


# *City of Brisbane*

## *Planning Commission Agenda Report*

**TO:** Planning Commission For the Meeting of December 13, 2018

**FROM:** Julia Ayres, Associate Planner, via  John Swiecki, Community Development Director

**SUBJECT:** **Use Permit UP-8-18; 111 South Hill Drive; TC-1 Crocker Park Trade Commercial District;** Use Permit to establish a delivery-only retail, light manufacturing, distribution, and warehousing cannabis business within an existing 15,885 square foot office/warehouse building; Elan Rae, Peninsula Distribution Solutions and Peninsula Delivery Solutions, applicant; 101 111 South Hill Drive LLC, owner.

**REQUEST:** The applicant requests approval of a Use Permit application to establish a cannabis business for delivery-only cannabis retail, light manufacturing, distribution and warehousing, within an existing office and warehouse building in Crocker Park. A Use Permit is required to allow cannabis businesses to operate within the TC-1 Crocker Park Trade Commercial District.

**RECOMMENDATION:** Approve Use Permit UP-8-18 via adoption of Resolution UP-8-18, containing the findings and conditions of approval.

**ENVIRONMENTAL DETERMINATION:** Projects that involve expansion or continuation of an existing use are categorically exempt from the provisions of the California Environmental Quality Act per Section 15301(a) of the CEQA Guidelines. The exceptions to this categorical exemption referenced in Section 15300.2 do not apply.

**APPLICABLE CODE SECTIONS:** Conditionally permitted uses in the TC-1 Crocker Park Trade Commercial District are discussed in BMC §17.19.030. Cannabis business regulations are contained in BMC Chapter 17.33.

**PROJECT DESCRIPTION:** The applicant represents two proposed businesses, Peninsula Distribution Solutions (PDIS) and Peninsula Delivery Solutions (PDES), that would conduct delivery-only retail, manufacturing, and distribution/warehousing operations within an approximately 15,885 square foot existing office/warehouse building. The businesses would utilize existing loading docks, and all existing dedicated office areas and warehousing areas will remain unchanged, with the exception of minor tenant improvements to improve the existing interior spaces' functionality and overall building security.

The businesses would occupy approximately half of the structure, while the other building areas would be subleased by the applicant to up to two other cannabis businesses yet to be identified. Because the applicant's operations plan does not address the specific activities to occur in the sublease areas, any business intending to sublease space from the applicant would be required to submit a Use Permit application. Products to be sold or manufactured include smokeable products, vaporizer products, and concentrates, edible and infused products; and topicals.

The delivery-only retail operations will consist of delivery drivers (Peninsula Distribution Solutions and Peninsula Delivery Solutions-employed) transporting products directly to the consumer. The distribution operations will consist of receiving and distributing cannabis and cannabis products from other licensed commercial entities, with an estimated one delivery trip per day using small commercial vehicles.

The manufacturing operations are described in detail in the operations plan beginning on page 22. These activities would include infusion, formulation, bottling (i.e. filling), mixing, pressing, molding, co-packing, packaging, and labeling. No extraction activities will be conducted. The North County Fire Authority has reviewed the manufacturing operations plan and will require specific fire safety improvements to be installed prior to occupancy (see Attachment 4, Resolution UP-8-18, Condition of Approval A).

## **ANALYSIS AND FINDINGS:**

### Cannabis Business Requirements

BMC Chapter 17.33 contains detailed requirements for cannabis business operations that all businesses must demonstrate compliance with at the Use Permit, building permit, and business license stages. The applicant has completed a Cannabis Business Checklist and Operations Plan (Attachment 3) demonstrating how they will comply with the performance and operating standards contained in Chapter 17.33. Pertinent standards relevant to the Use Permit approval are discussed in detail below.

*State Licensing.* This performance standard will be met subsequent to approval of the Use Permit. The applicant will obtain the appropriate State licenses from the Bureau of Cannabis Control and Department of Public Health for the proposed delivery-only retail, distribution, and manufacturing operations at the subject property pending Commission action on this Use Permit. Consistent with State regulations, they may not receive their license from the State until such a time as the City authorizes their land use permit.

*Hours of Operation.* This performance standard will be met, per pages 12, 25, and 44 of the applicant's Operations Plan. Currently, BMC §17.33.020.C prohibits cannabis businesses to conduct deliveries and pick-ups between 7 p.m. and 8 a.m. It should be noted that the City Council has introduced Ordinance 632 to extend the permitted cannabis delivery hours to 10 p.m., which is scheduled for second reading and adoption at the Council's December 6, 2018 meeting.

*Odor Control.* Similar to the existing Crocker Park-wide performance standard in BMC §17.19.050, this standard requires all cannabis odors to be contained on the property on which the business is located. This performance standard will be met through a combination of interior and exterior air “scrubbers” and filters, as described in detail on pages 12-13 of the applicant’s Operations Plan. Staff has added a condition of approval to Resolution UP-8-18 reiterating this requirement and requiring the applicant to work with the City to correct odor concerns if the City receives any odor complaints. As a point of information, BMC §17.19.050 also stipulates that “unresolved or repeated odor complaints may be the basis for suspension or revocation of the business license or use permit, as applicable.”

*Location of Business Activities.* This standard requires that all aspects of the business, with the exception of incidental loading and off-loading of cannabis or cannabis products, occur within the building where the business is being conducted. It also requires that the interior use related to cannabis products not be visible from the exterior of the site. As described in the applicant’s Operations Plan on page 13, all business operations with the exception of product loading and off-loading will occur inside the building.

*Security and Site Inspections.* The applicant has submitted a detailed security operations plan to the Police Department and the Police Department has determined it to be complete with respect to the Use Permit application. Condition of Approval A in the attached Resolution UP-8-18 requires all security and safety improvements to be installed prior to business operations.

#### Use Permit Analysis and Findings

In order to approve the Use Permit, the Planning Commission must determine the following, per BMC §17.40.060:

- A. “In considering an application, the planning commission shall consider and give due regard to the nature and condition of all adjacent uses and structures, and to general and specific plans for the area in question.”
- B. “The planning commission shall determine whether or not the establishment, maintenance or operation of the use applied for will, under the circumstances of the particular case, be detrimental to the health, safety, comfort and general welfare of the persons residing or working in the neighborhood of such proposed use, or whether it will be injurious or detrimental to property and improvements in the neighborhood or the general welfare of the city. If the planning commission finds that the aforementioned conditions will not result from the particular use applied for, it may grant the use permit.”

The proposal would meet both findings, as discussed below.

*Adjacent Uses and Structures-* The subject property is located in the Crocker Industrial Park, the City’s largest trade commercial district (zoned TC-1, Crocker Park Trade Commercial District). The property is occupied by two warehouse buildings with accessory office space, both formerly occupied by Aircraft Technical Publishers (ATP) and presently vacant. The proposed business under this Use Permit would occupy the building farthest from South Hill Drive at 111 South

Hill Drive. The Commission recently approved a Use Permit for a cannabis business to occupy the front building (101 South Hill Drive; Use Permit UP-5-18).

The property is bordered to the west by existing food production and distribution uses at 123 South Hill Drive and 145 South Hill Drive (Bi-Rite Foodservice Distributors and Del Monte Meats), and manufacturing uses (Lee Mah Electronics) at 155 South Hill Drive. To the east, adjacent uses include freight forwarding, office, and warehouse uses at 99 South Hill Drive (DHL, F.W. Spencer, Norman Wright Mechanical Equipment). The proposed delivery-only retail, light manufacturing, and distribution/warehouse cannabis uses are thus consistent with the adjacent uses and structures, and Crocker Park as a whole.

The site is separated from the Crocker Park Recreational Trail (CPRT) by the approximately 60 foot wide South Hill Drive right-of-way and approximately 20 feet of grade separation and is thus not visible or accessible from the CPRT.

*General Plan Consistency-* The proposed delivery-only retail, light manufacturing, and distribution/warehousing cannabis uses are consistent with the property's Trade Commercial land use designation in the 1994 General Plan.

General Plan policies applicable to the proposed uses include the following:

**Policy 8:** Maintain and diversify the City's tax base, consistent with community character, in order to generate adequate revenues for City Government and sustain a healthy local economy. (*Local Economic Development, Ch. 4*)

**Policy CP.3:** Encourage uses that benefit the community, providing jobs, revenues and services. (*Subarea Policies, Crocker Park*)

The Use Permit application would allow the establishment of one of the first cannabis-related business in Brisbane following the Council's adoption of Ordinance 617 in 2017 to conditionally allow such uses to operate in the City. In general, businesses that comply with the performance standards in BMC Chapter 17.33 would support the City Council's stated interest in allowing such uses to be established in the City as part of a new and expanding industry.

**Policy CP.11:** Review development plans to assure adequate parking/loading on site. (*Subarea Policies, Crocker Park*)

The proposed use would continue an existing office and distribution/warehousing use at the subject property and would not intensify the existing parking demand of the site. While manufacturing activities would be introduced to the site through the subject application, the Municipal Code establishes the same parking requirement for manufacturing, food production, and distribution/warehouse uses of one parking space per 1,000 square feet of floor area. Even though the subject application would not trigger compliance with parking, the applicant's site plan (see Attachment B) demonstrates that 25 on-site parking spaces will be provided where a minimum of 24 spaces are required. As described on page 7 of the Operations Plan, the applicant intends to implement a shift-based schedule for employees to ensure adequate on-site parking, and will offer incentives and benefits to employees to encourage alternative transportation

modes, including participation in the shuttle program offered by the City/County Association of Governments of San Mateo County (Commute.org).

**Policy CP.20:** Provide the opportunity for a property owner to request police review of plans for new construction and remodeling to provide suggestions for the control of vandalism and theft.

As previously noted, the Police Department has reviewed a detailed security plan and the Use Permit application and will require security-related improvements to be installed on the premises, subject to review and compliance prior to building occupancy.

**Policy CP.24:** Contain major business activities inside buildings.

As required by the TC-1, Crocker Park Trade Commercial district regulations, as described in the applicant's business operations plan, and as reiterated in Condition of Approval J included in Resolution UP-8-18, all major business activities with the exception of delivery loading and off-loading shall take place inside the building.

*Not Detrimental or Injurious to the Property, Neighborhood or City* – Given the conditions of approval contained in Resolution UP-8-18, particularly related to security and fire safety requirements, the proposed cannabis business would not be detrimental or injurious to the property, neighborhood or city at large. The delivery-only retail, light manufacturing, and distribution/warehouse uses would be consistent with existing uses on the property and in the immediate vicinity, in compliance with all required performance standards for all businesses and specifically cannabis-related businesses in the zoning ordinance.

This application has been reviewed by the Public Works Department, Police Department and North County Fire Authority. These departments have required conditions of approval for the project that are included in the attached Resolution UP-8-18.

**ATTACHMENTS:**

1. Vicinity map
2. Draft Resolution UP-8-18 with recommended Findings and Conditions of Approval
3. Cannabis Business Checklist and Applicant's Operations Plan
4. Applicant's Plans

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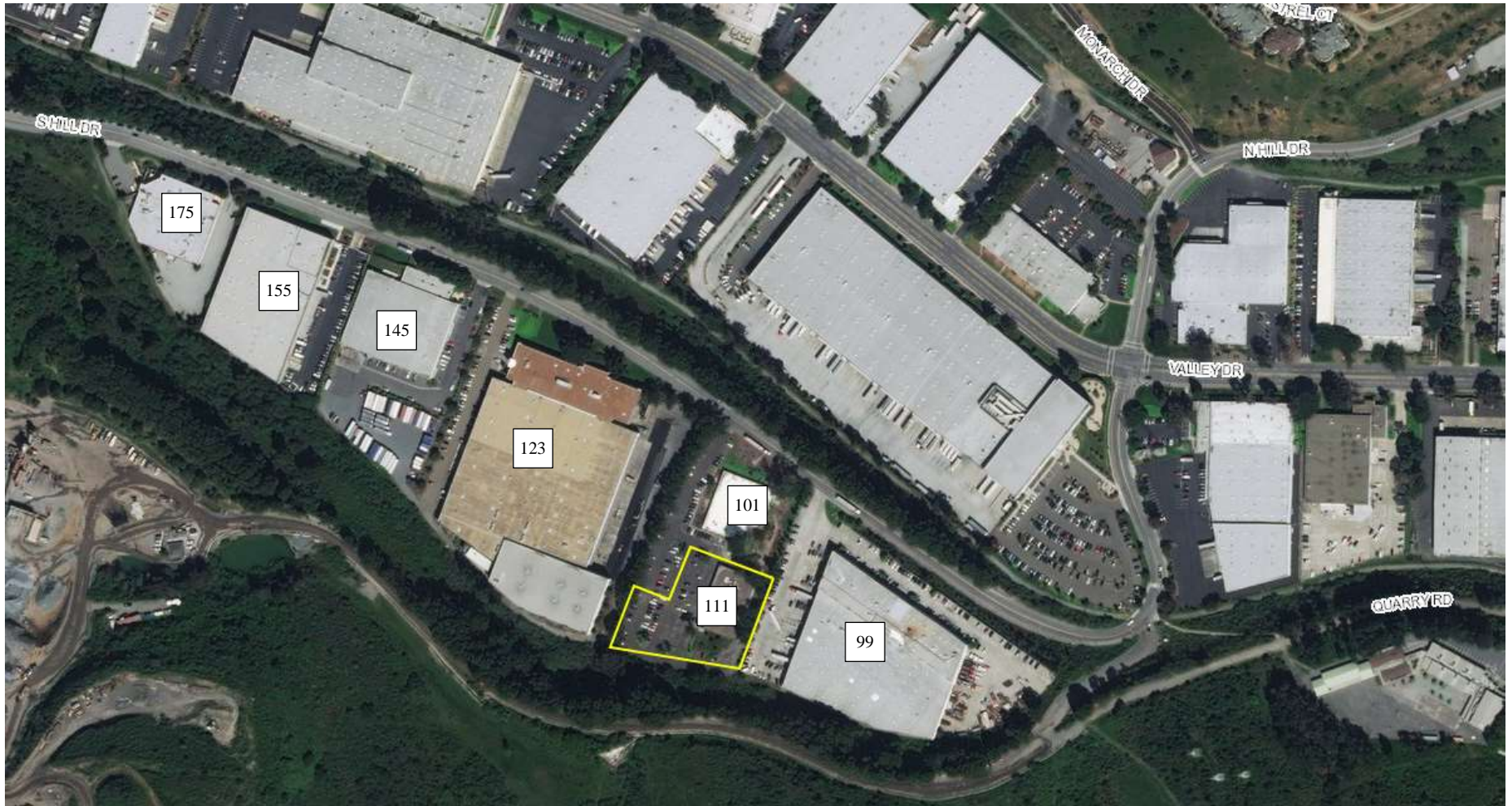
# ATTACHMENT 1

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Vicinity Map  
111 S. Hill Drive

ATTACHMENT 1



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# ATTACHMENT 2

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Draft  
RESOLUTION UP-8-18

A RESOLUTION OF THE PLANNING COMMISSION OF BRISBANE  
CONDITIONALLY APPROVING USE PERMIT UP-8-18  
FOR A CANNABIS BUSINESS  
AT 111 SOUTH HILL DRIVE

WHEREAS, Elan Rae, of Peninsula Distribution Solutions, LLC and Peninsula Delivery Solutions, LLC, applied to the City of Brisbane for Use Permit approval for establishment of a cannabis business consisting of delivery-only retail, light manufacturing, and distribution/warehousing at 111 South Hill Drive, such application being identified as UP-8-18; and

WHEREAS, on December 13, 2018, the Planning Commission conducted a hearing of the application, publicly noticed in compliance with Brisbane Municipal Code Chapters 1.12 and 17.54, at which time any person interested in the matter was given an opportunity to be heard; and

WHEREAS, the Planning Commission reviewed and considered the staff memorandum relating to said application, and the written and oral evidence presented to the Planning Commission in support of and in opposition to the application; and

WHEREAS, the Planning Commission finds that the proposed project is categorically exempt from the provisions of the California Environmental Quality Act; pursuant to Section 15301(a) of the State CEQA Guidelines; and

WHEREAS, the Planning Commission of the City of Brisbane hereby makes the findings attached herein, as Exhibit A, in connection with the requested Use Permit;

NOW THEREFORE, based upon the findings set forth hereinabove, the Planning Commission of the City of Brisbane, at its meeting of December 13, 2018 did resolve as follows:

Use Permit UP-8-18 is approved by the Planning Commission in compliance with the conditions of approval attached herein as Exhibit A.

ADOPTED this 13<sup>th</sup> day of December, 2018, by the following vote:

AYES:  
NOES:  
ABSENT:

\_\_\_\_\_  
Coleen Mackin  
Chairperson

ATTEST:

\_\_\_\_\_  
JOHN A. SWIECKI, Community Development Director

DRAFT  
EXHIBIT A

**Action Taken:** Approval of Use Permit UP-8-18, per the staff memorandum with attachments, via adoption of Resolution UP-8-18.

**Use Permit UP-8-18 Findings of Approval**

- A. The planning commission finds that, given the conditions of approval, the proposed cannabis delivery-only retail, light manufacturing, and distribution/warehousing uses are consistent with and complementary to the nature and condition of all adjacent uses and structures in the Crocker Industrial Park, and with the all applicable General Plan policies pertaining to permitted land uses and business operations within Crocker Park. Specifically, the use is consistent with the Trade Commercial land use designation in the 1994 General Plan, and per the applicant's site and floor plans and business operations plan, the business operations will be consistent with General Plan Local Economic Development Element Policy 8, and Crocker Park subarea policies CP.3, CP.11, CP.20, and CP.24.
- B. The planning commission finds that, given the conditions of approval and the applicant's application materials, the establishment, maintenance and operation of the cannabis delivery-only retail, light manufacturing, and warehousing use will not be detrimental to the health, safety, comfort and general welfare of the persons working in Crocker Industrial Park, and will not be injurious or detrimental to property and improvements in the neighborhood or the general welfare of the City.

**Use Permit UP-8-18 Conditions of Approval:**

Prior to Issuance of a Building Permit

- A. The applicant shall obtain a building permit demonstrating compliance with all physical improvements to the tenant space and site as required by the Building Division, Police Department, Public Works Department, North County Fire Authority, and San Mateo County Department of Environmental Health, as listed below:
  1. Property and building security shall be installed and shown in the building permit plans, compliant with specifications required by the Police Department and subject to final approval by the Police Department.
  2. Sprinkler system in manufacturing rooms shall be Extra Hazard Group II.
  3. Sprinkler system in storage areas shall be Ordinary Hazard Group.
  4. The facility and building permit plans shall conform to NFPA 1 Chapter 38 2018 Edition, the 2016 California Building Code, and the 2016 California Fire Code.
- B. The applicant shall apply for a business license from the City of Brisbane.

Other Conditions

- C. Prior to certificate of occupancy, the applicant shall demonstrate that the appropriate license(s) from the State of California applicable to the cannabis business have been obtained.

