the health, safety, and welfare of the residents of the City of Commerce and to enforce rules and regulations consistent with the California Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), and related laws, regulations, and policies issued by the State of California;

WHEREAS, in October 2018, Owner Commerce Concentrates, LLC, (a California limited liability company) 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, which includes all applicable local and State of California laws, regulations and policies;

WHEREAS, the definition of "Owner" hereunder shall mean and refer to the Development Agreement applicant, to the extent such person is a party to the Development Agreement, and will

hold or be covered by a City of Commerce Commercial Cannabis Permit to operate a commercial cannabis business in the City of Commerce;

WHEREAS, Owner presently has a duly approved and executed Development Agreement with the City which allows for the operation of a commercial cannabis business for manufacturing and distribution at 6445 Bandini Boulevard, in the City of Commerce, consistent with all applicable local and State of California laws, regulations and policies;

WHEREAS, a request was placed with CCP staff for the City to consent and agree to make modifications to the Development Agreement in the following form (1) to change ownership and membership of Commerce Concentrates, LLC, (2) add cultivation and non-storefront retail delivery as license types to the already approved manufacturing and license types, and (3) change the location of the business from 6445 Bandini Boulevard to 2700 Yates Avenue, in the City of Commerce, California ("Site");

WHEREAS, Article 21 of the Development Agreement prohibits the sale, assignment, or transfer by Owner of any portion of Owner's interests, rights, or titles described in Development Agreement to a third party without prior written approval by the City of Commerce;

WHEREAS, Commerce Concentrates, LLC has changed 97% ownership and membership, wherein Anatoli Kouzine, former sole owner of Commerce Concentrates, LLC ("Assignor"), has sold 97% of its interest to Andranik Badelian, becoming 97% owner and member of Commerce Concentrates, LLC, and Anatoli Kouzine, keeping 3% ownership interest in Commerce Concentrates, LLC. Accordingly, Andranik Badelian and Anatoli Kouzine hereby collectively make up Commerce Concentrates, LLC, as the "Assignee/New Owner" and/or "Current Version of LLC";

WHEREAS, Assignor intends to assign, and Assignee intends to assume, all assignable rights under the Development Agreement;

WHEREAS, in accordance with the terms of the Development Agreement, including Article 21, the City has received the application materials, information and requisite fees, and deems same to be sufficient, appropriate and complete for the purpose of determining that Assignee is a qualified applicant, the proposed new business location meets the criteria as required in Ordinance No. 700 and the original Commercial Cannabis Permit application, and the addition of two (2) business activities are cohesive with the overall proposed operation, for purposes of the foregoing terms of the Development Agreement;

WHEREAS, this First Amendment is intended to meet the requirements of Article 21 of the Development Agreement and Ordinance No. 700 for an assignment and assumption agreement, and is executed with the consent of City of Commerce as contemplated in the Development Agreement;

WHEREAS, this First Amendment is entered into pursuant to Government Code sections 65868 and 65867.5, which require that this Amendment be approved by City ordinance;

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

WHEREAS, the City has found that the proposed Project is Categorical 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;

WHEREAS, the City has given public notice of its intention to adopt this Development Agreement and has conducted a public hearing thereon pursuant to California Government Code §65867;

WHEREAS, the Planning Commission considered the provisions of the First Amendment to the Development Agreement at a duly noticed public hearing on November 26, 2019 wherein all interested parties were given an opportunity to be heard regarding the Agreement, and recommended approval of the First Amendment to the Development Agreement to the City Council, pursuant to an adopted Resolution, which is incorporated herein by this reference;

WHEREAS, Sections 65864-65869.5 of the California Government Code authorize the City to enter into development agreements and requires the planning agency of the City to find the proposed Development Agreement to be consistent with the policies and programs of the General Plan and any applicable specific plan. Government Code Section 65865 authorizes the City to enter into development agreements with any person having a legal or equitable interest in real property, which interest Owner has in the Site, as evidenced by the information within the Development Agreement, and attachments thereto. Government Code Sections 65867.5 and 65868 further allow for amendments to a Development Agreement;