- D. Prior to certificate of occupancy, the application shall submit a cross connection control survey to San Mateo County Environmental Health and install the devices required by San Mateo County Environmental Health to the satisfaction of the City Engineer.
- E. Except where prohibited by State law, all waste generated by the business shall be serviced by the South San Francisco Scavenger Companies. The applicant shall work with South San Francisco Scavenger Companies and the Police Department to determine the appropriate waste storage and pickup protocols.
- F. In addition to the requirements specified under BMC §17.33.020, the Police Chief or designated representative shall have the authority to inspect the facility without prior notice during business hours to verify that conditions of the permit are being met.
- G. The Police Department shall have final approval of the proposed entry security systems and security protocols.
- H. Exterior advertising signage associated with the approved use shall be subject to separate planning applications.
- I. The cannabis business shall comply at all times with the performance and operational standards contained in BMC §17.33.020, as may be amended from time to time.
- J. Drawings depicting all work completed and proposed shall be provided to the satisfaction of the City. Exposure of covered work may also be required to demonstrate compliance with building code requirements.
- K. The permittees agree to indemnify, defend and hold the City and its officers, officials, boards, commissions, employees and volunteers harmless from and against any claim, action or proceeding brought by any third party to attack, set aside modify or annul the approval, permit or other entitlement given to the applicant, or any of the proceedings, acts, or determinations taken, done or made prior to the granting of such approval, permit, or entitlement.
- L. Minor modifications may be approved by the Planning Director in conformance with all requirements of the Municipal Code.
- M. This Use Permit is subject to the revocation procedures established in Brisbane Municipal Code Chapter 17.48 should the use not comply with its conditions of approval or in any way prove to be a nuisance, injurious or detrimental to property or improvements in the neighborhood or to the general welfare of the City.
  - 1. Failure to comply with any of the aforementioned conditions of approval shall constitute grounds for revocation of the use permit. Generally, in the event that any of the agencies with oversight authority provides a written notice of the violation and correction items have not been properly addressed in a timely manner (as may be indicated in the notice); or in the event that more than one violation is issued within a six month period, the application will be brought to the Planning Commission for revocation.
  - 2. The Community Development Director shall have discretion regarding referral of the application to the Planning Commission for revocation proceedings.

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# ATTACHMENT 3

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# CANNABIS BUSINESS COMPLIANCE CHECKLIST

COMMUNITY DEVELOPMENT  
DEPARTMENT  
50 PARK PLACE | BRISBANE, CA

This checklist shall be completed by the applicant and attached to a use permit, building permit, or business license application for cannabis businesses and cannabis testing laboratories. **Incomplete checklists will delay permit processing.**

## BUSINESS AND OWNER INFORMATION

Name of Business Peninsula Distribution Solutions, LLC & Peninsula Delivery Solutions, LLC  
 Name of Business Owner MJIC Regulated, Inc.  
 Business Address 5800 South Eastern Avenue, Suite 300, Commerce, CA 90040  
 Business Phone (833) 654-2462  
 Business Email [REDACTED]

**IF BUSINESS OWNER IS NOT A NATURAL PERSON**, Name of individual authorized to represent the business who may be contacted by the City:

**Elan Rae** [REDACTED] [REDACTED]

Name	Phone	Email
5800 South Eastern Avenue, Suite 300, Commerce, CA 90040		
Mailing Address		

## BUSINESS TYPE

Sole Proprietorship    Corporation    LLC    Partnership

## OPERATIONAL AND MANAGERIAL EMPLOYEE INFORMATION

Management employees include general managers, shift managers, or any other employees who make operational or management decisions that directly impact the business. (Use additional pages if necessary.)

(1) Name <b>Dmitry Gordeychev</b>	Date of Birth <u>[REDACTED]</u>
Address <b>5800 South Eastern Avenue, Suite 300</b>	City/State/Zip <b>Commerce, CA 90040</b>
Daytime Phone <u>[REDACTED]</u>	Email (Opt) <u>[REDACTED]</u>
(2) Name <b>Elan Rae</b>	Date of Birth <u>[REDACTED]</u>
Address <b>5800 South Eastern Avenue, Suite 300</b>	City/State/Zip <b>Commerce, CA 90040</b>
Daytime Phone <u>[REDACTED]</u>	Email (Opt) <u>[REDACTED]</u>
(3) Name	Date of Birth

Address		City/State/Zip	
Daytime Phone		Email (Opt)	
(4) Name		Date of Birth	
Address		City/State/Zip	
Daytime Phone		Email (Opt)	

**BUSINESS PREMISES- PROPERTY INFORMATION**

Street Address 111 South Hill Drive, Brisbane, CA, 94005

APN(s) 005280170

Property Owner 101-111 South Hill Drive, LLC

Owner Address 123 South Hill Drive, Brisbane, CA, 94005

Owner Email [REDACTED]

Owner Phone [REDACTED]

Zoning District: Select Zoning District

- SP-CRO     SCRO-1     TC-1

**BUSINESS ACTIVITY TYPE (Check all that apply)**

- Laboratory Testing (R&D)     Manufacturing     Warehousing     Retail-Delivery

**ON-SITE CANNABIS INFORMATION**

	Weight (lbs) to be received on property on a daily basis	Weight (lbs) to be stored on property on a daily basis	Weight (lbs) to be transported from property on a daily basis
Raw (unprocessed) cannabis	<del>25</del> 75 lbs	<del>100</del> 300 lbs	<del>25</del> 75 lbs
Processed cannabis/ cannabis products	<del>25</del> 75 lbs	<del>200</del> 600 lbs	<del>25</del> 75 lbs

Updated weight provided by applicant per email dated 11/19/2018

~~\*\*\*\*The above estimates apply at each of the three premises for which permits are sought: distribution, manufacturing, and retail delivery.~~

This statement stricken per applicant's email dated 11/19/2018

**ATTACHMENTS**

Attach the following documents to this checklist:

- Documentation of Business Organization**  
 Sole Proprietor –Fictitious Business Name Statement (if different than owner’s name)  
 Corporation –Articles of Incorporation and Corporate Bylaws  
 LLC –Articles of Organization and Operating Agreement  
 Partnership –Partnership Agreement
- N/A  **Live Scans** (for business employees listed on application). Please note the Brisbane Police Department does not offer Live Scans. To search for Live Scan providers throughout the State, please visit <https://oag.ca.gov/fingerprints/locations>. N/A
- Copy of State License, if Available (or Statement of Which License will be Obtained)**
- State Certificate of Good Standing** for business owner (*the State in which the entity is organized can provide information about how to obtain one*)
- List of All Individuals or Entities that Own the Business**, including their percentage of ownership. If other entities are part of the ownership, provide the same list of ownership for the entity. The goal is to see the underlying ownership by individuals. *The City may require additional documentation at its discretion.*
- City of Brisbane Business License Application** with verification of fee payment.  
*Not applicable to Use Permit applications. Business license will be required as condition of approval for Use Permit applications.*
- Written Description of Operations.** A written statement describing the following:
- Business activity, product, production, and sources.
  - Hours of operation
  - Odor control
  - Visibility of operation
  - Labeling
- Building , Site and Floor Plans**
- Five (5) sets of plans.
- Refer to the Use Permit or Building Permit application checklists for complete requirements.
- N/A  **Stormwater Control** N/A
- All applications proposing 10,000 square feet or more of new or replacement impervious surfaces on a site must complete the C.3/C.6 Project Checklist.
- N/A  **Wastewater Pre-Treatment Control (For Industrial Users)** N/A
- Provide a completed wastewater discharge permit application from the San Francisco Public Utilities Commission.

- SFPUC approval of the wastewater discharge permit is required prior to building permit issuance.

**Description of Water Infrastructure**

- Expected source of water
- Level of water use (gallons per day).

This information must include the business as well as the entire parcel.

**Security Plan, Security Measures and Security Breach Response**

- Describe and document a 24/7 Security Plan.
- Address security measures and responses to security breaches.

**Fees**

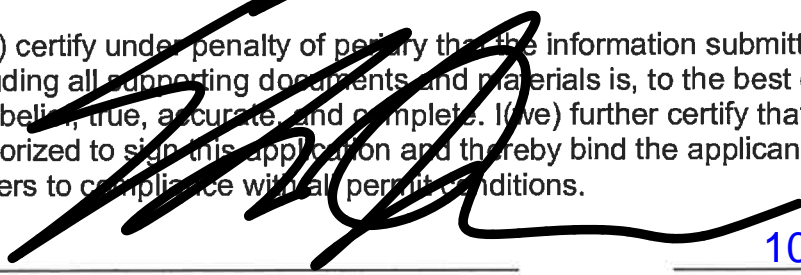
- Use permit, building permit, or business license application fee; refer to the master fee schedule.

**BUSINESS OWNER**

By signing below, I(we) expressly

- consent to entry and inspection of the premises by the City of Brisbane Building Official, or designee, upon reasonable notice;
- acknowledge that a building permit does not authorize nor provide immunity or defense to any activity prohibited under federal law, statute, rule or regulation; and
- hereby release, indemnify and hold harmless the City of Brisbane, and its agents, officers, elected officials, employees and contractors from losses of any kind resulting from this building permit and/or use permit application.

I(we) certify under penalty of perjury that the information submitted in this application, including all supporting documents and materials is, to the best of my(our) knowledge and belief, true, accurate, and complete. I(we) further certify that I(we) am(are) authorized to sign this application and thereby bind the applicant and all of applicant's owners to compliance with all permit conditions.



10/16/2018

Business Owner Signature

Date

Elan Rae, President  
Peninsula Distribution Solutions, LLC; Peninsula Delivery Solutions, LLC  
Printed Business Owner Name and Title

**PROPERTY OWNER**

By signing below, I certify that I have reviewed this application, and approve of the use of the property for the purposes stated in the application. I expressly consent to entry and inspection of the premises by the City of Brisbane Building Official, or designee, upon reasonable notice. I further certify that I am authorized to sign this application.

Zachary Baulich  
Property Owner Signature

10-16-18  
Date

Zachary Baulich, CFO  
Printed Property Owner Name and Title

# **BRISBANE PLAN OF OPERATIONS**

**Peninsula Distribution Solutions, LLC Commercial Cannabis  
Distribution;**

**Peninsula Distribution Solutions, LLC Commercial Cannabis  
Manufacturing; and**

**Peninsula Delivery Solutions, LLC Commercial Cannabis Delivery**



In accordance with the applicable regulations and requirements of the City of Brisbane (“Brisbane” or the “City”) and the State of California (“California” or the “State”) under the Medicinal and Adult-Use Cannabis Regulation and Safety Act (“MAUCRSA”) and the regulations promulgated thereunder, the experienced group of professionals at Peninsula Distribution Solutions, LLC (“PDIS”) and Peninsula Delivery Solutions, LLC (“PDES”) have conceptualized and intend to manage and execute separate licensed and fully-compliant commercial cannabis (adult use and medicinal) distribution, manufacturing, and non-storefront delivery operations (respectively, the “Distribution Operations”, “Manufacturing Operations”, and “Delivery Operations” and, collectively and each generically, the “Operations”) at the facility located at 111 South Hill Drive, Brisbane, CA 94005 (“Facility”) in Brisbane’s Crocker Park Trade Commercial District, zone TC-1, an image of which follows:



Pursuant to Chapter 17.33 of the Brisbane Municipal Code (“Code”), PDIS shall operate the separate Distribution Operations and the Manufacturing Operations, and PDES shall operate the Delivery Operations in separate licensed premises within the Facility (respectively, the “Distribution Premises”, “Manufacturing Premises”, and “Delivery Premises” and, collectively and each generically, the “Premises”) consistent with state law and regulations, and the provisions of the Code. PDIS will comply with the readopted emergency regulations (“BCC Regulations”) promulgated by the California Bureau of Cannabis Control (“BCC”), which govern how commercial cannabis distributors may operate, and the readopted emergency regulations (“DPH Regulations”) of the Manufactured Cannabis Safety Branch (“MCSB”) of the California Department of Public Health (“DPH”), which govern how commercial cannabis manufacturers may operate. PDES will comply with the BCC Regulations, which govern how commercial cannabis delivery-only retailers may operate.

PDIS and PDES believe that the licensing program implemented by the City and the State presents an opportunity to set a standard of excellence in the compliant manufacture, distribution, and sale of safe, high-quality, fully-compliant commercial cannabis and commercial cannabis-based products (collectively, the “Products”) utilizing intuitive track-and-trace (“TAT”) technologies, reliable independent laboratory testing, and precise packaging and labeling.

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## I. GENERAL PLAN

**Industry Background:** The nascent legal marijuana industry in the U.S. is fragmented but growing rapidly, having generated aggregate gross revenues of \$6.6 billion in 2016 and projected to reach \$24.1 billion by 2025. In California alone, legal marijuana sales generated aggregate gross revenues of \$2.8 billion, a figure that is expected to grow to \$6.5 billion by 2020 with the introduction of recreational adult use of marijuana in 2018. The legal marijuana industry has been one of the fastest growing sectors in the U.S. and is estimated to represent only a fraction of the overall marijuana market, with black and gray market sales of marijuana in the U.S. estimated to exceed \$100 billion.

With an established trend of marijuana legalization on the state level, as well as growing support for federal legalization, we believe the legal marijuana industry presents a generational opportunity for well-informed investors and operators. Over the next five years, we expect the development of safe, high-quality, fully-compliant Products, leading brands, and robust customer loyalty programs to contribute to a consolidation of the legal marijuana industry around a group of premier operators that can satisfy demand while exceeding consumer expectations. As an analogy, we believe the current state of the legal marijuana industry is akin to the alcohol industry at the end of prohibition, with the equivalent of the largest operators, such as Diageo and InBev, just now being formed in the legal marijuana industry.

Culturally, the U.S. has reached a tipping point in its support for marijuana legalization. According to a poll conducted by Gallup, Inc. in October 2017, 64% of Americans favor legalization of recreational adult use of marijuana, an increase from only 12% in 1969 and 36% in 2005. Furthermore, according to a poll conducted by Quinnipiac University in February 2017, 93% of Americans believe medicinal use of marijuana should be legal and 71% would oppose enforcement of federal laws in states with legislation permitting medicinal use and/or recreational adult use of marijuana.

Whereas ten years ago marijuana businesses were seen as drug dealers, today they are celebrated as compliant operators leading the development of a vibrant, legal industry that has reduced the influence of the black and gray markets and has generated tens of thousands of new jobs and hundreds of millions of dollars in tax revenues.

Moreover, a number of Fortune 1000 companies involved in the tobacco, alcohol, pharmaceutical, nutraceutical, and biotechnology industries acknowledge having research efforts into investigating the diverse potential medical and recreational uses of marijuana. Ironically, none of these companies have formally entered the market because of the perceived legal and reputational risks the legal marijuana industry poses to their established businesses. This has created a tremendous opportunity for PDIS and PDES to capitalize on their first-mover advantage and capture a significant share of a developing and rapidly-growing market.

In a fragmented industry with varying municipal and state regulations, PDIS and PDES believe that proven managers and experienced teams with vision and entrepreneurial passion will be able to develop into consistently profitable commercial cannabis businesses. The majority of existing operators in the legal commercial cannabis industry lack the requisite expertise to effectively scale their businesses, raise capital, adhere to compliance, and position themselves for success. This has created an operational vacuum for well-financed, highly organized, and disciplined operators, presenting a massive opportunity for leading companies such as ours to establish a dominant market position before companies from more established sectors enter the legal marijuana industry.

**Keys to Success:** One of the key factors to the success of the Distribution Operations, Manufacturing Operations, and Delivery Operations will be PDIS and PDES's ability to develop a diverse portfolio of

clients consisting of best-in-class brands, which PDIS and PDES believe will require consistent adherence to all applicable Brisbane and State regulations and requirements, unmatched Product quality, rigorous Product testing, affordability, and relatable marketing that builds consumer confidence. Over the following five years, we expect the legal marijuana industry to consolidate around safe, high-quality, fully-compliant Products, burgeoning lifestyle brands, and robust customer loyalty programs. We believe that seasoned operators like PDIS and PDES that produce, transport, and distribute safe, high-quality, fully-compliant compliant Products will lead the development of the nascent legal marijuana industry into a more mature marketplace.

**Addressable Markets:** The addressable market in connection with the Distribution Operations consists of the licensed cultivators and manufacturers from whom PDIS will source Products, as well as the licensed manufacturers and retailers to whom PDIS will distribute such Products. The addressable market in connection with the Manufacturing Operations consists of the licensed cultivators and manufacturers from whom PDIS will source unfinished Products, raw cannabis-based materials, and/or other non-cannabis ingredients and components (collectively “Materials”) by way of licensed distributors, including PDIS, as well as the licensed manufacturers and retailers to whom PDIS will sell Products by way of licensed distributors, including PDIS. PDIS’s immediate plan is to establish the Distribution Premises and Manufacturing Premises as separate licensed and fully-compliant distribution and manufacturing centers at the Facility that will produce safe, high-quality, fully-compliant Products and provide distribution and transportation of Products throughout the Northern California market, with the ultimate goal of servicing the entire state of California, from Humboldt County in the north to San Diego County in the south.

The addressable market in connection with the Delivery Operations consists of the licensed cultivators and manufacturers from whom PDES will source Products by way of licensed distributors, including PDIS, as well as adults over the age of 21 and qualifying medical marijuana customers to whom PDES will deliver Products. PDES’s immediate plan is to establish a licensed non-storefront commercial cannabis delivery center in Brisbane to provide quality Products to adults over the age of 21 and qualified medical marijuana patients.

**Business Model Overview:**

- **Distribution:** The Distribution Operations will be operated in full compliance with all applicable Brisbane and State regulations, including the Code and the BCC Regulations, and will consist of receiving at the Distribution Premises safe, high-quality, fully-compliant Products sourced from licensed cultivators and manufacturers and distributing such Products to licensed manufacturers and retailers. In connection with the Distribution Operations, PDIS will not cultivate, manufacture, or conduct the retail sale of any Products, and expects that it will have only minimal transport operations from the Distribution Premises (i.e. one time per day) using only small commercial vehicles. The Distribution Premises will be closed to the public at all times.
- **Manufacturing:** The Manufacturing Operations will be operated in full compliance with all applicable Brisbane and State regulations, including the Code and the DPH Regulations, and will consist of receiving at the Manufacturing Premises safe, high-quality, and fully-compliant Materials sourced from licensed cultivators and manufactures by way of licensed distributors, including PDIS, for the purpose of manufacturing Products by way of such processes as infusion, formulation, bottling (i.e. filling), mixing, pressing, molding, co-packing, packaging, and labeling, and selling such Products to licensed manufacturers and retailers by way of licensed distributors, including PDIS. In connection with the Manufacturing Operations, PDIS will not cultivate, distribute, or conduct the retail sale of any Products. The sources for the Products will include

licensed distributors operating in full compliance with the BCC Regulations. The Manufacturing Premises will be closed to the public at all times.

- **Delivery:** The Delivery Operations will be operated in full compliance with all applicable Brisbane and State regulations, including the Code and the BCC Regulations, and will consist of receiving at the Delivery Premises safe, high-quality, fully-compliant Products sourced from licensed cultivators and manufacturers by way of licensed distributors, including PDIS, and delivering such Products to adults over the age of 21 and qualified medical marijuana patients. In connection with the Delivery Operations, PDES will not cultivate, manufacture, or distribute any Products. The Delivery Premises will be closed to the public at all times.

**Compliance:** PDIS and PDES will operate in full compliance with all applicable Brisbane and State regulations and requirements, including applicable TAT system requirements. PDIS and PDES will require TAT compliance from all of their vendors, suppliers, and partners and in connection with all purchases, sale, packaging, transfer, return, destruction, and disposal of Products. At all times, PDIS and PDES shall maintain an active and functional account within the TAT system prior to engaging in any activities comprising the Distribution Operations, Manufacturing Operations, and Delivery Operations.

**Products Types:** The Products stored, transported, and distributed by PDIS and PDES on or from the Distribution Premises, Manufacturing Premises, and Delivery Premises may include: (i) smokable Products, including marijuana flower, shake, and trim, as well as pre-rolled Products, vaporizer Products, and concentrate Products; (ii) edible and infused Products; and (iii) topical Products.

**Employees:** PDIS and PDES do not currently have employees but provide the following estimates of the number of employees that each expects to have prior to, and six months following, commencement of their respective Operations. PDIS and PDES acknowledge that they are each obligated to notify the Brisbane Police Department immediately upon a change in ownership or the hiring of new managerial employees in connection with any of their respective Operations. PDIS and PDES acknowledge that new business owners or managerial employees must provide the Brisbane Police Department with all applicable information required by Brisbane Code section 17.33.030(B).

- **Distribution:** PDIS estimates that prior to commencing the Distribution Operations, it will hire one general manager, one inventory manager, two warehouse/inventory associates, and three distribution drivers. PDIS further estimates that during the initial six months of the Distribution Operations, it will hire three additional warehouse/inventory associates and two additional distribution drivers.
- **Manufacturing:** PDIS estimates that prior to commencing the Manufacturing Operations, it will hire one general manager, one infusion manager, one packaging and labeling manager, three infusion associates, and three packaging and labeling associates. PDIS further estimates that during the initial six months of the Manufacturing Operations, it will hire one assistant general manager, three additional infusion associates, and three additional packaging and labeling associates.
- **Delivery:** PDES estimates that prior to commencing the Delivery Operations, it will hire one general manager, one assistant general manager, three production associates, and ten delivery drivers. PDES further estimates that during the initial six months of the Delivery Operations, it will hire one additional assistant general manager, two additional production associates, and ten additional delivery drivers.

**State License and Accreditation/Statement of Intent Regarding State Licensure:** PDIS and PDES do not currently have commercial cannabis licenses issued by the State of California, which require local permits in order to issue. PDIS and PDES intend to apply for annual licenses from the State of California as follows:

- **Distribution:** PDIS intends to apply for Type 11-A (adult use) and Type 11-M (medicinal) licenses from the BCC.
- **Manufacturing:** PDIS intends to apply for Type 6-A (adult use) and Type 6-M (medicinal) licenses from the DPH's MCSB.
- **Delivery:** PDES intends to apply for Type 9-A (adult use) and Type 9-M (medicinal) licenses from the BCC.

PDIS and PDES shall hold these valid state annual licenses at all times during their respective commercial cannabis operations.

**Description of Water Usage:** PDIS and PDES will utilize the City's commercial water and sewer services and will work with the City to register for these services where appropriate. It is estimated that the water usage for the Premises will be approximately 840 gallons per day.

**Parking:** The Distribution Premises, Manufacturing Premises, and Delivery Premises are all located within the Facility, which is comprised of approximately 11,000 square feet of existing warehouse area ("Warehouse Area") and approximately 4,000 square feet of existing office area ("Office Area"). There are 25 parking spaces available to the Facility. Section 17.34 of the Code requires one parking space per 1,000 square feet of gross floor area for warehousing and light industrial properties and one parking space per 300 square feet of gross floor area for administrative office properties. In accordance with the Code, the Warehouse Area generates a need for 11 parking spaces and the Office Area generates a need for 13 parking spaces, which translates to a need for a total of 24 parking spaces for the Facility. Therefore, the 25 parking spaces available to the Facility exceed the 24 parking spaces required for the Facility. Additionally, given that the Operations will at all times be closed to the public, the only individuals who will use these parking spaces on a regular basis are employees working at the Facility and certain outside vendors, contractors, or other individuals conducting business that requires access to the Distribution Premises. Furthermore, while the number of employees that PDIS and PDES respectively expect to employ in connection with the Operations exceeds the number of parking spaces available thereto, it should be noted that such employees will work in shifts to ensure that sufficient parking is available for all PDIS and PDES employees working at the Facility at any given time. In the event that the number of PDIS and PDES employees working at the Facility at any given time exceeds the number of parking spaces available thereto, PDIS and PDES will offer its employees incentives and benefits in connection with utilizing alternative modes of transportation, including, without limitation, the shuttle program offered by the City/County Association of Governments of San Mateo County.

**Security:** PDIS and PDES are submitting a detailed security plan and security overlay to the Brisbane Police Department in conjunction with their submission of these application materials, in order to ensure the plan's confidentiality and preserve the integrity of the Operations and Premises. Notwithstanding the foregoing, the following is a brief summary of certain aspects of the security plan submitted to the Brisbane Police Department by PDIS and PDES:

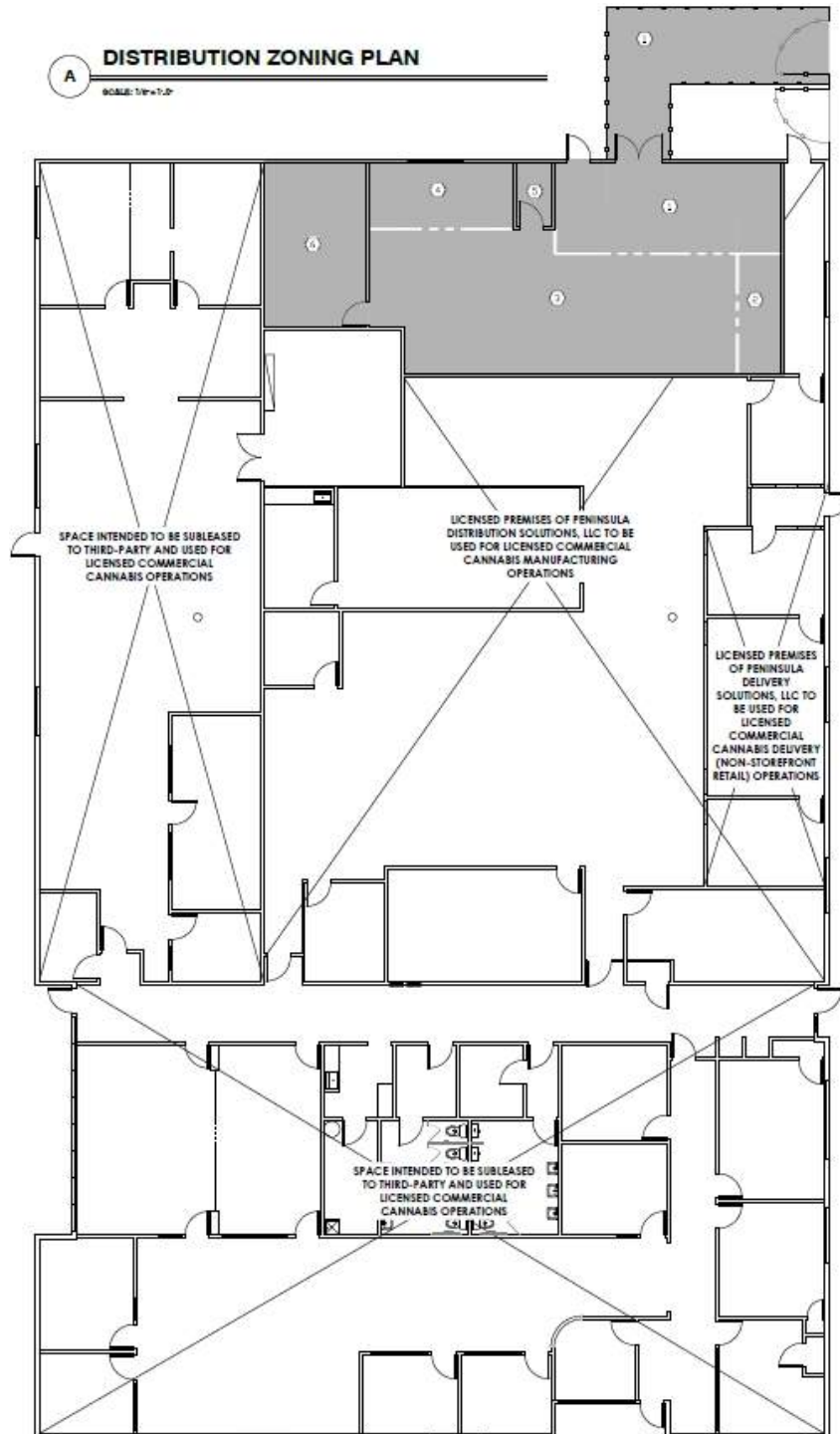
- *Secured Premises:* The security plan details how access to all areas of the Premises will be restricted to the general public and how only employees, certain vendors, and other third parties with a need

to be on the Premises will be permitted thereupon. The security plan also identifies methods for ensuring that only the proper individuals are permitted in the premises, including database management tools and employee identification devices. Lastly, the security plan identifies physical security measures to prevent unauthorized access to the Premises, including state-of-the-art locking methods and monitored alarm systems.

- *Surveillance:* Each Premises will be equipped with state-of-the-art video surveillance equipment in accordance with the applicable State and local laws and regulations, which will monitor the interior and exterior portions of the Premises and Operations. PDIS and PDES will maintain copies of these recordings for the legally required amounts of time.
- *Storage:* Each Premises will include areas for which Products and other materials are securely stored at all times, and for which access will be limited further than other areas of the Premises, which themselves will be treated as limited-access areas at all times.
- *Theft Prevention, Investigation, and Reporting:* PDIS and PDES will adopt procedures, including inventory tracking using TAT and other systems and limiting access to the Premises as set forth above, to ensure that Products are not stolen. The security plan outlines the protocol for investigating thefts and other breaches on the Premises and for reporting the same as required by the Code and applicable law.

### III. DISTRIBUTION OPERATIONS—PDIS

A step-by-step overview of the day-to-day business activities in connection with the Distribution Operations is provided below and will be carried out in accordance with specifically designated zones within the Distribution Premises, as summarized in the following diagram:





*Zone 1 – Loading & Unloading*

- Upon receipt of any Products, PDIS management personnel will verify transportation manifest information and record in the TAT system acknowledgement of acceptance of such Products and any discrepancies between the type or quantity of Products specified in the transportation manifest and the type or quantity of Products actually received.
- Upon verification of transportation manifest information by PDIS security personnel or an operations manager, PDIS operations personnel will transfer each Product batch to Zone 2 of the Distribution Premises.
- As demonstrated above, Zone 1 includes an exterior sally port, which, for the avoidance of doubt, is not part of the Distribution Premises. Rather, this is an area external to the Distribution Premises that will be utilized by the Distribution Operations for incidental loading and unloading of Products.

*Zone 2 – Testing & Quarantine*

- Prior to transporting or distributing any Products, PDIS operations personnel will ensure the quality and safety of its Products by using a third-party licensed and fully-compliant analytical testing laboratory (“Lab”) to retrieve random samples of all incoming Products in order to test for pesticides, microbiological contamination, and potency in accordance with the policies and procedures set forth herein.
- All Product batches will be stored in a secured quarantine area until test results from the Lab have been received.
- Upon issuance of a certificate of analysis from the Lab stating that a Product batch has achieved satisfactory test results in accordance with all applicable City and State regulations and requirements (“Certificate”) in connection with a Product batch, PDIS operations personnel will transfer such Product batch to Zone 3 of the Distribution Premises for storage.
- Upon receiving notice from the Lab that a Certificate will not be issued in connection with a Product batch, PDIS management personnel will determine the process for either (i) returning such Product batch to the licensee from which such Product batch was sourced for remediation or (ii) destruction and disposal of such Product batch in accordance with all applicable requirements of the Regulations.
- PDIS operations personnel will monitor Zone 2 of the Distribution Premises for temperature, relative humidity, and pests. If at any time there is a perceived risk of contamination, quarantine procedures will be immediately implemented and PDIS management personnel will initiate a full analysis of the threat.

*Zone 3 – Storage*

- PDIS operations personnel will maintain Product security, safety, and quality as a priority and will implement policies and procedures in order to secure and insure that no Products are lost or diverted.
- PDIS operations personnel shall maintain inventory logs and shall reconcile Product inventory with the records in the TAT system at least once every 14 days.
- PDIS operations personnel will monitor Zone 3 of the Distribution Premises for temperature, relative humidity, and pests. If at any time there is a perceived risk of contamination, quarantine

procedures will be immediately implemented and PDIS management personnel will initiate a full analysis of the threat.

*Zone 4 – Quality Assurance & Order Preparation*

- All Products will be stored, transported, and distributed by PDIS in their original compliant packaging and labeling with the exception of bulk Products, which will be repackaged by PDIS operations personnel in accordance with all applicable requirements of the Regulations and will be labeled as described herein.
- Prior to transporting or distributing a Product batch to licensed and fully-compliant manufacturers, distributors, and retailers, PDIS operations personnel will undertake a quality assurance review of such Product batch to ensure that:
  - The Certificate issued by the Lab is the Certificate that corresponds to such Product batch;
  - The Product batch is labeled consistently with the Certificate regarding contamination and potency in accordance with all applicable requirements of the Regulations;
  - The Product batch is packaged in accordance with all applicable requirements of the Regulations, including, but not limited to, Business and Professions Code Section 26120;
  - The Product batch is packaged in tamper evident packaging with a one-time-use seal affixed to the opening of the packaging, allowing a person to recognize whether or not the packaging has been opened;
  - The weight or count of the Product batch is consistent with the corresponding entry in the TAT system; and
  - All activities related to such Product batch have been entered into the TAT system.
- Any Product batch that does not pass the quality assurance review shall be destroyed and disposed of in accordance with the policies and procedures set forth herein.

*Zone 5 – Waste Disposal*

- All cannabis waste shall be stored in a locked waste disposal collection container, accessible only by authorized PDIS personnel.
- All cannabis waste shall be destroyed and disposed of by authorized PDIS personnel in accordance with the Regulations and under the strict supervision of PDIS management personnel.
- In connection with cannabis waste being destroyed or disposed of, PDIS management personnel shall record in the TAT system:
  - The name of the PDIS employee performing the destruction or disposal;
  - The reason for the destruction or disposal and the quantity being destroyed; and
  - The name of the entity being used to collect or process the cannabis waste.

*Zone 6 – Management & Security Office*

- PDIS management personnel shall oversee all activities comprising the Operations and shall record any applicable activities in the TAT system.

- PDIS management personnel shall document all transportation activities or transactions through a transportation manifest generated through the TAT system.
- PDIS operations personnel will implement policies and procedures to ensure enhanced Product safety, quality, and compliance to provide utmost consumer safety.
- PDIS management personnel shall keep and maintain the records in connection with the Operations for at least seven years.
- Prior to providing access to the Distribution Premises to any unauthorized individual, including any outside vendor, contractor, or other individual conducting business that requires access to the Distribution Premises, PDIS security personnel will confirm the identity of such individual with PDIS management personnel.
- More detailed information about this Zone has been provided to the Brisbane Police Department in the detailed security plan.

**Hours of Operation:** The Distribution Premises shall at all times be closed to the general public. The hours of operation in connection with the Distribution Operations will be Monday through Friday between 9:00 a.m. and 5:00 p.m. Pick-ups and drop-offs of Products at the Distribution Premises will be prohibited during non-operating hours.

**Odor Control:** Odors shall be contained on the Distribution Premises. If the city receives any odor complaints, PDIS shall work with the building official to correct odor concerns. PDIS acknowledges that unresolved or repeated odor complaints may be the basis for suspension or revocation of PDIS’s business license or use permit, as applicable. PDIS shall employ the following systems:

1. PDIS will employ an HVAC system with air handling units that will be outfitted with active carbon filters from the Camfil<sup>1</sup> commercial line. These filters are certified with a 1500 Microparticle Performance Rating (“MPR”) and designed to not only filter airborne dust, allergens, bacteria and viruses, but are electrostatically charged to capture microscopic particulate. Camfil filters also provide:
  - a. Reduced energy costs during the entire life of the air filter. Camfil air filters optimize efficiency and energy use reducing HVAC energy costs by up to 50%. The media type coupled with the innovative media configurations deliver lower pressure drops over the life of the air filters -- and a significantly reduction in energy use.
  - b. Lower carbon footprint because Camfil air filters perform more efficiently, use less energy and require less-frequent change outs. Using fewer filters means fewer dollars spent on fuel at every step – from Material acquisition and processing to filter manufacturing, distribution, transportation to users, and ultimately, transport to a landfill, and recycling. The lower amounts of energy consumed at every stage contributes substantially to a reduced carbon footprint.
  - c. Waste reduction is typically reduced 30% to 75%—lowering the frequency of filter replacements means fewer filters go to the landfills.

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<sup>1</sup> Camfil “Truly Green” Brochure. <http://www.camfil.us/Filter-Technology/Green-Clean-Air-Solutions/>

- d. Higher IAQ (Indoor Air Quality) rating than is required for hospitals and laboratories. Air filtration systems will operate at a Minimum Efficiency Reporting Value (“MERV”) certified level 13<sup>2</sup>.
2. Air filters will be changed more frequently than directed by the manufacturer (typically every 90 days) to insure proper odor confinement.
3. Fresh air will be brought in through the HVAC filtration/ventilation system, then cleaned and recirculated using Activated Carbon Cannon filters<sup>3</sup>. These filters are designed with over 25 pounds of Virgin Activated Coconut Carbon. These filters are environmentally safe and recyclable.
4. The building HVAC system will include standard building environment controls for the warehouse, office, restrooms, and all common areas.
5. Automatic power interruption shall occur upon the immediate detection of smoke anywhere in the premises.
6. Smoke detectors shall be factory installed in the air moving equipment as per California State Fire Marshall requirements and installed in accordance with the manufacturer’s recommendations.
7. Centrally monitored Carbon Monoxide detectors will be placed strategically throughout the facility to monitor and maintain a safe Carbon Monoxide level in the facility.

**Location of Business Activities and Visibility of Operations:** All aspects of the Distribution Operations, with the exception of incidental loading and unloading of Products, shall occur within the Distribution Premises. No portion of the Distribution Operations or Products shall be visible from the exterior of the building. The Distribution Premises shall ensure that all windows are covered in frosted “film” or another form of covering which does not allow visibility of the interior of the Distribution Premises. Doors permitting entry to the Distribution Premises will remain closed and locked at all times.

**Noise Control:** Per Code section 8.28.060, PDIS will take measures to prevent any machine or device on its premises from producing a noise level more than 10 dBA above the local ambient to any receiver for a cumulative period of more than 10 minutes in any hour, a noise level more than 20 dBA above the local ambient to any receiver for a cumulative period of more than 3 minutes in any hour, or a noise level more than 30 dBA above the local ambient to any receiver.

**Labeling:** All Products will be packaged and labeled in compliance with all applicable Brisbane, State, and federal laws and regulations and requirements in order to identify the contents of each package, its origin, and any and all additional internal, Brisbane, or State tracking requirements. All Products will be stored, transported, and distributed by PDIS in their original compliant packaging and labeling with the exception of bulk Products, which will be repackaged by PDIS at the Distribution Premises in accordance with all applicable City and State regulations, including, where applicable Proposition 65 and other applicable laws and regulations.