WHEREAS, after conducting a duly noticed hearing on December 17, 2019, in conjunction with the City's applicable ordinances and resolutions, and after independent review, consideration, analysis of staff's recommendations, oral and written testimony, and the record as a whole, the City Council approved the execution of this First Amendment to the Development Agreement, and made findings after due study, deliberation, and public hearing, the City Council found the Project: consistent with the goals, objectives, policies, general land uses and programs specified in the General Plan and any applicable special plan; compatible with the uses authorized in the City's standards, codes, and zoning laws; in conformity with the public necessity, public convenience, general welfare and good land use practices; in accordance with the Development Agreement Statutes, including Government Code Section 65864 through 65869.5; 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; will have a positive fiscal impact on the City; and is in the best interest of the City of Commerce and its residents;

WHEREAS, the City has given public notice of its intention to adopt this First Amendment to the Development Agreement and has conducted a public hearing thereon pursuant to California Government Code §65867; specifically, pursuant to California Government Code Sections 65867 and 65090, the City of Commerce, on December 5, 2019, published legal notice in the Los Angeles Wave News of City Council's consideration of this proposed First Amendment to the Development Agreement and mailed out notice to property owners located within 500 feet of the Site, indicating the public hearing to be held by the City of Commerce City of Council on December 17, 2019;

WHEREAS, all other legal prerequisites to the approval and adoption of this Ordinance approving and adopting this First Amendment to the Development Agreement have occurred.

NOW, THEREFORE, the City Council of the City of Commerce does ORDAIN as follows:

SECTION 1: RECITALS. That based upon staff reports, presentations, public testimony, and all other matters presented during the public hearing on this item, the City Council hereby

finds and declares that the foregoing recitals are true and correct and incorporates them herein as findings and as a substantive part of this Ordinance.

SECTION 2: ADDITIONAL FINDINGS. Pursuant to the Government Section Code 65864 through 65869.5 and in light of the record before it including the staff report (and all attachments), and all evidence and testimony heard at the public hearing for this item, and in light of all evidence and testimony provided in connection with this Project, the City Council makes the following FINDINGS pertaining to the First Amendment to the Development Agreement as related to the proposed disposition of the Site for purposes of the Project:

FINDING 1: The proposed First Amendment to the Development Agreement is consistent with the goals and policies of the General Plan, its purposes and applicable Specific Plan(s).

Evidence: The proposed use is consistent with the objectives, policies, general, uses, and programs of the Commerce General Plan. This project is consistent with the General Plan in that it contributes to help establish an orderly pattern of development, economic development, and a wide range of activities. The project will also improve an existing building that has been underutilized. It will improve upon that use and help compliment the general vicinity. As determined by staff, the use will promote the improvement of a location where reinvestment and revitalization is needed. Furthermore, the project will provide needed economic development to the community.

Evidence: The proposed use is one compatible and consistent within the subject zone and complies with the intent of all applicable provisions of this Title 19.

Evidence: The proposed use would not impair the integrity and character of the zone in which it is to be located. As proposed, the use will be complimentary to other uses in the immediate vicinity. As such, the proposed use will not impair the integrity of the area or its character. Appropriate conditions of approval have also been crafted in order to ensure the use operates in a manner so as not to impact the area in which it is located.

Evidence: The subject site is physically suitable for the type of land use being proposed. All proposals to accommodate the commercial cannabis use will occur within the existing footprint of the building.

Evidence: The proposed use would not be detrimental to the public interest, health, safety, convenience, or welfare. The proposed operation of the use will be conditioned to comply with all the applicable standards of the Zoning Ordinance, and with the conditions of approval, the project will not adversely impact the general welfare of the City. To the contrary, the proposed use will be complimentary to the existing operations currently occurring in the general vicinity and operated by the ownership group. Further, the proposed use will be maintained in a safe and efficient manner in accordance with the imposed conditions. The conditions imposed will serve the public interest, health, safety, convenience, and welfare. Therefore, the proposed use would not be detrimental to the public interest, health, safety, convenience, or welfare.

FINDING 2. 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 and the City Council has found that the proposed Project is Categorical 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;

Evidence: After a thorough examination of the Project application for the proposed Project and proposed Site, including, but not limited to, standard operating procedures (“SOPs”), security plan, site plan and environmental data form, staff determined that the approval of this First Amendment to the Development Agreement and the related commercial cannabis uses pursuant to this Project meet the provisions of CEQA categorical exemptions.

Evidence: Pursuant to CEQA, the City Council finds and determines there is no substantial evidence that the Project could have a significant effect on the environment. The Project is covered by the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment (CEQA Guidelines 15061(b)(3)). The City Council in its independent judgment finds that there is no possible significant effect directly related to the Project because the Project consists of a small addition, expansion or alteration to an existing structure where there is negligible or no expansion of the use. The City Council finds that commercial cannabis uses will have similar impacts as the uses that have already been evaluated and are permitted by right in the applicable zone. The City Council finds that the Project will not cause any physical change in the environment, that the project is categorically exempt from CEQA under Administrative Code, Title 14, Chapter 3, § 15301(a), Class 1, Existing Facilities, and therefore no further action is required under CEQA.

SECTION 3: INCORPORATION, APPROVAL AND EXECUTION OF FIRST AMENDMENT TO DEVELOPMENT AGREEMENT. Based upon the findings outlined hereinabove, the City Council of the City of Commerce hereby approves a First Amendment to Development Agreement, and inclusive of exhibits thereof, [also identified as Commercial Cannabis Permit I.D. No. 18-059] between the City of Commerce and Commerce Concentrates, LLC (a California limited liability company), under new ownership and membership, incorporated herein by this reference, and authorizes the Mayor to execute the First Amendment to Development Agreement subject to final and technical revisions as required and approved by the City Attorney.

SECTION 4: SEVERABILITY. If any section, subsection, line, sentence, clause, phrase, word, part, provision, or portion of this Ordinance, or its application to any individual, entity, or circumstance, for any reason, is held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance, and shall continue in full force and effect. To this end, any section, subsection, line, sentence, clause, phrase, word, part, provision, or portion of this Ordinance is severable. The City Council of the City of Commerce declares that this Ordinance would have been adopted by the City Council of the fact that any section, subsection, line, sentence, clause, phrase, word, part, provision, or portion thereof, might be declared to be invalid or unconstitutional.

SECTION 5: EFFECTIVE DATE. This Ordinance shall take effect on the thirty-first (31st) day after its adoption.

PASSED, APPROVED AND ADOPTED this ____ day of _____, 20_____.

John Soria
Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

City

Attorney

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

SPACE ABOVE THIS LINE FOR RECORDER'S USE Recording
 Fee Exempt per Government Code §6103

FIRST AMENDMENT TO, AND ASSIGNMENT AND ASSUMPTION OF, COMMERCIAL CANNABIS BUSINESS DEVELOPMENT AGREEMENT NO. 715

THIS FIRST AMENDMENT TO, AND ASSIGNMENT AND ASSUMPTION OF, COMMERCIAL CANNABIS DEVELOPMENT AGREEMENT NO. 715 (the "First Amendment") is entered into this ____ day of December, 2019, by and between the CITY OF COMMERCE ("City"), a California municipal corporation, COMMERCE CONCENTRATES, LLC ("Owner" and/or "Former Version of LLC"), and COMMERCE CONCENTRATES, LLC ("Assignee/New Owner" and/or "Current Version of LLC"), a California limited liability company. Owner may be referred to herein as ("Assignor"). City, Owner, Assignee/New 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