PDIS may package, re-package, label, and re-label Products for retail sale. However, PDIS will not package, re-package, label, or re-label manufactured Products except if PDIS also holds a manufacturing license and is packaging, re-packaging, labeling, or re-labeling its own manufactured Products. Notwithstanding the foregoing sentence, if it is determined during laboratory testing that a manufactured Product is labeled with

<sup>2</sup> MERV Rating Chart. [http://www.mechreps.com/PDF/Merv\\_Rating\\_Chart.pdf](http://www.mechreps.com/PDF/Merv_Rating_Chart.pdf)

<sup>3</sup> Activated Carbon Filter and Scrubber. <https://www.amazon.com/Activated-Carbon-Filter-Scrubber-Cannon/dp/B004D4RF0C>

the incorrect amount of THC per package or serving but is within the THC limits for sale, PDIS may re-label the package with the accurate THC amount. PDIS may also re-label the package with the accurate amount of cannabinoids and terpenoids if laboratory testing determines that the manufactured Product is labeled with incorrect amounts.

**Storage-Only Services:** PDIS may provide storage-only services in connection with Products to a licensed cultivator, manufacturer, microbusiness, nonprofit, or another distributor, unrelated to the quality assurance and laboratory testing processes.

**Insurance:** PDIS shall maintain appropriate insurance for the Distribution Operations as required by section 5308 of the BCC Regulations.

**Record Retention:** PDIS operations personnel shall keep and maintain the following records in connection with the Distribution Operations for at least seven years:

- Financial records, including, but not limited to, bank statements, sales invoices, receipts, tax records, and all records required by the California Department of Tax and Fee Administration under Title 18 Code of Regulations Sections 1698 and 4901;
- Personnel records, including each employee's full name, social security number or employer identification number, employment start date, and employment termination date;
- Training records;
- Contracts with all other licensees in connection with the Distribution Operations;
- Permits, licenses, and other City and State authorizations required in connection with the Distribution Operations;
- Security records, except for surveillance recordings required pursuant to section 5044 of the BCC Regulations;
- Records relating to the composting or destruction of Products and cannabis waste;
- Documentation for data or information entered into the TAT system;
- All other documents prepared or executed by an owner or their employees or assignees in connection with the Distribution Operations.

Additionally, PDIS shall maintain the following records:

- Records relating to branding, packaging and labeling;
- Inventory logs and records;
- Transportation bills of lading and shipping manifests for completed transports and for Products in transit;
- Vehicle and trailer ownership records;
- Quality-assurance records;
- Records relating to destruction of Products and cannabis waste;
- Laboratory-testing records;
- Warehouse receipts;

- Records relating to tax payments collected and paid under Sections 34011 and 34012 of the Revenue and Taxation Code.

PDIS will prepare and retain any required records in a legible manner and will store them in a secured area where they are protected from debris, moisture, contamination, hazardous waste, fire, and theft. PDIS acknowledges that the BCC may make any examination of PDIS's books and records as BCC deems necessary to perform its duties and that all records are subject to review by the BCC anytime PDIS is exercising its privileges or at any other time as mutually agreed to by the BCC and PDIS. PDIS further acknowledges that prior notice by the BCC to review records is not necessary and that the BCC may review records outside of PDIS's standard daily business hours. PDIS shall keep records shall in a manner that allows records to be produced for the BCC immediately upon request at the licensed premises in either hard copy or electronic form, whichever the BCC requests.

**Transportation:** PDIS will not be use large-scale vehicles, such as trucks, for transportation of Products. Any pick-ups and drop-offs will be done using relatively small vehicles, such as commercial vans. PDIS will likely have a maximum of one bulk pick-up and drop-off per day in connection with the Distribution Operations, and this will occur within operating hours. These vehicles will not have labels or signage affixed that indicates that they are transporting Products. Any Products that are being loaded or unloaded will be packaged in a manner that does not reveal the contents of the packaging.

When PDIS is transporting Products between licensees or licensed premises, PDIS will adhere to the following:

- Transportation will only be conducted by holders of valid distributor licenses or their employees;
- PDIS's vehicles transporting Products for hire shall have a motor carrier permit pursuant to Chapter 2 (commencing with Section 34620) of Division 14.85 of the Vehicle Code;
- PDIS shall not transport by means of aircraft, watercraft, drone, rail, human powered vehicle, and unmanned vehicle;
- Products shall only be transported inside of a vehicle or trailer and shall not be visible or identifiable from outside of the vehicle or trailer;
- Products shall be locked in a box, container, or cage that is secured to the inside of the vehicle (which, for purposes of this section, includes the trunk) or trailer;
- While left unattended, vehicles and trailers shall be locked and secured;
- PDIS shall not leave a vehicle or trailer containing Products unattended in a residential area or parked overnight in a residential area;
- At a minimum, PDIS shall have a vehicle alarm system on all transport vehicles and trailers. Motion detectors, pressure switches, duress, panic, and hold-up alarms may also be used;
- Packages or containers holding Products shall not be tampered with, or opened, during transport;
- PDIS shall only travel between licensees shipping or receiving Products and the Distribution Premises when engaged in the transportation of Products. PDIS may transport multiple shipments of Products at once in accordance with applicable laws. PDIS shall not deviate from the travel requirements of the BCC Regulations, except for necessary rest, fuel, or vehicle repair stops;

- Under no circumstances may non-cannabis goods, except for cannabis accessories as defined in Business and Professions Code section 26001(g), be transported with the Products;
- Vehicles and trailers transporting Products will be subject to inspection by the BCC at any licensed premises or during transport at any time;
- If it is not operationally feasible to transport Premises inside of a vehicle or trailer because the Distribution Premises that the Products will be transported from and the licensed premises that will be receiving the Products are located within the same building or on the same parcel of land, the Products may be transported by foot, hand truck, fork lift, or other similar means. A shipping manifest that complies with the BCC Regulations is required when transporting Products as described in this paragraph;
- No person under the age of 21 shall be in a commercial vehicle or trailer transporting pods. Only PDIS, an employee of PDIS, or security personnel who meets the requirements of section 5045 of the BCC Regulations shall be permitted in a vehicle while transporting Products.

PDIS shall provide the following information to the BCC:

- Proof of ownership or a valid lease for each vehicle and trailer used to transport Products;
- The year, make, model, license plate number, and numerical Vehicle Identification Number (“VIN”) for each vehicle and trailer used to transport Products; and
- Proof of insurance for each vehicle and trailer used to transport Products.

PDIS shall provide the BCC with the foregoing information in writing for any new vehicle or trailer that will be used to transport Products prior to using the vehicle or trailer to transport Products. PDIS will provide the BCC with any changes to the foregoing information in writing within 30 days.

**Shipping Manifest:** Prior to transporting Products, PDIS will generate a shipping manifest through the TAT system for: (1) testing and sampling; (2) sale of Products to a licensee; (3) destruction or disposal of Products; and (4) any other activity required by the BCC or any other regulating authority. A shipping manifest will accompany every transport of Products.

PDIS will transmit the shipping manifest to the BCC and the licensee that will receive the Products prior to transporting the Products. PDIS shall ensure and verify that the Products being taken into possession for transport at the originating licensed premises are as described and accurately reflected in the shipping manifest. PDIS may verify that the Products are accurately reflected in the shipping manifest by confirming that the number of boxes of Products, type of Products, weight or units of Products matches the label on the boxes containing the Products.

PDIS will not take into possession or transport any Products that are not on the shipping manifest or any Products that are less than or greater than the amount reflected on the shipping manifest. PDIS acknowledges that it is responsible for any discrepancies between the shipping manifest and the Products in its possession during transport and could be subject to any enforcement or disciplinary action related to such discrepancy. PDIS will not void or change a shipping manifest after departing from the originating licensed premises.

If PDIS has not obtained access to the TAT system, PDIS will complete the shipping manifest outside of the TAT system and transmit it to the BCC and the licensee receiving the shipment by electronic mail. If PDIS has access to the TAT system and the licensee receiving the shipment has not obtained access to the

TAT system, PDIS will complete the shipping manifest in the TAT system and transmit it to the BCC, and the BCC will send a copy to the licensee receiving the shipment by electronic mail.

**Quality Assurance and Product Testing:** Prior to transporting or distributing Products to or from the Distribution Premises, PDIS will ensure the quality and safety of its Products by using a Lab to retrieve random samples of all incoming Product batches in order to test for pesticides, microbiological contamination, and potency.

**Storage of Batches for Testing:** PDIS shall ensure that all Product batches are stored separately and distinctly from other Product batches on the Distribution Premises. PDIS shall ensure a label with the following information is physically attached to each container of each batch: (1) the name and license number of the manufacturer or cultivator who provided the batch; (2) the date of entry into PDIS's storage area; (3) the unique identifiers and batch number associated with the batch; (4) a description of the Products with enough detail to easily identify the batch; (5) the weight of or quantity of units in the batch; and (6) the best-by, sell-by, or expiration date of the batch, if any.

**Testing Arrangements and Testing Sample:** After taking physical possession of a Products batch, PDIS shall contact a Lab and arrange for a Lab employee to come to the Distribution Premises to select a representative sample for Lab testing. During this process:

- PDIS shall ensure that the batch size from which the sample is taken meets the requirements of the BCC Regulations.
- PDIS or an employee of PDIS shall be physically present to observe the Lab employee obtain the sample of Products for testing and shall ensure that the increments are taken from throughout the batch.
- The sampling shall be video recorded with the batch number stated at the beginning of the video and a visible time and date indication on the video recording footage. The video recordings shall be maintained for 180 days.
- After the sample has been selected, both PDIS and the Lab employee shall sign and date the chain of custody forms pursuant to section 5709 the BCC Regulations, attesting to the sample selection having occurred.
- PDIS shall not assist the Lab employee nor touch the Products or the sampling equipment while the Lab employee is obtaining the sample.

**Laboratory Testing Results:** PDIS will consider a sample to have “passed” a Lab test when the sample meets specifications in chapter 6 of the BCC Regulations, and “failed” when it does not meet these specifications. When a batch from a manufactured or harvest batch passes, PDIS may transport Products to one or more retailers from the Distribution Premises. If a failed sample was collected from a batch and the batch could be remediated pursuant to section 5727 of the BCC Regulations, PDIS may transport or arrange for the transportation of the batch to a manufacturer for remediation. PDIS will destroy a batch that failed laboratory testing and cannot be remediated pursuant to section 5727 of the BCC Regulations.

**Quality-Assurance Review:** When PDIS receives a certificate of analysis stating that the sample meets specifications required by law, PDIS shall ensure the following before transporting the Products to one or more retailers:

- The certificate of analysis that PDIS received from the testing Lab is the certificate of analysis that corresponds to the batch;



- The label on the Products is consistent with the certificate of analysis regarding cannabinoid content and contaminants required to be listed by law;
- The packaging complies with applicable packaging laws including, but not limited to, Business and Professions Code section 26120. Products are not required to be labeled or otherwise identified as medicinal products prior to retail sale unless the Products must be labeled as such pursuant to the requirements prescribed by the DPH Regulations;
- The packaging is “tamper-evident”, meaning a one-time-use seal is affixed to the opening of the package, allowing a person to recognize whether or not the package has been opened;
- The weight or count of the Product batch comports with that in the TAT system, and PDIS shall use scales as required by MAUCRSA; and
- All events prior to receipt have been entered into the TAT system.

**Destruction and Disposal of Cannabis Waste:** No Products shall be disposed of as cannabis waste until such Products have been removed from their packaging and rendered unrecognizable and unusable. All Products shall be rendered unusable by grinding and incorporating such Products with other ground materials, such that the resulting mixture shall be composed of at least 51% non-cannabis waste by volume. PDIS operations personnel shall include an agent to mask any marijuana odor produced by the cannabis waste mixture.

PDIS will not sell cannabis waste and shall comply with all applicable City and State regulations and requirements. PDIS operations personnel shall dispose of cannabis waste in a secured waste receptacle in a secured cannabis waste destruction and disposal area, meaning an area in which physical access is restricted to applicable PDIS personnel, local agencies, or the permitted waste hauler and public access shall be expressly prohibited.

PDIS intends to engage the services of South San Francisco Scavenger Company, Inc. (“SSF”) to collect and process cannabis waste. In connection therewith, PDIS operations personnel shall do all of the following:

- Provide the BCC with SSF’s name and entity;
- Obtain documentation from SSF that indicates the date and time of each collection of the cannabis waste at the Facility; and
- Obtain a copy of the certified weight ticket or other documentation prepared by SSF that confirms receipt of the cannabis waste at one, or more, of the following solid waste facilities:
  - A manned, fully-permitted solid waste landfill or transformation facility;
  - A manned, fully-permitted composting facility or operation;
  - A manned, fully-permitted in-vessel digestion facility or operation;
  - A manned, fully-permitted transfer/processing facility or operation; or
  - A manned, fully-permitted chip-and-grind operation.

Should PDIS self-haul cannabis waste to one or more of the aforementioned solid waste facilities, PDIS operations personnel shall obtain for each delivery of cannabis waste a copy of a certified weight ticket or receipt documenting delivery from the solid waste facility.

**TAT:** All transportation of Products and cannabis waste contemplated in the Distribution Operations will be conducted in accordance with the policies and procedures set forth in the “Transportation” section above. PDIS will operate in full compliance with all applicable City and State regulations and requirements, including TAT system requirements. PDIS will require TAT compliance from all of its vendors, suppliers, and partners and in connection with all purchases, sale, packaging, transfer, return, destruction, and disposal of Products. There are multiple TAT systems available and, while the system selected by PDIS will adhere to the specifications listed herein, PDIS has not awarded a final contract for the TAT system that will be used in connection with the Distribution Operations. At all times, PDIS shall maintain an active and functional account within the TAT system prior to engaging in any activities comprising the Distribution Operations.

**TAT Monitoring:** PDIS shall designate a senior executive as a TAT account manager who may authorize additional employees as TAT system users and shall ensure that each such user is properly trained to access and use the TAT system prior to its use and access (and any person who uses and accesses the TAT system will attend and successfully complete all required TAT system training, including any orientation and continuing education, either prior to receipt of PDIS’ annual State licenses, or must sign up for and complete the training within five business days of issuance of the license).

The TAT account manager and each TAT system user shall be assigned unique login credentials, consisting of a username and password, to access the TAT system, which shall not be transferred between TAT system users or any third person at any time or for any reason. The account manager shall maintain a complete, accurate, and up-to-date list of all TAT system users, consisting of full names and login credentials.

Distribution Operations personnel shall monitor all notifications of compliance generated by the TAT system and shall resolve such issues in a timely manner. Independent of the TAT system, Distribution Operations personnel shall keep a record of all notifications of compliance issues generated by the TAT system, including how and when compliance was achieved. If unable to resolve a compliance issue within three business days of receiving a notification, Distribution Operations personnel shall notify the BCC immediately. PDIS shall be accountable for all actions taken by its owners and employees while logged into or using the TAT system, or otherwise while conducting TAT activities.

**TAT Reporting:** All activities comprising the Distribution Operations shall be recorded in the TAT system, including:

- Packaging of Products;
- Sale of Products;
- Transportation of Products to a licensee;
- Receipt of Products;
- Return of Products;
- Destruction and disposal of cannabis waste;
- Lab testing results; and
- Any other activity that is required by the BCC Regulations or any other licensing authority to be recorded in the TAT system.

The following information shall be recorded for each activity entered in the TAT system:

- The name and type of all Products;

- A unique identifier of all Products;
- The amount of all Products, by weight or count, and total sale price of the Products, as applicable;
- The date and time of the activity or transaction;
- Name and license number of other licensees involved in the activity or transaction;
- In connection with transportation activities or transactions documented by a transportation manifest generated through the TAT system, and in addition to the foregoing information:
  - The name, license number, and premises address of the originating licensee;
  - The name, license number, and licensed premises address of the licensee transporting the Products;
  - The name, license number, and licensed premises address of the destination licensee receiving the Products into inventory or storage;
  - The date and time of departure from the licensed premises and approximate date and time of departure from each subsequent licensed premises, if any;
  - Arrival date and estimated time of arrival at each licensed premises; and
  - Driver license number of the personnel transporting the Products, and the make, model, and license plate number of the vehicle used for transport.
- In connection with cannabis waste being destroyed or disposed of, Distribution Operations personnel shall record in the TAT system:
  - The name of the employee performing the destruction or disposal;
  - The reason for the destruction or disposal; and
  - The name of the entity being used to collect or process the cannabis waste.
- Distribution Operations personnel shall enter descriptions for any adjustments in the TAT system, including, but not limited to:
  - Spoilage or fouling of Products;
  - Any event resulting in exposure or compromise of Products; and
  - Any other information that may be required by licensing authorities.

Upon pick-up or receipt of Products for transport, storage, or inventory, PDIS shall ensure that the Products received are as described in the shipping manifest and shall record acceptance and acknowledgment of the Products in the TAT system. All transactions will be entered into the TAT system within 24 hours of occurrence.

PDIS shall only enter and record complete and accurate information into the TAT system and shall correct any known errors entered into the TAT system immediately upon discovery if there are any discrepancies between the type or quantity specified in the shipping manifest and the type or quantity received by PDIS, PDIS shall record and document the discrepancy in the TAT system and in any relevant business record.

In the event of any loss of access to the TAT system, PDIS operations personnel shall maintain comprehensive records detailing all activities that were conducted during the loss of access and shall document such loss of access and notify the BCC immediately of (i) when access to the system was lost,

(ii) when access is restored, and (iii) the cause for the loss of access. Once access is restored, all activities in connection with the Distribution Operations that occurred during the loss of access shall be entered into the TAT system within three business days of restoration of access to the TAT system. PDIS shall not transport or distribute any Products until access to the TAT system has been restored and all information related thereto has been recorded into the TAT system.

**Inventory and TAT System Reconciliation:** PDIS operations personnel shall maintain Inventory logs containing the following information in connection with each Product batch:

- The name and license number of the manufacturer or cultivator from whom the Product batch originated;
- The date of entry into the PDIS's storage area;
- The unique identifiers and batch number associated with the batch;
- A description of the Products with enough detail to easily identify the batch;
- The weight of or quantity of units in the batch;
- The best-by, sell-by, or expiration date of the batch, if any; and
- Where on the Distribution Premises the batch is kept.

PDIS operations personnel shall reconcile Inventory with the records in the TAT system at least once every 14 days. If PDIS operations personnel identify a discrepancy between the Inventory in stock and the corresponding Inventory log or TAT system report that is outside of normal weight reduction caused by moisture loss, PDIS operations personnel shall commence an audit of the Product batch in which the discrepancy was identified and notify the Bureau of any reportable activity.

**Cash Management:** A limited amount of cash will be stored in the Safe located in the Distribution Premises. The Safe will be checked by PDIS operations and/or security personnel regularly and monitored by surveillance cameras.

All cash transactions will occur within the shipping and receiving area, where they will be (i) monitored by PDIS operations and/or security personnel, (ii) recorded either digitally or on paper and in accordance with the TAT system, and (iii) be done in full view of surveillance cameras.

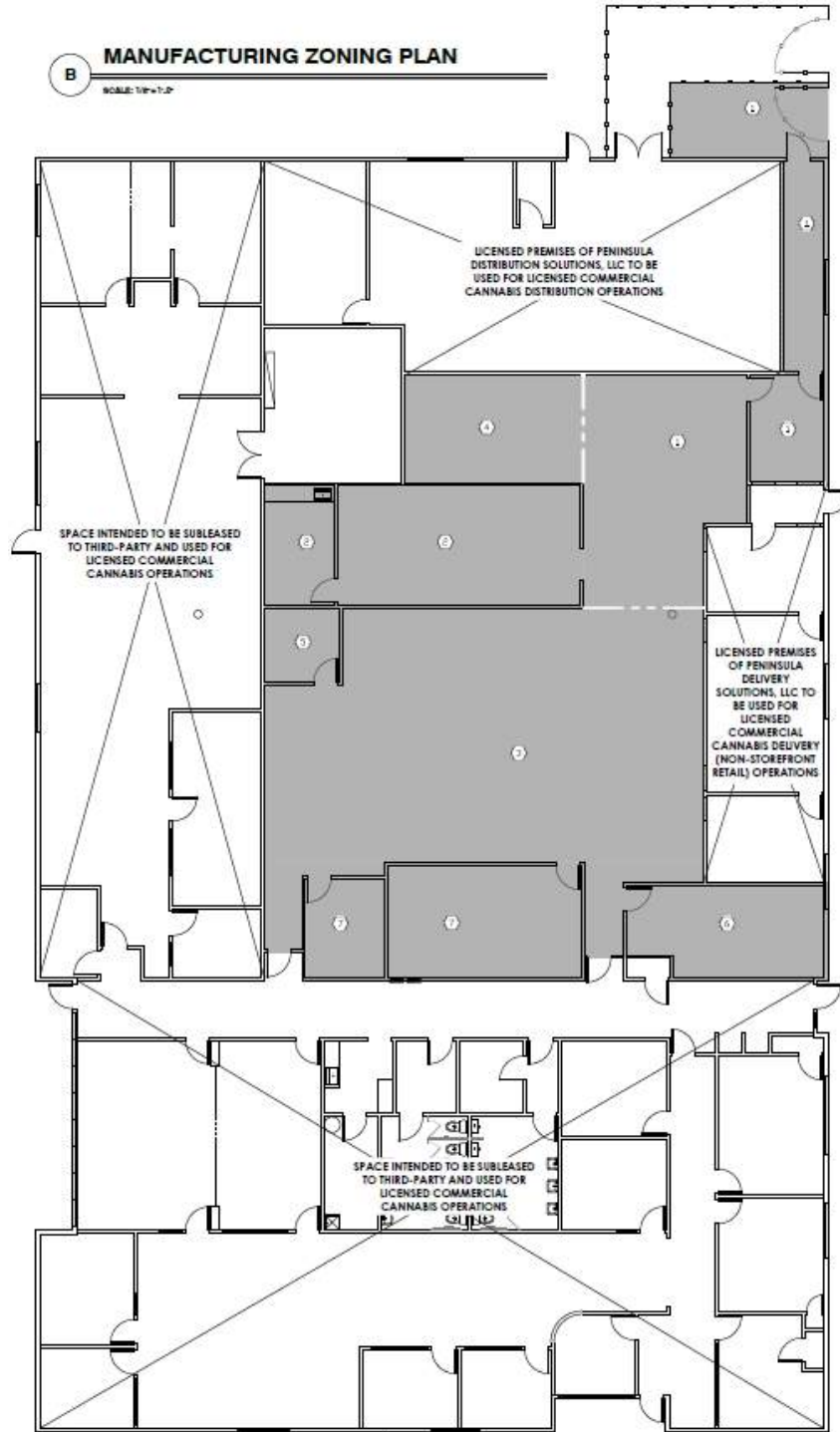
**Further Cash Management Precautions:** PDIS operations personnel will minimize the number of cash transactions that take place at the Distribution Premises by conducting those exchanges at other locations such as banks and private safe deposit vaults and through licensed couriers as often as possible. The amount of cash kept on hand at the Distribution Premises will also be kept to a minimum in order to reduce the risk of theft or robbery.

In the event that the City requires licensed commercial cannabis operators to implement a cashless system of operation, PDIS shall utilize a system provided by a vendor approved by the City Manager. The Distribution Premises (including Zone 6 thereof) will only be accessed by authorized personnel and, as a checks and balances measure, PDIS security personnel will not have access to Zone 6 of the Distribution Premises when PDIS operations personnel are not onsite.

**Auditing:** All cash transactions will be authorized and monitored by the Distribution Premises manager and will be tracked by PDIS's sales management software, accounting software, TAT system, and physical hard copy documentation. PDIS expects to achieve cross-platform compatibility between these systems for more efficient and effective tracking of all cash transactions.

### III. MANUFACTURING OPERATIONS—PDIS

A step-by-step overview of the day-to-day business activities in connection with the Manufacturing Operations is provided below and will be carried out in accordance with specifically designated zones within the Manufacturing Premises, as summarized in the following diagram:



*Zone 1 – Loading & Unloading*

- Upon receipt of any Materials, PDIS management personnel will verify transportation manifest information and record in the TAT system an acknowledgement of acceptance of such Materials and any discrepancies between the type or quantity of Materials specified in the transportation manifest and the type or quantity of Materials actually received.
- Upon verification of transportation manifest information by PDIS management personnel, PDIS operations personnel will transfer the received Materials for storage in Zone 7 of the Manufacturing Premises.
- Upon being ready for shipment, Products will be transferred from Zone 4 to Zone 1 of the Manufacturing Premises, where PDIS management personnel will verify transportation manifest information and record in the TAT system an acknowledgement of release of such Materials and any discrepancies between the type or quantity of Materials specified in the transportation manifest and the type or quantity of Materials actually being shipped.
- As demonstrated above, Zone 1 includes an exterior sally port, which, for the avoidance of doubt, is not part of the Manufacturing Premises. Rather, this is an area external to the Manufacturing Premises that will be utilized by the Manufacturing Operations for incidental loading and unloading of Products.

*Zone 2 – Infusion & Formulation*

- PDIS operations personnel, with oversight from PDIS, will engage in the following activities:
  - Infusion and formulation of beverages, topicals, and other Products;
  - Bottling (filling) and labeling beverages and other Products using a state-of-the-art bottling line;
  - Mixing of certain Materials using commercial high-shear mixers and blenders; and
  - Cold storage of perishable Materials.
- Incoming Materials will be handled according to DPH regulations for sanitary handling and storage, and all Materials used in the infusion and formulation process will be tracked and inspected, segregated, or otherwise handled as necessary to ensure that they are clean and suitable for processing into Products, and shall be stored under conditions that protect against allergen cross-contact and contamination, and in such a way as to minimize deterioration.
- All Products produced in Zone 2 shall be transferred to Zone 3 of the Manufacturing Premises for compliant packaging and labeling.

*Zone 3 – Packaging & Labeling*

- PDIS operations personnel, with oversight from PDIS, will engage in the following activities:
  - Assembly of bulk packaging materials for Products;
  - Packaging of individual units of Products;
  - Labeling of packages, jars, bottles, pre-rolls, and other forms of packaging of Products;
  - Pre-roll production using commercial grinder and filling machines;

- Co-packing of bulk Materials into individual units of Products using certified scales;
  - Production of Products in the form of tablets, capsules, pills, and mints using tablet press machine; and
  - Production of finished concentrate-based Products using proprietary press and molding machine.
- PDIS operations personnel will maintain compliant packaging and labeling of Products as a priority and will implement policies and procedures to ensure every Product has the appropriate label and packaging.
  - PDIS operations personnel shall maintain logs containing the information displayed on each Product label produced, and the relevant manufacturing information such as date produced, Materials used and the supplier thereof, and the manager responsible for the manufacturing process.
  - All packaging will be stored in a dry location and monitored for any signs of degradation or contamination. Any packaging showing signs of being compromised will be immediately removed from the building and destroyed.
  - Upon being verified as compliantly labeled and free of any defects or notable anomalies, all Products produced in Zone 3 of the Manufacturing Premises shall be entered in the TAT system and transferred to Zone 4 for storage.

#### *Zone 4 – Storage (Products)*

- All Products shall initially be stored in a secured quarantine area, where they will await testing by a third-party licensed and fully-compliant analytical testing laboratory (“Lab”).
- Upon issuance of a certificate of analysis from the Lab stating that a Product batch has achieved satisfactory test results in accordance with all applicable City and State regulations and requirements (“Certificate”), such Product batch will be transferred into a secured storage area on designated shelving with highly legible identification tags for each type of Product, the batch number, and date of production.
- Upon receiving notice from the Lab that a Certificate will not be issued in connection with a Product batch, PDIS management personnel will determine the process for either (i) returning such Product batch to the licensee from which such Product batch was sourced for remediation or (ii) destruction and disposal of such Product batch in accordance with all applicable requirements of the Regulations.
- PDIS operations personnel will monitor Zone 4 of the Manufacturing Premises for temperature, relative humidity, and pests. If at any time there is a perceived risk of contamination, quarantine procedures will be immediately implemented and PDIS management personnel will initiate a full analysis of the threat.

#### *Zone 5 – Waste Disposal*

- All marijuana waste shall be stored in a locked waste disposal collection container, accessible only by authorized PDIS personnel.
- All marijuana waste shall be destroyed and disposed of by authorized PDIS personnel in accordance with the Regulations and under the strict supervision of PDIS management personnel.

- In connection with marijuana waste being destroyed or disposed of, PDIS management personnel shall record in the TAT system:
  - The name of the PDIS employee performing the destruction or disposal;
  - The reason for the destruction or disposal and the quantity being destroyed; and
  - The name of the entity being used to collect or process the marijuana waste.

*Zone 6 – Management & Security Office*

- PDIS management personnel shall oversee all activities comprising the Manufacturing Operations and shall record any applicable activities in the TAT system.
- PDIS operations personnel will implement policies and procedures to ensure enhanced Product safety, quality, and compliance to provide utmost consumer safety.
- PDIS management personnel shall keep and maintain the records in connection with the Manufacturing Operations for at least seven years.
- Prior to providing access to the Manufacturing Premises to any unauthorized individual, including any outside vendor, contractor, or other individual conducting business that requires access to the Manufacturing Premises, PDIS security personnel will confirm the identity of such individual with PDIS management personnel.
- More detailed information about this Zone has been provided to the Brisbane Police Department in the detailed security plan.

*Zone 7 – Storage (Materials)*

- Until such time as they are transferred for use in Zone 2 and Zone 3 of the Manufacturing Premises, as applicable, all Materials will be stored in a secured storage area.
- Any manufacturing or office equipment not used daily in connection with the Manufacturing Operations will be stored in Zone 7 of the Manufacturing Premises.
- PDIS operations personnel will monitor Zone 7 of the Manufacturing Premises for temperature, relative humidity, and pests. If at any time there is a perceived risk of contamination, quarantine procedures will be immediately implemented and PDIS management personnel will initiate a full analysis of the threat.

**Hours of Operation:** The Manufacturing Premises shall at all times be closed to the general public. The hours of operation in connection with the Manufacturing Operations will be Monday through Friday between 9:00 a.m. and 5:00 p.m. Pick-ups and drop-offs of Materials and/or Products at the Manufacturing Premises will be prohibited during non-operating hours.

**Incorporation of Certain Elements of PDIS Operating Plan:** PDIS shall employ in its Manufacturing Operations certain of the same procedures, methods, and technologies as in its Distribution Operations (*see* Part II, *supra*), and thus for brevity incorporates those portions herein (but replacing “Distribution Operations” with “Manufacturing Operations” and “Distribution Premises” with “Manufacturing Premises” where applicable). The portions of the plan of operations in connection with the Distribution Operations that are incorporated herein include:

- Odor Control;



- Location of Business Activities and Visibility of Operations; and
- Noise Control

**Standard Operating Procedures:** PDIS will establish and maintain written standard operating procedures that are easily accessible to onsite personnel. The standard operating procedures shall, at minimum, include the following: (a) any policies or procedures developed in accordance with the security plan required by DPH Regulation section 40200; (b) emergency response procedures; (c) policies and procedures developed in accordance with Article 3 of Subchapter 3 of the DPH Regulations; (d) policies and procedures developed in accordance with Article 4 of Subchapter 3 of the DPH Regulations; (e) procedures for complying with the TAT requirements established in Article 2 of Subchapter 5 of the DPH Regulations; (f) inventory control procedures in compliance with DPH Regulations section 40282; and (g) cannabis waste management procedures in compliance with DPH Regulations section 40290.

**Disease Control Protocol:** PDIS will establish and implement written procedures to ensure that any individual who by medical examination or supervisory observation is shown to have, or appears to have, an illness, open lesion (such as boils, sores, or infected wounds), or any other source of microbial contamination presenting a reasonable threat of contamination to the Products, contact surfaces, or packaging materials, shall be excluded from any related Manufacturing Operations until their health condition is corrected. Open lesions, boils, and infected wounds shall be adequately covered (e.g., by an impermeable cover). Personnel shall be instructed to report such health conditions to their supervisors.

**Cleanliness Protocol:** PDIS will establish and implement written procedures to ensure all individuals working in direct contact with Products, Materials, contact surfaces, and packaging materials shall conform to hygienic practices to the extent necessary to protect against allergen cross-contact and contamination of Products while on duty. The methods for maintaining cleanliness include:

- Wearing appropriate outer garments to protect against allergen cross-contact and contamination of Products, contact surfaces, and packaging materials;
- Maintaining adequate personal cleanliness;
- Washing hands thoroughly in an adequate hand-washing facility before starting work, after each absence from the work station, and at any time when the hands may have become soiled or contaminated, and sanitizing hands if necessary to protect against contamination with undesirable microorganisms;
- Removing all unsecured jewelry and other objects that might fall into Products, equipment, or containers, and removing hand jewelry that cannot be adequately sanitized during periods in which Products are manipulated by hand. If such hand jewelry cannot be removed, it may be covered by material which can be maintained in an intact, clean, and sanitary condition and which effectively protects against the contamination by these objects of the Products, Materials, contact surfaces, and/or packaging materials;
- Maintaining any gloves, if they are used in Product and/or Material handling in an intact, clean, and sanitary condition;
- Wearing hair nets, headbands, caps, beard covers, or other hair restraints in an effective manner, where appropriate;
- Storing clothing or other personal belongings in areas separate from those where Products are exposed or where equipment or utensils are washed;

- Confining the following activities to areas separate from those where Products may be exposed or where equipment or utensils are washed: eating food, chewing gum, drinking beverages, and using tobacco; and
- Taking any other necessary precautions to protect against allergen cross-contact and against contamination of Products, Materials, contact surfaces, and/or packaging materials by microorganisms or foreign substances (including perspiration, hair, cosmetics, tobacco, chemicals, and medicines applied to the skin).

**Grounds Protocol:** PDIS will establish and implement written procedures to ensure that the grounds of the premises that are controlled by PDIS are kept in a condition that prevents the contamination of Products and Materials. The methods for adequate maintenance of the grounds will include:

- The proper storage of equipment, removal of litter and waste, and cutting of weeds or grass within the immediate vicinity of the Manufacturing Premises so that they do not constitute an attractant, breeding place, or harborage for pests;
- The proper maintenance of roads, yards, and parking lots so that these areas shall not constitute a source of contamination in areas where Products are handled or transported;
- The provision of adequate draining areas in order to prevent contamination by seepage, foot-borne filth, or the breeding of pests due to unsanitary conditions;
- The provision and maintenance of waste treatment so as to prevent contamination in areas where Products may be exposed to such a system's waste or waste by-products; and
- If the Manufacturing Premises is bordered by grounds outside PDIS's control that are not maintained in the manner described in above, inspection, extermination, and other reasonable care shall be exercised within the Manufacturing Premises in order to eliminate any pests, dirt, and filth that pose a source of Product contamination.

**Premises Construction and Design:** At minimum, the Manufacturing Premises will:

- Provide adequate space for such placement of equipment and storage of Materials as is necessary for maintenance, sanitary operations, and the production of quality Products;
- Permit the taking of adequate precautions to reduce the potential for allergen cross-contact and for contamination of Products, Materials, contact surfaces, and/or packaging materials by microorganisms, chemicals, filth, and other extraneous material;
- Permit the taking of adequate precautions to protect Products and Materials in installed outdoor bulk vessels by any effective means, including: (1) using protective coverings; (2) controlling areas over and around the vessels in order to eliminate harborage for pests; or (3) checking such vessels on a regular basis for pests and pest infestation;
- Be constructed in such a manner that floors, walls, and ceilings may be adequately cleaned and kept clean and in good repair;
- Be constructed in such a manner that drip or condensate from fixtures, ducts and pipes does not contaminate Products, Materials, contact surfaces, and/or packaging materials;
- Be constructed in such a manner so as to provide adequately wide and unobstructed aisles or working spaces between equipment and walls that permit employees to both perform their duties

and protect against the contamination of Products, Materials, contact surfaces, and/or packaging materials via clothing or personal contact;

- Provide adequate lighting in hand-washing areas; dressing and locker rooms; toilet facilities; all areas where Products or Materials are examined, manufactured, processed, packed, or held; and in all areas where equipment or utensils are cleaned;
- Provide shatter-resistant light bulbs, fixtures, skylights, and other shatter-resistant glass fixtures in all areas where glass breakage may result in the contamination of exposed Products or Materials at any step of preparation;
- Provide adequate ventilation or control equipment to minimize dust, odors and vapors (including steam and noxious fumes) in areas where they may cause allergen cross-contact or contamination of Products; and locate and operate fans and other air-blowing equipment in a manner that minimizes the potential for allergen cross-contact and contamination of Products, Materials, contact surfaces, and/or packaging materials; and
- Provide, where necessary, adequate screening or other protection against pests.

**Sanitary Operations Protocol:** PDIS will establish and implement written sanitary operation procedures to ensure the following:

- The Manufacturing Premises, including any fixtures or other physical facilities therein are maintained in a clean and sanitary condition and are kept in good repair so as to prevent Products from becoming adulterated;
- The cleaning and sanitization of utensils and equipment is conducted in a manner that protects against allergen cross-contact and contamination of Products, Materials, contact surfaces, and/or packaging materials;
- Cleaning compounds and sanitizing agents used in cleaning and sanitizing procedures are free from undesirable microorganisms and are safe and adequate under their conditions of use. Only the following toxic materials shall be used or stored in the Manufacturing Premises where Products are processed or exposed: (1) those required to maintain clean and sanitary conditions; (2) those necessary for premises and equipment maintenance and operation; and (3) those necessary for use in the Manufacturing Operations;
- Toxic cleaning compounds, sanitizing agents, and pesticide chemicals are identified, held, and stored in a manner that protects against contamination of Products, Materials, contact surfaces, and/or packaging materials;
- Measures are taken to exclude pests from the Manufacturing Premises in all areas where Products and/or Materials may be at risk of contamination by pests. The use of pesticides to control pests in the Manufacturing Premises will be permitted only under precautions and restrictions that protect against the contamination of Products, Materials, contact surfaces, and packaging materials;
- All contact surfaces including utensils and equipment will be cleaned as frequently as necessary to protect against allergen cross-contact and contamination of Products;
- contact surfaces used for manufacturing, processing, packing or holding low-moisture Products will be maintained in a clean, dry, and sanitary condition before use. When such surfaces are wet-cleaned, they shall, when necessary, be sanitized and thoroughly dried before subsequent use;

- When cleaning is necessary to protect against allergen cross-contact or the introduction of microorganisms into Products during processing methods that utilize water (wet processing), all contact surfaces shall be cleaned and sanitized before use and after any interruption during which contact surfaces may have become contaminated. Where equipment and utensils are used in a continuous production operation, their surfaces shall be cleaned and sanitized as necessary;
- Single-service articles (such as utensils intended for one-time use, paper cups, and paper towels) are stored, handled, and disposed of in a manner that protects against allergen cross-contact and contamination of Product, contact surfaces, and/or packaging materials.
- The non-contact surfaces of equipment used in the Manufacturing Premises will be cleaned in a manner and as frequently as necessary to protect against allergen cross-contact and contamination of Products, Materials, contact surfaces, and packaging materials; and
- Cleaned and sanitized portable equipment with contact surfaces and utensils are stored in a location and manner that protects contact surfaces from allergen cross-contact and contamination.