- A. WHEREAS, on May 7, 2019, the City adopted Ordinance No. 715, approving, "COMMERCIAL CANNABIS BUSINESS DEVELOPMENT AGREEMENT BETWEEN THE CITY OF COMMERCE AND COMMERCE CONCENTRATES, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY" (the "Development Agreement").
- B. WHEREAS, Article 21 of the Development Agreement prohibits the sale, assignment, or transfer by Owner of any portion of Owner's interests, rights, or titles described in Development Agreement to a third party without prior written approval by the City of Commerce. Further, Article 21 of the Development Agreement requires that an Owner comply with all requirements proposing assignments and changes, including assignment and changes impacting a Development Agreement or a Commercial Cannabis Permit, as required pursuant to 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.
- C. WHEREAS, Commerce Concentrates, LLC has changed 97% ownership and membership, wherein Anatoli Kouzine, former sole owner of Commerce Concentrates, LLC ("Assignor"), has sold 97% of its interest to Andranik Badelian, becoming 97% owner and member of Commerce Concentrates, LLC, and Anatoli Kouzine, keeping 3% ownership interest in Commerce Concentrates, LLC. Accordingly, Andranik Badelian and Anatoli Kouzine are hereby collectively make up Commerce Concentrates, LLC, as the "Assignee/New Owner" and/or "Current Version of LLC".
- D. WHEREAS, Assignor intends to assign, and Assignee intends to assume, all assignable rights under the Development Agreement.

E. WHEREAS, in accordance with the terms of the Development Agreement, including Article 21, Owner/Assignor and Assignee have provided to the City of Commerce a written request to a modification to the Development Agreement for City's consent to assignment and change of ownership, change of real property business location, and request to add two (2) additional commercial cannabis business types. The City has received the application materials, information and requisite fees, and deems same to be sufficient, appropriate and complete for the purpose of determining that Assignee is a qualified applicant, the proposed new business location meets the criteria as required in Ordinance No. 700 and the original Commercial Cannabis Permit application, and the addition of two (2) business activities are cohesive with the overall proposed operation, for purposes of the foregoing terms of the Development Agreement.

F. WHEREAS, this First Amendment is intended to meet the requirements of Article 21 of the Development Agreement and Ordinance No. 700 for an assignment and assumption agreement, as well as any and all changes, amendments and modification to a Development Agreement, and is executed with the consent of City of Commerce as contemplated in the Development Agreement.

G. WHEREAS, this First Amendment is entered into pursuant to Government Code sections 65868 and 65867.5, which require that this Amendment be approved by City ordinance.

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:

Section 1: Recitals.

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

Section 2: Assignment and Assumption of Development Agreement.

2.1. Assignor hereby assigns, transfers, and conveys to Assignee all of Assignor's rights, interests, duties, burdens and obligations under the Development Agreement ("Assignable Rights").

2.2. Assignee hereby assumes all of the rights, interests, duties, burdens and obligations of Assignor under the Development Agreement, and agrees to observe and fully perform all of the duties and obligations of Assignor under the Development Agreement, and to be subject to all the terms and conditions thereof, with respect to the Property and Assignable Rights. It is the express intention of Assignor and Assignee that, upon the execution of this First Amendment, Assignee shall become substituted for Assignor as the "Owner" under the Development Agreement.

2.3. This First Amendment shall take effect and be binding only upon City of Commerce City Council's consent to and approval of the First Amendment.

2.4. Assignee represents and warrants that it has reviewed and is familiar with the terms and conditions of the Development Agreement. Assignee acknowledges that the

Assignable Rights are as set forth within the Development Agreement, and the duties of Assignor thereunder and the duties of Assignee hereunder, as between Assignee and the City, shall be without reference to any underlying agreements or understandings that may exist between Assignee, Assignor, or any other party with respect to the subject matter hereof, and that the City is not party to such other agreements.

2.5. All of the covenants, terms, and conditions set forth herein shall be binding upon and shall inure to the benefit of the Parties hereto and their respective heirs, successors, and assigns.