**Sanitary Facilities and Controls:** The Manufacturing Premises shall be equipped with adequate sanitary accommodations as follows:

- **Water supply.** The water supply will be adequate for the operations intended and derived from an adequate source. Any water that contacts Products, Materials, contact surfaces, and/or packaging materials shall be safe and of adequate sanitary quality. Running water shall be provided in all areas where required for the processing of Products, for the cleaning of equipment, utensils, and packaging materials, and/or for employee sanitary facilities.
- **Plumbing.** Plumbing systems will be of adequate size and design and shall be adequately installed and maintained in order to: (1) carry adequate quantities of water to required locations throughout the Manufacturing Premises; (2) properly convey sewage and liquid disposable waste from the facility premises; (3) avoid the creation of unsanitary conditions and contamination to Products, water supplies, equipment, or utensils; (4) provide adequate floor drainage in all areas where floors are subject to flooding-type cleaning or where normal operations release or discharge water or other liquid waste on the floor; (5) provide that there is not backflow from, or cross-connection between, piping systems that discharge waste water or sewage, and piping systems that carry water for Products or Product manufacturing.
- **Sewage disposal.** Sewage will be disposed of into an adequate sewerage system or through other adequate means.
- **Toilet facilities.** The Manufacturing Premises will provide employees with access to adequate, readily accessible toilet facilities. Toilet facilities will be kept clean and shall not pose a potential source of contamination of Products, Materials, contact surfaces, and/or packaging materials.
- **Hand-washing facilities.** The Manufacturing Premises shall provide handwashing facilities designed to ensure that an employee's hands do not pose a source of contamination to Products, Materials, contact surfaces, and/or packaging materials. Hand-washing facilities shall be adequate, convenient, and furnish running water of at least 100° F (30° C).
- **Waste disposal.** Waste shall be conveyed, stored, and disposed of so as to minimize the development of odor, minimize the potential that waste will attract, harbor, or otherwise contribute

to the breeding of pests, and protect against the contamination of Products, Materials, contact surfaces, packaging materials, water supplies, and ground surfaces.

**Equipment and Utensils:** All equipment and utensils used in manufacturing Products will be so designed and of such material and workmanship as to be adequately cleanable and shall be adequately maintained to protect against allergen cross-contact and contamination. Equipment and utensils will be designed, constructed, and used appropriately to avoid the adulteration of Products with lubricants, fuel, metal fragments, contaminated water, or any other contaminants. Equipment will be installed so as to facilitate the cleaning and maintenance of the equipment and of adjacent spaces.

Contact surfaces will be corrosion-resistant when in contact with Products. Contact surfaces will be made of nontoxic materials, designed to withstand the environment of their intended use, and, if applicable, cleaning compounds, sanitizing agents, and cleaning procedures. Contact surfaces will be maintained to protect Products from allergen cross-contact and from contamination by any source. Seams on contact surfaces shall be smoothly bonded or maintained so as to minimize accumulation of particles, dirt, and organic matter and thus minimize the opportunity for growth of microorganisms and allergen cross-contact.

Equipment in areas where Products are manufactured and that do not come into contact with Products will be constructed so that they may be kept in a clean and sanitary condition. Holding, conveying, and manufacturing systems, including gravimetric, pneumatic, closed, and automated systems, will be of a design and construction that enables them to be maintained in a clean and sanitary condition.

Each freezer and cold storage compartment used to store and hold Products and Materials capable of supporting growth of microorganisms shall be fitted with an indicating thermometer, temperature-measuring device, or temperature-recording device so installed as to show the temperature accurately within the compartment. Instruments and controls used for measuring, regulating, or recording temperatures, pH, acidity, water activity, or other conditions that control or prevent the growth of undesirable microorganisms in Products or Materials will be accurate, precise, adequately maintained and calibrated, and be provided in an adequate number for their designated use(s).

**Quality Control Measures:** Appropriate quality control operations shall be employed to ensure that Products are suitable for human consumption or use, and that packaging materials are safe and suitable. Overall sanitation of the Manufacturing Premises shall be under the supervision of one or more qualified individuals assigned responsibility for this function. Adequate precautions shall be taken to ensure that production procedures do not contribute to allergen cross-contact or contamination from any source. Chemical, microbial, or extraneous-material testing procedures shall be used where necessary to identify sanitation failures or possible allergen cross-contact and Product contamination. Any Product that has become contaminated to the extent that it is adulterated shall be rejected, or if appropriate, treated or processed to eliminate the contamination, as determined by a qualified individual.

PDIS shall establish and implement written policies and procedures to ensure the quality of Materials as follows:

- Materials shall be inspected, segregated, or otherwise handled as necessary to ensure that they are clean and suitable for processing into Products, and shall be stored under conditions that protect against allergen cross-contact and contamination, and in such a way as to minimize deterioration;
- Materials must be washed or cleaned as necessary to remove soils and other contaminants. Water used for washing, rinsing, or conveying Materials must be safe and of adequate sanitary quality;

- Materials shall not contain levels of microorganisms that render the Product injurious to human health, or shall be pasteurized or otherwise treated during PDIS so that they no longer contain levels of microorganisms that would cause the Product to be adulterated;
- Materials susceptible to contamination with aflatoxin or other natural toxins, pests, or extraneous material shall not exceed generally acceptable limits set by the U.S. Food and Drug Administration in the *Defect Levels Handbook* (Rev. February 2005), which is hereby incorporated by reference, before these Materials are incorporated into finished Products;
- Materials shall be held in containers designed and constructed so as to protect against allergen cross-contact or contamination, and shall be held at such temperature and relative humidity and in such a manner as to prevent the Products from becoming adulterated;
- Frozen Materials shall be kept frozen. If thawing is required prior to use, it shall be done in a manner that prevents the Materials from becoming adulterated;
- Materials that are food allergens shall be identified and held in a manner that prevents cross-contact with other Materials.

**Manufacturing Operations:** PDIS shall establish and implement written Manufacturing Operations procedures to ensure the following:

- All Product manufacturing shall be conducted under such conditions and controls as are necessary to minimize the potential for the growth of microorganisms, allergen cross-contact, contamination of Products, and deterioration of Products;
- Products capable of supporting the rapid growth of undesirable microorganisms shall be held at temperatures that prevent the Product from becoming adulterated during manufacturing, processing, packing, and holding;
- Measures such as sterilizing, irradiating, pasteurizing, cooking, freezing, refrigerating, controlling pH, or controlling water activity that are undertaken to destroy or prevent the growth of undesirable microorganisms shall be adequate under the conditions of manufacture, handling, and transfer to prevent the Product from being adulterated. For purposes of this chapter, “water activity” ( $a_w$ ) is a measure of the free moisture in a manufactured Product and is the quotient of the water vapor pressure of the substance divided by the vapor pressure of pure water at the same temperature;
- Work-in-process shall be handled in a manner that protects against allergen cross-contact, contamination, and growth of microorganisms;
- Measures shall be taken to protect finished Products from allergen cross-contact and from contamination by rejected Materials or waste. When rejected Materials or waste are unprotected, they shall not be handled simultaneously in a receiving, loading or shipping area if such handling could result in allergen cross-contact or contaminated Products. Products transported by conveyer shall be protected against allergen cross-contact and against contamination as necessary;
- Equipment, containers, and utensils used to convey, hold, or store Materials, work-in-process, or other Products shall be constructed, handled, and maintained during manufacturing, processing, packing, and holding in a manner that protects against allergen cross-contact and contamination;
- Adequate measures shall be taken to protect against the inclusion of metal or other extraneous material in Products;

- Adulterated Products or Materials shall be either: (1) disposed of in a manner that protects against the contamination of other Products or Materials; or (2) reprocessed, if appropriate, using a method that has been proven to be effective and subsequently reexamined and found to be unadulterated;
- Steps such as washing, peeling, trimming, cutting, sorting, inspecting, mashing, dewatering, cooling, shredding, extruding, drying, whipping, defatting, and forming shall be performed so as to protect Products against allergen cross-contact and contamination. Products shall be protected from contaminants that may drip, drain, or be drawn into the Product;
- When required in the preparation of Products capable of supporting microbial growth, heat blanching shall be conducted by heating the Product or Material to a temperature to control microbial growth, holding at that temperature for an amount of time to control microbial growth, and then either rapidly cooling the Product or passing it to subsequent manufacturing without delay. Growth and contamination by thermophilic microorganisms in blanchers shall be minimized by the use of adequate operating temperatures and by periodic cleaning and sanitization as necessary;
- Batters, breadings, sauces, gravies, dressings, dipping solutions, and other similar preparations that are held and used repeatedly over time shall be treated or maintained in such a manner that they are protected against allergen cross-contact and contamination, and in a manner that minimizes the potential growth of undesirable microorganisms;
- Filling, assembling, packaging, and related operations shall be performed in such a way that the Product is protected against allergen cross-contact, contamination and growth of undesirable microorganisms;
- Products that principally rely on the control of water activity ( $a_w$ ) for preventing the growth of undesirable microorganisms (such as dry mixes, nuts, and dehydrated Products) shall be processed and maintained at a safe moisture level. For purposes of this section “safe moisture level” is a level of moisture low enough to prevent the growth of undesirable microorganisms in the finished product under the intended conditions of manufacturing. The safe moisture level for an edible Product is related to its  $a_w$ . An  $a_w$  will be considered safe for a manufactured Product if adequate data is available to demonstrate that at or below the given  $a_w$  the manufactured Product will not support the growth of undesirable microorganisms; and
- When ice is used in contact with Products, the ice shall be made from water that is safe, potable, and of adequate sanitary quality.

**Hazard Analysis:** PDIS will conduct and prepare a written hazard analysis to identify and evaluate known or reasonably foreseeable hazards to the consumer for each type of Product produced at the Manufacturing Premises in order to determine whether there exist any hazards requiring a preventive control. The hazard analysis shall include:

- The identification of potential hazards, including: (1) biological hazards, including microbiological hazards; (2) chemical hazards, including radiological hazards, pesticide(s) contamination, solvent or other residue, natural toxins, decomposition, or food allergens; and (3) physical hazards, such as stone, glass, metal fragments, hair or insects;
- The evaluation of the hazards identified in order to assess the severity of any illness or injury that may occur as a result of a given hazard, and the probability that the hazard will occur in the absence of preventive controls; and

- The hazard evaluation shall consider the effect of the following on the safety of the finished Product for the intended consumer: (1) sanitation conditions of the Manufacturing Premises; (2) Product formulation; (3) the design, function and condition of the Manufacturing Premises and its equipment; (4) Materials used in a given Product; (5) Product transportation and transfer practices; (6) manufacturing and processing procedures; (7) packaging and labeling activities; (8) storage of Products and/or Materials; (9) intended or reasonably foreseeable uses of the finished Product; (10) any other relevant factors.

**Preventive Controls:** Upon completion of the hazard analysis, PDIS shall identify and implement written preventive controls to provide assurance that any hazards requiring a preventative control will be significantly minimized or prevented such that the manufactured Product is not adulterated or misbranded. The preventive controls shall include the following components:

- The identification of critical control points. The points, steps or procedures in a given process in which control can be applied, and as a result, a hazard can be prevented, eliminated, or reduced to acceptable levels.
- The establishment of critical limits for each critical control point. A critical limit is the maximum or minimum value to which a physical, biological, or chemical hazard must be controlled in order to prevent, eliminate, or reduce to an acceptable level the occurrence of an identified hazard. For example: the establishment of specific limits on temperature, humidity, or pH.
- The establishment and implementation of monitoring procedures in order to use monitoring results to adjust a given process and maintain control. This shall include specifying the frequency and documentation requirements for monitoring.
- The establishment and implementation of corrective actions to be taken when monitoring indicates there is a deviation from an established critical limit. This shall include procedures for ensuring: (1) appropriate action is taken to identify and correct a problem that has occurred with implementation of a preventative control; (2) appropriate action is taken, when necessary, to reduce the likelihood that a problem will recur; (3) all affected Products or Materials are evaluated for safety; (4) all affected Products or Materials are prevented from entering into commerce if the safety or quality of those Products or Materials cannot be verified.
- The establishment and implementation of record keeping procedures to document hazard analyses and control plans, identify the person responsible for each step, and identify the corrective actions that were taken upon the discovery of a deviation. These records shall be subject to review by the DPH.

**Equipment and Machinery Qualification:** PDIS will establish and implement written procedures to ensure that each piece of equipment and machinery is suitable for its intended use prior to operation. These procedures will include: (1) procedures for validating that all equipment and machinery has design specifications, operating procedures, and performance characteristics appropriate for its intended use by PDIS; (2) procedures for validating that all equipment and machinery are built as designed with proper materials, capacity, and functions, and properly installed, connected, and calibrated; (3) procedures for validating that all equipment and machinery perform in accordance with quality requirements in all anticipated operating ranges using PDIS's standard operating procedures, and operating ranges shall be shown to be capable of being held as long as would be necessary during routine production; and (4) the establishment of a schedule for routine re-verification of all equipment and machinery.



Manufacturing will maintain verification records for all equipment and machinery, which contain at a minimum: (1) documentation of successful verification of each piece of equipment and machinery, dated and signed by the person conducting the verification; (2) documentation of successful re-verifications of each piece of equipment and machinery upon any modification to the equipment or machinery, intended use, or standard operating procedure; and (3) a log documenting the verification and re-verification of all equipment and machinery in operation on the Manufacturing Premises.

**Master Manufacturing Protocol (“MMP”):** PDIS shall establish and follow a written MMP for each unique formulation of Product manufactured, and for each batch size, to ensure uniformity in finished batches and across all batches produced. The MMP will (1) identify specifications for the points, steps, or stages in the manufacturing process where control is necessary to ensure the quality of the Product and that the Product is packaged and labeled as specified in the master manufacturing protocol; and (2) establish controls and procedures to ensure that each batch of Product manufactured meets the specifications identified above. The MMP will include:

- The name and intended cannabinoid(s) concentration of the Product to be manufactured, and the strength, concentration, weight, or measure of each Material for each batch size;
- A complete list of Materials to be used;
- The weight or measure of each Material to be used;
- A statement of theoretical yield of a manufactured Product expected at each point, step, or stage of the manufacturing process where control is needed to ensure the quality of the Product, and the expected yield of the finished product, including the maximum and minimum percentages of theoretical yield beyond which a deviation investigation of a batch is necessary and material review is conducted and disposition decision is made;
- A description of packaging and a representative label, or a cross-reference to the physical location of the actual or representative label;
- Written instructions, including the following:
  - Specifications for each point, step, or stage in the manufacturing process where control is necessary to ensure the quality of the Product and that the Product is packaged and labeled as specified in the master manufacturing record;
  - Procedures for Product and batch sampling and a cross-reference to procedures for tests or examinations of products and batches;
  - Specific actions necessary to perform and validate points, steps, or stages in the manufacturing process where control is necessary to ensure the quality of the Product and that the Product is packaged and labeled as specified in the master manufacturing record;
  - Special notations and precautions to be followed; and
  - Corrective action plans for use when a specification is not met.
- The MMP for any given product may include the ability to adjust the amount or weight of cannabinoid-containing Materials in order to account for the variability of cannabinoid content in harvest batches.

PDIS is entitled, per DPH Regulation § 40264(c), to not disclose the MMP to any person other than the individuals conducting activities that utilize the protocol or to the DPH, or other law enforcement agencies. PDIS may consider the MMP subject to trade secret protection.

**Batch Production Record:** PDIS shall prepare a written batch production record every time a batch of a Product is manufactured. The batch production record shall accurately follow the appropriate MMP, and each step of the protocol shall be performed in the production of the batch. The batch production record shall document complete information relating to the production and control of each batch, including all of the following details:

- The unique identifier (“UID”), and if used, the batch or lot number, of the finished batch of Product and the UIDs of all Products used in the batch;
- The equipment and processing lines used in producing the batch;
- The date and time of the maintenance, cleaning, and sanitizing of the equipment and processing lines used in producing the batch, or a cross-reference to records, such as individual equipment logs, where this information is retained;
- The identification number assigned to each Material (or, when applicable, to a Product received from another licensee for packaging or labeling as a Product), packaging, and label used;
- The identity and weight or measure of each Material used;
- A statement of the actual yield and a statement of the percentage of theoretical yield at appropriate phases of processing;
- The actual results obtained during any monitoring operation;
- The results of any testing or examination performed during the batch production, or a cross-reference to such results;
- Documentation, at the time of performance, of the manufacture of the batch, including: (1) the date on which each step of the MMP was performed; and (2) the initials of the persons performing each step, including: (a) the initials of the person responsible for weighing or measuring each Material used in the batch; (b) the initials of the person responsible for verifying the weight or measure of each Material used in the batch; (c) the initials of the person responsible for adding the Material to the batch; and (d) the initials of the person responsible for verifying the addition of Materials to the batch;
- Documentation, at the time of performance, of packaging and labeling operations, including: (1) an actual or representative label, or a cross-reference to the physical location of the actual or representative label specified in the master manufacturing record; (2) the expected number of packaging and labels to be used, the actual quantity of the packaging and labels used, and, when label reconciliation is required, reconciliation of any discrepancies between issuance and use of labels; and (3) the results of any tests or examinations conducted on packaged and labeled Products (including repackaged or relabeled Products), or a cross-reference to the physical location of such results;
- Documentation at the time of performance that quality control personnel: (1) reviewed the batch production record; (2) reviewed all required monitoring operation(s) required by this article; (3) reviewed the results of all tests and examinations, including tests and examinations conducted on

Materials, in-process Materials, finished batches of Product, and packaged and labeled Products; (4) either approved and released, or rejected, the batch for distribution; and (5) either approved and released, or rejected, the finished Product, including any repackaged or relabeled Product; and

- Documentation at the time of performance of any required material review and disposition decision.

The batch production record shall:

- Contain the actual values and observations obtained during monitoring and, as appropriate, during verification activities;
- Be accurate, indelible, and legible;
- Be created concurrently with performance of the activity documented; and
- Be as detailed as necessary to provide history of work performed; including: (1) information to identify any associated manufacturing facility premises (e.g., the name, license number, and when necessary, the location of the facility premises); (2) the date and the time of the activity documented; (3) the signature or initials of the person performing the activity; and (4) the identity of the product, the UID, and the lot number or batch identifier, if any.

**Product Complaints:** PDIS shall establish and implement written procedures to ensure that:

- A qualified individual shall review and investigate all product complaints to determine whether such complaints involve a possible failure of a Product to meet any of its specifications;
- Quality control personnel shall review and approve decisions determining whether to investigate a product complaint and shall review and approve the findings and follow up action(s) of any investigation performed;
- Pursuant to the prior two points, any review or investigative activities by qualified individuals and quality control personnel shall extend to all relevant batches and records;
- Quality control personnel shall maintain written records for every product complaint and subsequent investigation, if any. The records shall include: (1) the name and description of the Product; (2) the batch number or UID of the Product, if available; (3) the date the complaint was received and the name, address, and telephone number of the complainant, if available; (4) the nature of the complaint including, if known, how the product was used; (5) the reply to the complainant, if any; and (6) any findings of the investigation or follow-up action taken when an investigation is performed.

PDIS will consider “product complaint” to mean any written, electronic, or oral communication that contains any allegation expressing concern, for any reason, with the quality of a Product that could be related to the manufacturing practices.

**Recalls:** PDIS shall establish and implement written procedures for recalling Products manufactured by PDIS that are determined to be misbranded or adulterated, including:

- Factors which necessitate a recall;
- Personnel responsible for implementing the recall procedures;
- Notification protocols, including: (1) a mechanism to notify all customers that have, or could have, obtained the product, including communication and outreach via media, as necessary and appropriate; (2) a mechanism to notify any licensees that supplied or received the recalled product;

and (3) instructions to the general public and other licensees for the return or destruction of recalled product.

- Procedures for the collection and destruction of any recalled product. Such procedures shall meet the following requirements: (1) all recalled products that are intended to be destroyed shall be quarantined for a minimum of 72 hours. PDIS shall affix to the recalled products any bills of lading, shipping manifests, or other similar documents with product information and weight. The product held in quarantine shall be subject to auditing by the DPH; (2) following the quarantine period, PDIS shall render the recalled Product unusable and unrecognizable and dispose of it in accordance with DPH Regulation section 40290 and do so on video surveillance in accordance with DPH Regulation section 40205.

In addition to the tracking requirements set forth in DPH Regulation section 40512, PDIS shall use the TAT system and on-site documentation to ensure that recalled Products intended for destruction are identified, weighed, and tracked while on the licensed premises and when disposed of in accordance with this section. For recalled Products, PDIS shall enter the following details into the TAT system: the weight of the product, reason for destruction, and the date the quarantine period will begin. PDIS shall notify the DPH of any recall within 24 hours of initiating the recall.

**Weights and Measures:** PDIS will use weighing devices that are approved, tested, and sealed in accordance with the requirements in Chapter 5 (commencing with Section 12500) of Division 5 of the Business and Professions Code, and registered with the county sealer consistent with Chapter 2 (commencing with 12240) of Division 5 of the Business and Professions Code. Approved and registered devices shall be used whenever: (1) Product is bought or sold by weight or count; (2) Product is packaged for sale by weight or count; (3) Product is weighed or counted for entry into the TAT system; and (4) the weighing device is used for commercial purposes as defined in section 12500 of Business and Professions Code. In this context, “count” means the numerical count of the individual Product units.

Bulk shipments of Products shall be weighed by a licensed weighmaster and shall be issued a certificate consistent with the requirements in Chapter 7 (commencing with section 12700) of Division 5 of Business and Professions Code.

**Training Program:** PDIS will implement a training program to ensure that all personnel present at the premises are provided information and training that, at minimum, covers the following topics:

- Within 30 days of the start of employment: (a) health and safety hazards; (b) hazards presented by all solvents or chemicals used at the licensed premises as described in the safety data sheet for each solvent or chemical; (c) emergency procedures; (d) security procedures; (e) record-keeping requirements; and (f) training requirements;
- Prior to independently engaging in any manufacturing process: (a) an overview of the cannabis manufacturing process and standard operating procedure(s); (c) quality control procedures; (c) hazard analysis and control procedures, as appropriate; (d) proper and safe usage of equipment or machinery; (e) safe work practices applicable to an employee’s job tasks, including appropriate use of any necessary safety or sanitary equipment; (f) cleaning and maintenance requirements; (g) emergency operations, including shutdown; and (h) any additional information reasonably related to an employee’s job duties;
- If PDIS produces edible Products, it will ensure that all personnel who prepare, handle, or package edible products successfully complete a California food handler certificate course from an entity

accredited by the American National Standards Institute (“ANSI”) within 90 days of commencing employment at the premises and again every three years during employment. PDIS shall obtain documentation evidencing the fulfillment of this requirement; and

- PDIS shall ensure that all personnel receive annual refresher training to cover, at minimum, the topics listed in this section. This annual refresher training must be completed within 12 months of the previous training completion date.

PDIS shall maintain a record which contains at minimum: (1) a list of all personnel at the premises, including at minimum, name and job duties of each; (2) documentation of training topics and dates of training completion, including refresher training, for all personnel; (3) the signature of the individual personnel and the licensee verifying receipt and understanding of each training or refresher training completed by the personnel; and (4) any official documentation attesting to the successful completion of required training by personnel.

PDIS may assign responsibility for the training of individual personnel to supervisory personnel. Assigned supervisory personnel must have the education, training, or experience (or a combination thereof) necessary to ensure the production of quality Products by all personnel. The designated assigned training personnel shall sign and date a document on an annual basis attesting that he or she has received and understands all information and training that will be provided to individual personnel in the training program. This documentation shall be maintained as part of the record requirements.

If PDIS is in operation pursuant to DPH Regulation section 40126 (temporary license), applicable personnel shall receive required training no later than 90 days after the effective date of the annual license.

**Inventory Control:** PDIS will establish and implement a written inventory control plan capable of tracking the location and disposition of all Products at the Manufacturing Premises. PDIS will reconcile the on-hand inventory of Products at the Manufacturing Premises with the records in the TAT database at least once every 30 days. If PDIS finds a discrepancy between the inventory and the TAT database, PDIS will conduct an audit. PDIS will notify the DPH within 24 hours of the completion of the audit if the audit reveals a discrepancy that is not within 5% of the documented inventory. If PDIS finds evidence of suspected theft or diversion, PDIS will report the suspected theft or diversion to the DPH within 24 hours of the discovery.

**TAT Plan:** PDIS shall enter all activities in connection with the Manufacturing Operations into the TAT system within 24 hours of occurrence. Within 10 days of notification from the DPH that the annual license application fee has been processed, PDIS shall register for TAT system training provided by the Department of Food and Agriculture (“DFA”) or its designee. If PDIS has not registered for TAT system training as noted in the previous sentence, PDIS shall register for training within 5 business days of notification from the DPH that the annual license has been approved.

PDIS shall designate at least one owner to be the TAT system account manager. The TAT system account manager(s) shall have the following responsibilities:

- Designate authorized TAT system users and require designated users to be trained in the proper and lawful use of the TAT system before the designated user can access the system;
- Maintain an accurate and complete list of all TAT system account managers and designated users and update the list within 3 business days upon any change;
- Ensure that each TAT account manager and designated user has a unique log-on, consisting of a username and password, which shall not be shared with or used by any other person;

- Immediately cancel any TAT system account manager or designated user from a TAT system account if the individual is no longer a PDIS representative;
- Obtain UID tags from the DFA, or its designee, and ensure that a sufficient supply of UIDs is available at all times;
- Ensure that all inventory is tagged and entered in the TAT system as required by section 40512 of the DPH Regulations;
- Correct any information that is entered into the TAT system in error within 3 business days of discovery of the error;
- Monitor all notifications from the TAT system and resolve all issues identified in the notification. The notification shall not be dismissed by an account manager until the issue(s) identified in the notification has been resolved;

PDIS will not intentionally misrepresent or falsify information entered into the TAT system. The TAT system shall be the system of record. PDIS acknowledges that it is responsible for the accuracy and completeness of all data and information entered into the TAT system. Information entered into the TAT system shall be assumed to be accurate and may be used to take enforcement action against PDIS if not corrected. PDIS further acknowledges that it is responsible for all actions that a TAT system account manager or designated user acting as a representative of PDIS takes while logged into the TAT system or otherwise conducting activities in connection with the Manufacturing Operations.

**TAT Reporting:** A system account manager or designated user shall record all of the following activities in the TAT system within 24 hours of the activity:

- Receipt of Material;
- The transfer to or receipt of Products for further manufacturing from another licensed manufacturer;
- All changes in the disposition of Products. A change in disposition includes, but is not limited to: (1) processing or reprocessing of the Products; and (2) packaging of the Products; and
- Transfer of Products to a distributor.

PDIS will record the following information for each activity entered into the TAT system:

- The licensed entity from which the Material or Product is received, including that entity's license number, and the licensed entity to which the Product is transferred, including that entity's license number;
- The name and license number of the distributor that transported the Material or Product;
- The type of Material or Product received, processed, manufactured, packaged, or transferred;
- The weight or count of the Material or Product received, processed, manufactured, packaged, or transferred;
- The date and time of receipt, processing, manufacturing, packaging, or transfer;
- The UID assigned to the Material or Product; and
- Any other information required by other applicable licensing authorities.

**Loss of Access to TAT System:** If PDS loses access to the TAT system for any reason, PDIS shall prepare and maintain comprehensive records detailing all required inventory tracking activities conducted during the loss of access. Upon restoration of access to the TAT system, all inventory tracking activities that occurred during the loss of access shall be entered into the TAT system within three business days. PDIS shall document the date and time when access to the TAT system was lost and when it was restored and the cause for each loss of access. PDIS shall not transfer Products to a distributor until such time as access to the TAT system is restored and all information is recorded into the TAT system.

**TAT System and Temporary Licensure:** If PDIS operates under a temporary license issued pursuant to section 40126 of the DPH Regulations, PDIS will not be required to record activity in connection with the Manufacturing Operations in the TAT system as otherwise required by the DPH Regulations. In such circumstances, PDIS will track all activities in connection with the Manufacturing Operations on a paper sales receipt or invoice that includes the following information:

- Name, address, and license number of the seller;
- Name, address, and license number of the purchaser;
- Date of sale or transfer and invoice number;
- Description or type of Material or Product;
- Weight or quantity of Material or Product sold or transferred; and
- Cost to the purchaser of the Material or Product.

After issuance of an annual license, PDIS may continue to conduct activities in connection with the Manufacturing Operations with temporary licensees in accordance with the foregoing terms. Any activity in connection with the Manufacturing Operations conducted between annual license holders shall be recorded in the TAT system. However, PDIS acknowledges that the provisions of this section will expire on January 1, 2019.

**TAT System UID Tag Order:** PDIS shall order UID tags within five business days of receiving access to the TAT system. The receipt of the UID tags by PDIS shall be recorded in the TAT system within 3 business days of receipt. If PDIS is in operation at the time access to the TAT system is granted, it shall input all inventory into the TAT system no later than 30 days after receipt of the UID tags. After UID tags have been received, all activity in connection with the Manufacturing Operations shall be recorded in the TAT system as required by the DPH Regulations.

**Waste Management:** PDIS shall dispose of all waste, including cannabis waste, in accordance with applicable state and local laws and regulations. PDIS acknowledges that it is responsible for properly evaluating waste to determine if it should be designated a hazardous waste under section 40141 of the Public Resources Code. PDIS shall dispose of any cannabis waste in a secured waste receptacle or secured area on the Manufacturing Premises, which receptacle or area is restricted to PDIS, its employees, the local agency, waste hauler franchised or contracted by local government, or private waste hauler permitted by the local government only. No Product will be disposed of in its packaging, and all Products shall be unrecognizable and unusable at the time of disposal. Cannabis waste shall be entered into the TAT system as described herein.

If a local agency, a waste hauler franchised or contracted by local government, or a private waste hauler permitted by local government is being used to collect and process cannabis waste, PDIS shall: (1) provide DPH with the name of the entity hauling the waste; (2) obtain documentation from the entity hauling the

waste that indicates the date and time of each collection of cannabis waste at the Manufacturing Premises; and (3) obtain a copy of the certified weight ticket, or other documentation prepared by the entity hauling the waste confirming receipt of the cannabis waste at one, or more, of the following solid waste facilities: (a) a manned fully permitted solid waste landfill or transformation facility; (b) a manned fully permitted composting facility or manned composting operation; (c) a manned fully permitted in-vessel digestion facility or manned in-vessel digestion operation; or (d) a manned fully permitted transfer/processing facility or manned transfer/processing operation.

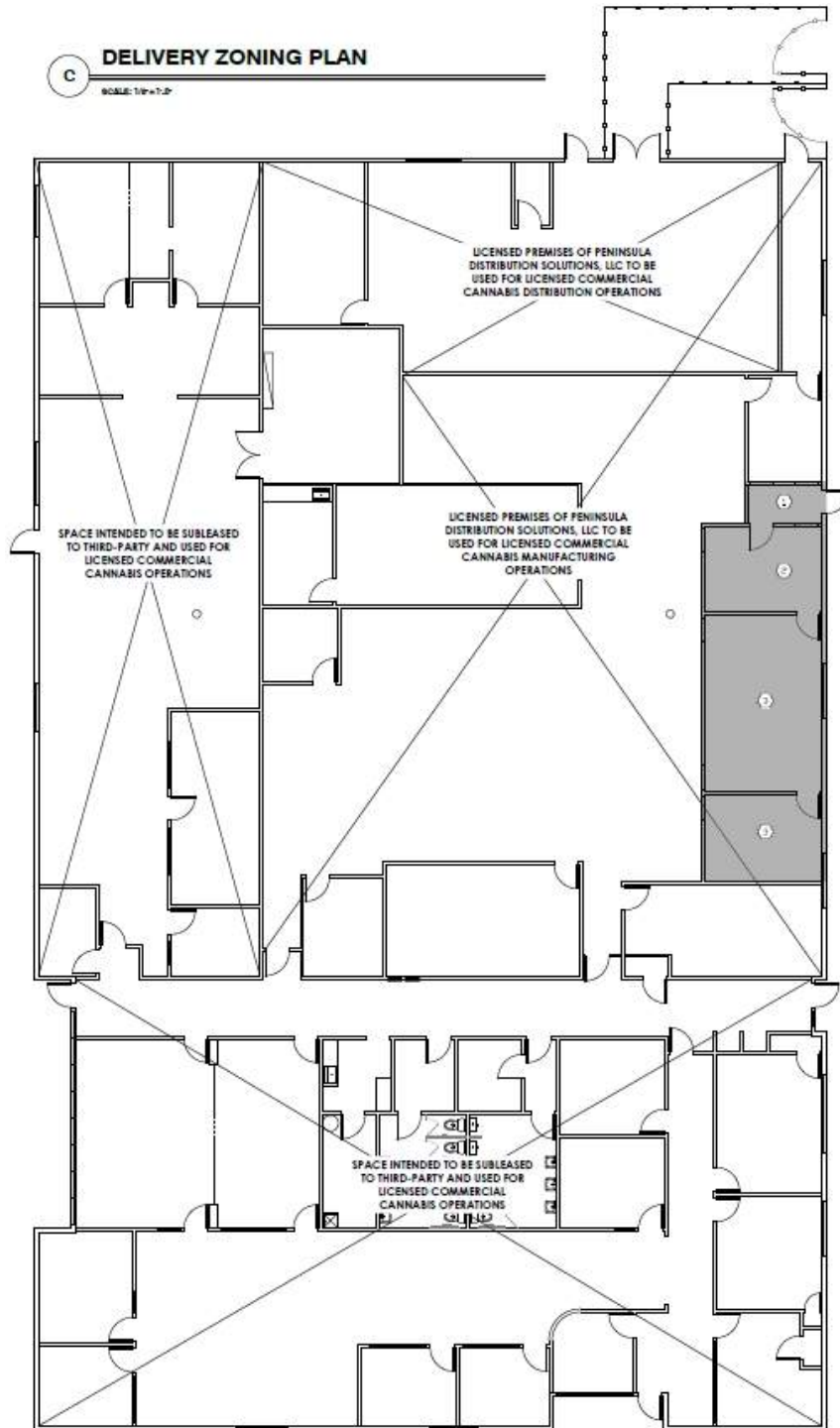
If PDIS is self-hauling cannabis waste to one, or more solid waste facilities, PDIS will obtain for each delivery of cannabis waste by PDIS a copy of a certified weight ticket or receipt from the solid waste facility. Only Manufacturing or its employees may transport self-hauled cannabis waste.

**Consent to Sample Collection:** If PDIS transfers possession but not title of Products to a licensed distributor, PDIS shall allow the BCC, upon the BCC's request, to collect samples for purposes of conducting oversight of licensed testing laboratories.



**IV. DELIVERY OPERATIONS—PDES**

A step-by-step overview of the day-to-day business activities in connection with the Delivery Operations is provided below and will be carried out in accordance with specifically designated zones within the Delivery Premises, as summarized in the following diagram:



*Zone 1 – Loading & Unloading*

- Upon receipt of any Products, PDES management personnel will verify transportation manifest information and record in the TAT system acknowledgement of acceptance of such Products and any discrepancies between the type or quantity of Products specified in the transportation manifest and the type or quantity of Products actually received.
- Upon verification of transportation manifest information by PDES management personnel, PDES production personnel will transfer each Product into a secured storage area within Zone 2 of the Delivery Premises.
- Prior to providing access to the Delivery Premises to a PDES delivery driver, PDES security personnel will confirm the identity of such security driver with PDES management personnel.
- Upon a customer order being ready for pick-up by a PDES delivery driver, PDES production personnel shall transfer the container containing such customer order to Zone 1 of the Delivery Premises and provide it to the such delivery driver.
- Upon a PDES delivery driver's receipt of a container containing a customer order, such delivery driver shall take such container to the delivery vehicle, where it will be securely stored in a cooler located in the trunk.

*Zone 2 – Production & Storage*

- Products will be stored in storage cabinets that will remain closed when not in use and will be securely locked outside of operating business hours. Keys to the cabinets will be stored in the Safe in Zone 3 of the Delivery Premises.
- Upon receipt of a customer order, PDES management personnel will print the order and PDES operations personnel will retrieve the Products requested for the order, package them in an opaque delivery container with a childproof seal and transfer the container to a PDES delivery driver in Zone 1.
- PDES operations personnel will monitor Zone 2 of the Delivery Premises for temperature, relative humidity, and pests. If at any time there is a perceived risk of contamination, quarantine procedures will be immediately implemented and PDES management personnel will initiate a full analysis of the threat.

*Zone 3 – Waste Disposal / Management & Security Office*

- PDES management personnel shall oversee all activities comprising the Delivery Operations and shall record any applicable activities in the TAT system.
- PDES operations personnel will implement policies and procedures to ensure enhanced Product safety, quality, and compliance to provide utmost consumer safety.
- PDES management personnel shall keep and maintain the records in connection with the Operations for at least seven years.
- All marijuana waste shall be stored in a locked waste disposal collection container, accessible only by authorized PDES personnel.

- All marijuana waste shall be destroyed and disposed of by authorized PDES personnel in accordance with the BCC Regulations and under the strict supervision of PDES management personnel.
- In connection with marijuana waste being destroyed or disposed of, PDES management personnel shall record in the TAT system:
  - The name of the PDES employee performing the destruction or disposal;
  - The reason for the destruction or disposal and the quantity being destroyed; and
  - The name of the entity being used to collect or process the marijuana waste.
- Prior to providing access to the Delivery Premises to any unauthorized individual, including any outside vendor, contractor, or other individual conducting business that requires access to the Delivery Premises, PDES security personnel will confirm the identity of such individual with PDES management personnel.
- More detailed information about this Zone has been provided to the Brisbane Police Department in the detailed security plan.

**Delivery Guidelines:** PDES will conduct retail Product sales exclusively by delivery as defined in Business and Professions Code section 26001(p). PDES’s application for a State Type 9 annual license will include all the information required in an application for a state Type 10 retailer license. PDES will comply with all the requirements applicable to Type 10 retailer licensees, except for those provisions related to public access to the Delivery Premises, which will at all times be closed to the public and treated as limited-access areas.