2.6. Exhibits: Assignee has submitted new, applicable, current Exhibits, or caused the re-execution of the following Exhibits, which are deleted in their entirety from the Development Agreement, and are incorporated herein by this reference and shall be inserted in lieu thereof.

- 2.6.a. Exhibit A: Legal Description
- 2.6.b. Exhibit B: Parcel Map
- 2.6.c. Exhibit C: Site and/or Floor Plans
- 2.6.d. Exhibit D: Recorded Grant Deed or Executed Lease Agreement
- 2.6.e. Exhibit E: Property Owner Signed and Notarized Consent Form
- 2.6.f. Exhibit F: Zoning Analysis
- 2.6.g. Exhibit G: Conditions of Approval
- 2.6.h. Exhibit H: Labor Peace Agreement or Notarized Statement of Intent
- 2.6.i. Exhibit I: Indemnification Agreement

Section 3: Amendments to Development Agreement. The following articles, sections, paragraphs or portions of the Development Agreement are hereby amended to read as follows:

3.1. *Recitals:*

3.1.a. *4th Recital shall read:*

WHEREAS, Owner currently holds a legal or equitable interest in real property considered in this Agreement which has a development area of approximately **49,961** square feet located at 2700 Yates Ave, City of Commerce, State of California (the "Site"). The Site includes Assessor's Parcel Number: 6336-007-046, and is more fully described in the Legal Description in Exhibit A, and shown on the map in Exhibit B. Both exhibits being attached hereto, respectively, and incorporated herein by this reference;

3.1.a. *9th Recital shall read:*

WHEREAS, the Project will consist of one industrial/warehouse building totaling approximately 49,961 square feet. The complex will employ approximately 12 employees. The building will be divided into major spaces for cultivation, manufacturing, distribution, and delivery as follows:

Manufacturing: The facility includes a 3,000 square feet area which will be subdivided into multiple manufacturing rooms/areas, such as extraction rooms, offices, storages, walk-in freezers, and etc. Under the manufacturing license, the operator can conduct additional manufacturing activities including, volatile extraction (Type 7 Manufacturing).

Cultivation: The cultivation area includes approximately 10 flowering rooms ranging from approximately 1500 square feet to approximately 2500 square feet. The building will also include approximately a total of 1500 square feet dedicated to drying and trimming, approximately 10000 square feet for vegetation rooms. Total area of the cultivation area is approximately 30,000 square feet.

Non-storefront Retail Delivery: Retail delivery activities will occur within a 750 square foot delivery area located near the facilities loading dock. All delivery activities will be conducted in accordance with state law, including, but not limited to specified hours of operation.

Distribution: Distribution activities, including the procurement, sale, and transport of cannabis and cannabis products between licensees, will occur within the 1,500 square foot distribution office.

Proposed General Business Offices: (subject to final approval pursuant to the City-issued regulatory Commercial Cannabis Permit) – The facility will be open from 9 a.m. to 6 p.m., Monday through Friday, with 12 employees per shift.

Parking/Loading/Access: The proposed project provides 15 parking spaces, including five accessible truck/van spaces. Loading will take place on-site within an existing covered loading space accessed on the west 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 Garfield Ave. Within the site, access to the structures will be through the secured front office entrance.

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, establishing 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 a vertically integrated MAUCRSA compliant cannabis facility that will provide several levels of Manufacturing and Distribution.

This includes:

- 1) Cultivation of various cannabis plants and strains.
- 2) Manufacturing of cannabis and its derivatives through volatile and non-volatile extraction.
- 3) Manufacturing of cannabis food products.
- 4) Packaging and storage of cannabis products.
- 5) Self-Distribution and retail delivery of cannabis products

Proposed Hours of Operation (subject to final approval pursuant to the City-issued regulatory Commercial Cannabis Permit):

9AM to 6PM for general business hours; 24-hours for internal operations.

[x] 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 4 licenses:

- 1) **Distribution**
- 2) **Manufacturing**
- 3) **Cultivation**
- 4) **Non-Storefront Retail Delivery**

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

3.2. Section 2.a. Government Code and Municipal Code Required Elements, Description of Property.

Land situated in the City of Commerce, County of Los Angeles, State of California; whose street address is 2700 Yates Ave, City of Commerce, State of California (the "Site"). The Site includes Assessor's Parcel Number: 6336-007-046.

3.3. Section 2.b. Government Code and Municipal Code Required Elements, Owner and Other Person with Legal or Equitable Interest.

Owner: Commerce Concentrates, LLC / Andranik Badalian,
Nature of Interest: Sole Owner of Commerce Concentrates, LLC, holds an Executed Lease for the Term of 5 years with option to extend for an additional 5-year term.

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).

3.4. Section 6.b. 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, Andranik Badalian, will be responsible for community inquiries and complaints and on-site management during normal business hours.

3.5. Section 6.c. Interface with Los Angeles County Sheriff / Inspections.

Owner's day-to-day operations manager, and/or the Owner's Community Relations Liaison, Andranik Badalian, 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 _____

3.6 Section 6.h. Labor Peace Agreement.

If Owner has ten (10) 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 ten (10) 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 ten (10) or more employees at any time during the Term of this Agreement. Such Owner with less than ten (10) 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 tenth (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 First Amendment and Development Agreement.

3.7. Section 8.c. Fees, Costs, and Future Taxes; 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:

49,961 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 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 [X]
- _____ Distribution: 3% of gross receipts [X]
- _____ Testing: 1.5% of gross receipts
- _____ Non-Storefront Retail, Delivery: 5% of gross receipts [X]
- _____ Microbusiness: 4% of gross receipts
- _____ Cultivation: \$13 square foot for canopy space [X]

But at no time, will Owner pay an annual operating fee less than \$91,218.00, 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.

The annual minimum operating fee for the years of operations thereafter shall be as follows:

Second year: \$100,810

Third year: \$109,090
Fourth year: \$118,000
Fifth year: \$127,000 (Any subsequent years shall be as negotiated by the Parties).

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

Operating Fees shall begin to accrue **ninety (90)** days after the end of 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.

3.8. Section 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:

Commerce Concentrates, LLC
2700 Yates Ave.
Commerce, CA 90040

With a courtesy copy to:

Aram Ekimyan, Esq.
Ekimyan & Ekimyan APC
100 N Brand Blvd. Suite 622
Glendale, CA 91203

Section 4: Additional Provisions.

4.1. **Indemnification and Hold Harmless.** As a condition of the City processing, considering, approving, and executing the First Amendment, Assignee agreed to voluntarily fully execute the “Indemnification and Hold Harmless Agreement: Release of Liability, Assumption of Risk, and Waiver of Vested Rights” prior to City Council taking any action on this First Amendment, which is attached hereto and incorporated herein by this reference, as Exhibit J.

4.2. **Effect of First Amendment and Continued Effectiveness of Development Agreement.** Except as expressly modified herein, the Development Agreement shall remain in full force and effect, and all the terms and provisions of the Development Agreement are hereby reaffirmed. The provisions of this First Amendment are severable and separate, and should a legal challenge be brought challenging the First Amendment, including but not limited to, an action or proceeding – in equity or in law - initiated by any person, organization, or entity, including anyone who is not a Party to this First Amendment, to attack, review, set aside, void, or annul the decision of City Council to adopt an Ordinance approving and adopting this First Amendment, such challenge shall in no way affect or impact the continued validity and existence of the Development Agreement.

Section 5: Effective Date. “First Amendment Effective Date” means the date on which all of the following are true: (i) thirty (30) days have elapsed since the second reading of the Ordinance adopting and approving this First Amendment; (ii) this First Amendment has been signed by all Parties; and (iii) all Exhibits to this First Amendment are finalized, executed and notarized by all affected parties (if applicable) and attached hereto; provided, however, that if these conditions have not been fully satisfied by the Owner and Assignee/New Owner, the Effective Date may not thereafter occur and this First Amendment may not thereafter become effective.

IN WITNESS HEREOF, the Parties hereto have executed this First Amendment as of the dates herein below.

CITY OF COMMERCE

COMMERCE CONCENTRATES, LLC

Mayor

Anatoli Kouzine [Assignor/Owner]
Former President

Date: _____

Date: _____

COMMERCE CONCENTRATES, LLC

Anatoli Kouzine [Assignee/New Owner]
Title: Member

Date: _____

COMMERCE CONCENTRATES, LLC

Andranik Badalian [Assignee/New Owner]
Title: Managing Member

APPROVED AS TO FORM:

City Attorney
City of Commerce

Date: _____

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY:

The undersigned petitioner has a lease agreement for or (is/are) the owner of the following legally described property (exact legal description of property/ies):

SAN ANTONIO RANCHO KNOWN AS WALTER L VAIL'S 2000 ACRE TR LOT COM N 26 22' 24"
E 92.06 FT FROM INTERSECTION OF SE LINE OF LAND

EXHIBIT B

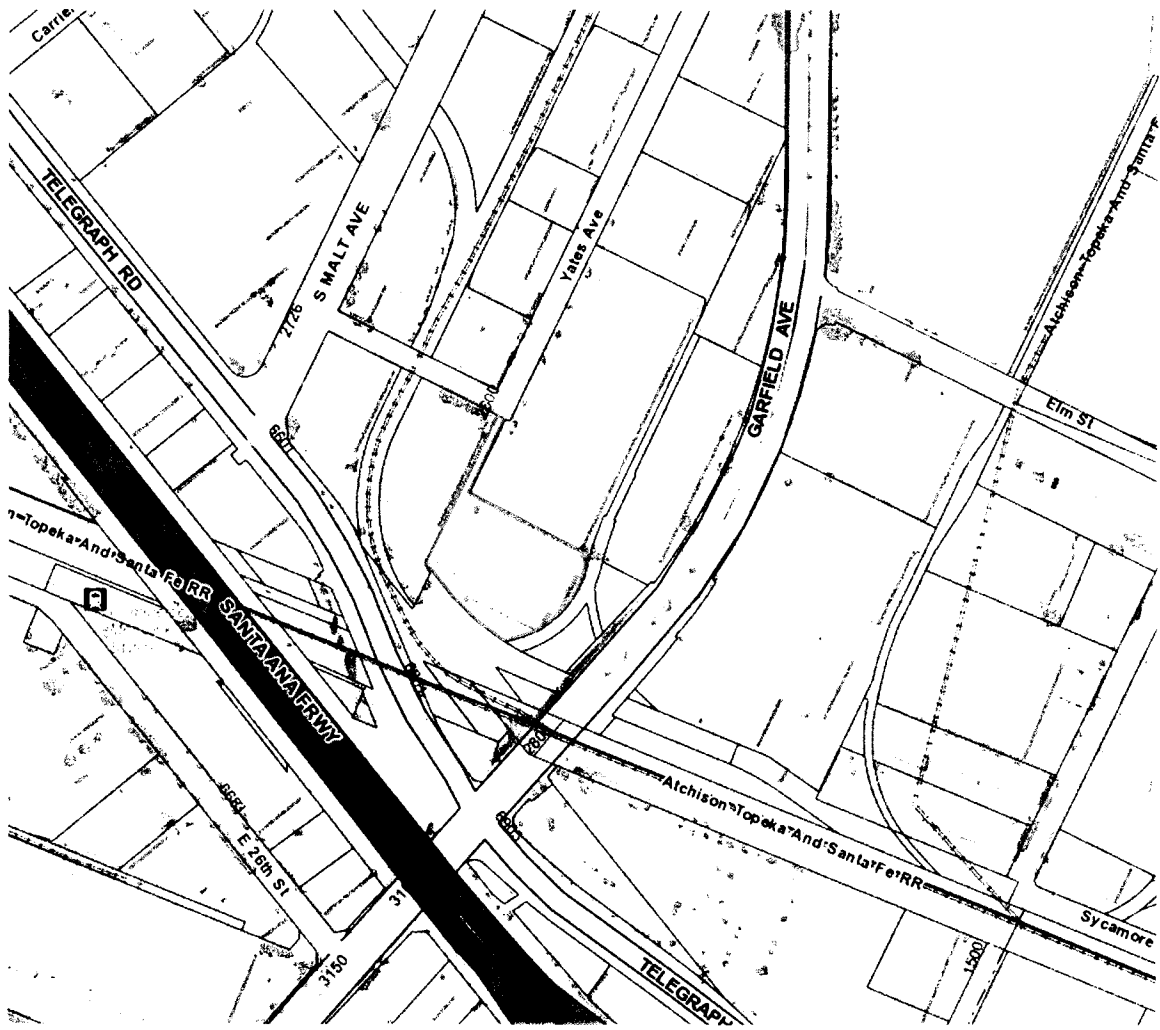


EXHIBIT C

EXHIBIT D

EXHIBIT E



City of Commerce - Owner's Affidavit

I/WE Seda Ohanessian, HEREBY STATE THAT I/WE AM/ARE THE OWNER(S) OF THE SUBJECT PROPERTY INVOLVED IN THIS PETITION, AND THAT I/WE HAVE REVIEWED THE SUBJECT APPLICATION AND AUTHORIZE THE APPLICANT OR APPLICANT'S REPRESENTATIVE (CONTACT PERSON) TO MAKE DECISIONS THAT MAY AFFECT MY/OUR PROPERTY AS IT PERTAINS TO THIS APPLICATION.

SIGNATURE: Seda Ohanessian DATE: 10-29-19

NAME: Seda Ohanessian
Property Owner's Name (Print)

SUBJECT PROPERTY: 2700 Yates Ave.

CITY: Commerce

TELEPHONE: _____

SIGNATURE: _____ DATE: _____

NAME: _____
Property Owner's Name (Print)

SUBJECT PROPERTY: _____

CITY: _____

TELEPHONE: _____

NOTE: This application must be signed by the same person(s), and in the same manner as that in which title is held. Before signing, please examine your deed or title insurance policy.

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES)
CITY OF COMMERCE)

Subscribed and sworn to (or affirmed) before me on this 29th day of October, 2019, by SEDA OHANESSIAN, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Signature [Signature]
Signature of Notary Public

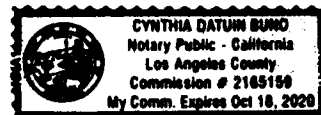


EXHIBIT F



ZONING ANALYSIS

#18-059

LAND USE, ZONING AND APPLICABLE REGULATIONS:

Project Site – 2700 Yates Avenue (18-059)	
General Plan Designation:	Industrial
Zoning:	M-2 (Heavy 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:

North	M-2	Heavy Industrial
South	C/M-1	Heavy Industrial
East	M-2	Heavy Industrial
West	M-2	Heavy Industrial

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 industrial building measuring approximately 49,961 square feet. The building is currently occupied by LA Vani Inc. and is located on a lot measuring approximately 1.81 acres (79,030 square feet) located east of Yates Avenue. The lot is generally flat in nature and is situated in the City's Heavy Manufacturing Zone District (M-2), surrounded by industrial to the north, east and west and railroad to the south. 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 cultivation, manufacturing, distribution, and non-storefront retail delivery.

EXHIBIT G

EXHIBIT G

CONDITIONS OF APPROVAL

See Attachment B on Agenda Report

EXHIBIT H

EXHIBIT I

EXHIBIT I

Indemnification Agreement

See Attachment C on Agenda Report