**Hours of Operation:** The Delivery Premises shall be closed to the general public. The hours of operation in connection with the Delivery Operations will be determined so as to be compliant with the general performance standards pursuant to Chapter 17.33 of the Code and PDES shall deliver Products only during those hours. At any time that the Delivery Premises is not open for retail sales, PDES shall ensure the following:

- (1) The Delivery Premises is securely locked with commercial-grade, non-residential door locks;
- (2) The Delivery Premises is equipped with an active alarm system which shall be activated when PDES or its employees are not on the licensed premises; and
- (3) Only employees and contractors of PDES shall be allowed to enter the Delivery Premises.

**Incorporation of Certain Elements of PDIS Operating Plan:** PDES shall employ in its Delivery Operations certain of the same procedures, methods, and technologies as PDIS will employ in its Distribution Operations (*see* Part II, *supra*), and thus for brevity incorporates those portions herein (but replacing “PDIS” with “PDES”, “Distribution Operations” with “Delivery Operations”, and “Distribution Premises” with “Delivery Premises”, where applicable). The portions of the plan of operations in connection with the Distribution Operations that are incorporated herein include:

- Odor Control;
- Location of Business Activities and Visibility of Operations;
- Noise Control;
- Destruction and Disposal of Cannabis Waste;

- TAT;
- TAT Monitoring;
- TAT Reporting;
- Inventory and TAT System Reconciliation;
- Cash Management;
- Further Cash Management Precautions; and
- Auditing

**Labeling:** All Products will be packaged and labeled in compliance with all applicable Brisbane, State, and federal laws and regulations and requirements in order to identify the contents of each package, its origin, and any and all additional internal, Brisbane, or State tracking requirements. All Products will be stored, transported, and distributed by PDES in their original compliant packaging and labeling with the exception of bulk Products, which will be repackaged by PDES at the Delivery Premises in accordance with all applicable City and State regulations, including, where applicable Proposition 65 and other applicable laws and regulations.

PDES will not accept, possess, or sell Products that are not packaged as they will be sold at final sale. PDES will not package or label Products. Products purchased by a customer shall not leave the Delivery Premises unless the Products are placed in an opaque exit package.

**Limited Access:** The entirety of the Delivery Premises shall be closed to the public and treated as a limited access area. As such, PDES will permit only authorized individuals to enter the limited-access areas. Authorized individuals shall include individuals employed by PDES, as well as any outside vendors, contractors, or other individuals conducting business that requires access to the limited-access area. An individual in the limited-access area who is not employed by PDES shall be escorted by the PDES's employees at all times within the limited-access area. An individual who enters the limited-access areas shall be at least 21 years of age. PDES shall maintain a log of all authorized individuals who are not employees of PDES that enter the limited-access area. These logs shall be made available to the BCC upon request. PDES shall not receive consideration or compensation for permitting an individual to enter the limited-access area.

**Delivery Customers:** PDES shall only sell adult-use Products to individuals who are at least 21 years of age, and medicinal Products to individuals at least 18 years of age who possess a valid physician's recommendation for his or her self or a person for whom he or she is a primary caregiver. PDES shall verify the identity and age, and physician's recommendation if applicable, of a customer as required by section 5402(a) of the BCC Regulations.

**Delivery Products:** PDES will not provide free Products to any person. PDES will not allow individuals that are not employed by PDES to provide free Products to any person on the Delivery Premises. PDES may only provide free medicinal Products if all of the criteria of § 5411 of the Regulations are met.

PDES will not make any Products available for sale or delivery to a customer unless (1) the Products were received from a licensed distributor; (2) PDES has verified that the Products have not exceeded their expiration or sell-by date if one is provided; and (3) in the case of manufactured Products, the Product complies with all requirements of Business and Professions Code section 26130 and all other relevant laws. PDES shall not sell or deliver alcohol, alcohol products, tobacco, or tobacco products.

As to plants, PDES will only sell live, immature Plants and seeds if: (1) the plant is not flowering; (2) the plant or seed was purchased from a nursery that holds a valid Type-4 license under MAUCRSA; and (3) a label is affixed to the plant or package containing any seeds which states “This product has not been tested pursuant to Medicinal and Adult-Use Cannabis Regulation and Safety Act.” PDES will not sell any other live plants. PDES will not apply nor use any pesticide, nor cause any pesticide to be applied nor used on live plants.

PDES will not sell more than the following amounts to an adult-use cannabis customer:

- More than 28.5 grams of non-concentrated cannabis in a single day to a single customer.
- More than 8 grams of concentrated cannabis as defined in Business and Professions Code section 26001, including concentrated cannabis contained in Products, in a single day to a single customer.
- More than 6 immature Plants, in a single day to a single customer.
- More than eight ounces of medicinal cannabis as defined in section 11362.77 of the Health and Safety Code or 12 immature Plants in a single day to a single medicinal cannabis customer. If a valid physician’s recommendation contains a different amount than the limits listed in this section, the medicinal cannabis customer may purchase an amount of medicinal cannabis consistent with the patient’s needs as recommended by a physician.

**Returns:** PDES may accept customer returns of Products that were previously sold to a customer. PDES shall not resell Products that have been returned. PDES shall treat any Products abandoned on the Delivery Premises as a customer return. PDES shall destroy all Products that have been returned to PDES by a customer, in accordance with sections 5054 and 5055 of the BCC Regulations.

**Delivery:** PDES will operate in accordance with the following provisions:

- All deliveries of Products shall be performed by a PDES delivery driver.
- Each PDES employee shall be at least 21 years of age.
- All deliveries of Products will be made in person and not through the use of an unmanned vehicle.
- The process of delivery shall begin when a PDES delivery driver leaves the Delivery Premises with the Products for delivery. The process of delivering shall end when a PDES delivery driver returns to the Delivery Premises after delivering the Products to the customer(s). During the process of delivery, a PDES delivery driver may not engage in any activities except for Product delivery and necessary rest, fuel, or vehicle repair stops.
- During deliveries, a PDES delivery driver shall carry a copy of PDES’s current license, the delivery driver’s government-issued identification, and an identification badge provided by PDES pursuant to section 5043 of the Regulations.
- PDES will maintain an accurate list of its employees.
- A PDES delivery driver shall not consume Products while delivering Products to customers.
- PDES shall only deliver Products to a physical address in California. A PDES delivery driver shall not leave the State of California while possessing Products. A PDES delivery driver shall not deliver Products to an address located on publicly owned land or any address on land or in a building leased by a public agency. This prohibition applies to land held in trust by the United

States for a tribe or an individual tribal member unless the delivery is authorized by and consistent with applicable tribal law.

PDES shall ensure that delivery occurs as follows:

- A PDES delivery driver, carrying Products for delivery, shall only travel in an enclosed motor vehicle. Any vehicle used in the delivery of Products shall be operated by a PDES delivery driver. Only a PDES delivery driver performing the delivery of Products shall be in the delivery vehicle.
- While carrying Products for delivery, a PDES delivery driver shall ensure the Products are not visible to the public. Products shall be locked in a box, container, or cage that is secured on the inside of the vehicle (including the trunk).
- A PDES delivery driver shall not leave Products in an unattended motor vehicle unless the motor vehicle is locked and equipped with an active vehicle alarm system.
- A vehicle used for the delivery of Products shall be outfitted with a dedicated Global Positioning System (GPS) device for identifying the geographic location of the delivery vehicle. A dedicated GPS device shall be owned by PDES and used for delivery only. The device shall be either permanently or temporarily affixed to the delivery vehicle and shall remain active and inside of the delivery vehicle at all times during delivery. At all times, PDES shall be able to identify the geographic location of all delivery vehicles that are making deliveries for PDES and shall provide that information to the BCC upon request.
- Upon request, PDES shall provide the BCC with information regarding any motor vehicles used for the delivery of Products, including the vehicle's make, model, color, VIN, license plate number and Department of Motor Vehicle's registration.
- Any motor vehicle used by PDES to deliver Products is subject to inspection by the BCC. Vehicles used to deliver Products may be stopped and inspected by the BCC at any Delivery Premises or during delivery.

**Products Carried During Delivery:**

- A PDES delivery driver shall not carry Products in the delivery vehicle in excess of \$10,000 at any time. The value of Products shall be determined using the current retail price of all Products carried by, or within the delivery vehicle of, the PDES delivery driver.
- A PDES delivery driver must only carry Products in the delivery vehicle and shall only perform deliveries for PDES.
- A PDES delivery driver shall not leave the Delivery Premises with Products without at least one delivery order that has already been received and processed by PDES.
- Before leaving the Delivery Premises, a PDES delivery driver must have a delivery inventory ledger of all Products provided thereto. For each Product, the delivery inventory ledger shall include the type of Product, the brand, the retail value, the TAT identifier, and the weight, volume or other accurate measure of the Product. After each customer delivery, the delivery inventory ledger must be updated to reflect the current inventory in possession of the delivery driver.
- A PDES delivery driver shall maintain a log that includes all stops from the time such delivery driver leaves the Delivery Premises to the time such delivery driver returns to the Delivery Premises, and the reason for each stop. The log shall be turned in to PDES when the delivery driver returns

to the Delivery Premises. PDES must maintain the log as record of the Delivery Operations as required by this division.

- Prior to arrival at any delivery location, PDES must have received a delivery request from the customer and provided the delivery request receipt to a PDES delivery driver electronically or in hard copy. The delivery request receipt provided to a PDES delivery driver shall contain all of the information required in section 5420 of the BCC Regulations, except for the date and time the delivery was made, and the signature of the customer.
- Immediately upon request by the BCC or any law enforcement officer, a PDES delivery driver shall provide:
  - All delivery inventory ledgers from the time such delivery driver left the Delivery Premises up to the time of the request;
  - All delivery request receipts for Products carried by such delivery driver, in the delivery vehicle, or any deliveries that have already been made to customers; and
  - The log of all stops from the time a PDES delivery driver left the Delivery Premises up to the time of the request.

If PDES's delivery driver does not have any delivery requests to be performed for a 30-minute period, PDES's delivery driver shall not make any additional deliveries and shall return to the Delivery Premises. Required meal breaks shall not count toward the 30-minute period.

Upon returning to the Delivery Premises, all undelivered Products shall be returned to inventory and all necessary inventory and TAT records shall be updated as appropriate that same day.

**Delivery Request Receipts:** PDES shall prepare a delivery request receipt for each delivery of Products. The delivery request receipt shall contain the following:

- The name and address of PDES;
- The first name and employee number of the PDES delivery driver who delivered the order;
- The first name and employee number of the PDES employee who prepared the order for delivery;
- The first name of the customer and a customer number assigned by PDES for the person who requested the delivery;
- The date and time the delivery request was made;
- The delivery address;
- A detailed description of all Products requested for delivery. The description shall include the weight, volume, or any other accurate measure of the amount of any Products requested;
- The total amount paid for the delivery, including any taxes, fees, the cost of the Products, and any other charges related to the delivery; and
- Upon delivery, the date and time the delivery was made, and the signature of the customer who received the delivery.

At the time of the delivery, the PDES delivery driver shall provide the customer who placed the order a copy of the delivery request receipt. The PDES delivery driver shall retain a signed copy of the delivery request receipt for PDES's records.

**Delivery Route:** While making deliveries of Products, a PDES delivery driver shall only travel from the Delivery Premises to the delivery address; from one delivery address to another delivery address; or from a delivery address back to the Delivery Premises. A PDES delivery driver shall not deviate from the delivery path described in this section, except for necessary rest, fuel, or vehicle repair stops, or because road conditions make continued use of the route unsafe, impossible, or impracticable.

**Receiving Shipments of Inventory:** PDES shall receive a shipment of Products only from a licensed distributor. PDES shall accept shipments of Products only between the hours of 8:00 a.m. Pacific Time to 7:00 p.m. Pacific Time. Shipments of Products shall not enter the Delivery Premises through an entrance or exit that is available for use by the public, as there will be no entrance or exit that is available for use by the public.

**Inventory Documentation:** PDES shall maintain an accurate record of its inventory. PDES shall provide the BCC with the record of inventory upon request. PDES shall keep a record of the following information for all Products that PDES has in its inventory:

- A description of each item in PDES's inventory. This description will be such that the Products can easily be identified;
- An accurate measurement of the quantity of the item;
- The date and time the Products were received by PDES;
- The sell-by or expiration date on any Products, if any;
- The name and license number of the licensee that delivered the Products to PDES;
- The name and license number of the distributor that provided the Products to PDES; and
- The price PDES paid for the Products, including taxes, delivery costs, or any other costs.

**Inventory Reconciliation:** PDES will perform a reconciliation of its inventory at least once every 14 days. In so doing:

- PDES will verify that PDES's physical inventory matches PDES's records pertaining to inventory;
- The result of inventory reconciliation will be retained in PDES's records and will be made available to the BCC upon request;
- If PDES identifies any evidence of theft, diversion, or loss, PDES will notify the BCC and law enforcement pursuant to section 5036 of the BCC Regulations;
- If a significant discrepancy as defined in section 5034 of the BCC Regulations is discovered between PDES's physical inventory and PDES's inventory records, PDES shall notify the BCC and law enforcement pursuant to section 5036 of the BCC Regulations.

**Records:** PDES shall maintain an accurate record of sale for every sale made to a customer. A record of a medicinal Products sale shall contain the following information: (1) the first name and employee number of the PDES employee who processed the sale; (2) the first name of the customer and a customer number assigned by PDES for the person who made the purchase; (3) the date and time of the transaction; (4) a list of all the Products purchased, including the quantity purchased; and (5) the total amount paid for the sale including the individual prices paid for each Product purchased and any amounts paid for taxes. All retailer-specific records in this chapter shall be maintained in accordance with section 5037 of the BCC Regulations.



## V. DESCRIPTION OF PICTURES

All of the concurrently submitted pictures were taken by Dmitry Gordeychev on September 19, 2018. Below is a brief description by number:

1. Entrance to Facility;
2. Exterior image of Facility;
3. Exterior image of Facility;
4. Exterior image of Facility;
5. Exterior image of Facility;
6. Exterior image of Facility;
7. Exterior image of Facility;
8. Image of adjacent property;
9. Image of adjacent property;
10. Interior shared hallway view, existing hallway;
11. Interior shared hallway view, existing hallway;
12. Interior image of Distribution Premises, existing warehouse;
13. Interior image of Distribution Premises, existing warehouse;
14. Interior image of Distribution Premises, existing storage area;
15. Interior image of Distribution Premises, existing warehouse;
16. Interior image of Manufacturing Premises, entrance to existing bullpen;
17. Interior image of Manufacturing Premises, entrance to existing bullpen;
18. Interior image of Manufacturing Premises, existing bullpen;
19. Interior image of Manufacturing Premises, existing conference room;
20. Interior image of Manufacturing Premises, existing storage room;
21. Interior image of Manufacturing Premises, entrance to existing bullpen;
22. Interior image of Manufacturing Premises, existing office;
23. Interior image of Manufacturing Premises, existing bullpen;
24. Interior image of Manufacturing Premises, existing breakroom;
25. Interior image of Manufacturing Premises, existing kitchen;
26. Interior image of Manufacturing Premises, existing bullpen;
27. Interior image of Delivery Premises, existing office;
28. Interior image of Delivery Premises, existing office;
29. Interior image of Delivery Premises, existing office;

30. Interior image of Delivery Premises, existing office;
31. Interior image of third-party sublease space 1;
32. Interior image of third-party sublease space 1;
33. Interior image of third-party sublease space 1;
34. Interior image of third-party sublease space 1;
35. Interior image of third-party sublease space 1;
36. Interior image of third-party sublease space 1;
37. Interior image of third-party sublease space 1;
38. Interior image of third-party sublease space 1;
39. Interior image of third-party sublease space 1;
40. Interior image of third-party sublease space 2;
41. Interior image of third-party sublease space 2;
42. Interior image of third-party sublease space 2;
43. Interior image of third-party sublease space 2;
44. Interior image of third-party sublease space 2;
45. Interior image of third-party sublease space 2;
46. Interior image of third-party sublease space 2;
47. Interior image of third-party sublease space 2;
48. Interior image of third-party sublease space 2.

## VI. USE PERMIT APPLICATION SUPPORTING STATEMENTS

### Findings Required for Approval of All Use Permits

*1. How has the project been designed and operated in order to be compatible with the nature and condition of all adjacent uses and structures, and with general and specific plans for the area in question?*

As set forth in greater detail herein, the subject property is located in the Crocker Park Trade Commercial District, zone TC-1. The subject property is occupied by two warehouse buildings with accessory office space, one of which is currently occupied by a third-party entity for commercial cannabis operations. The rear building located at the subject property, the address of which is 111 South Hill Drive, will be occupied by PDIS and PDES for the Operations.

**Adjacent Uses and Structures:** The subject property is bordered to the west by existing non-cannabis food production and distribution uses at 123 South Hill Drive and 145 South Hill Drive (Bi-Rite Foodservice Distributors and Del Monte Meats), and non-cannabis manufacturing uses at 155 South Hill Drive (Lee Mah Electronics). To the east, adjacent uses include non-cannabis freight forwarding, office, and warehouse uses at 99 South Hill Drive (DHL Express, F.W. Spencer, and Norman Wright Mechanical Equipment). The subject property is separated from the Crocker Park Recreational Trail (“CPRT”) by the approximately 60-foot wide South Hill Drive right-of-way and approximately 20 feet of grade separation and is thus not visible or accessible from the CPRT. The proposed Operations are consistent with the adjacent uses and structures, as well as the TC-1 zone as a whole.

**Brisbane General Plan:** The proposed Operations would be consistent with the Brisbane General Plan, and specifically the following Policies:

- **Policy 8:** Maintain and diversify the City's tax base, consistent with community character, in order to generate adequate revenues for City Government and sustain a healthy local economy. (Chapter 4).
- **Policy CP.3:** Encourage uses that benefit the community, providing jobs, revenues and services. (Chapter 12).
- **Policy CP.11:** Review development plans to assure adequate parking/loading on site. (Chapter 12).
- **Policy CP.20:** Provide the opportunity for a property owner to request police review of plans for new construction and remodeling to provide suggestions for the control of vandalism and theft. (Chapter 12).
- **Policy CP.24:** Contain major business activities inside buildings. (Chapter 12).

The proposed Operations would allow the establishment of one of the few commercial cannabis businesses in Brisbane. As described herein, the Operations will comply with the performance standards in Chapter 17.33 of the Code, as well as applicable State laws. The proposed Operations would support Brisbane’s interest in allowing the proposed Operations to be established in Brisbane as part of a new and growing industry and would diversify Brisbane’s tax base. The proposed Operations would be fully contained within the Facility, with the exception of incidental loading and unloading of Products, and PDIS and PDES have submitted a robust security plan in connection herewith, which they will execute in order to secure the Operations. With regard to parking, section 17.34 of the Code requires one parking space per 1,000 square feet of floor area for warehousing and light fabrication. The application materials demonstrate that 25 parking spaces accessible to the entire Facility, which is a 15,619 square foot building.

*2. How will the propose use be designed and operated in order to not be detrimental to the health, safety, comfort and general welfare of the persons residing or working in the neighborhood?*

As outlined in further detail herein, PDIS and PDES will take measures to: (1) limit odor, noise, and visibility from the exterior of the premises; (2) effectively dispose of cannabis waste; (3) transport Products in a limited manner (about once per day) in smaller vehicles; (4) operate, generally, during daytime hours; (5) limit the amount of non-employees allowed on the premises; and (6) ensure that the Products have been subject to appropriate quality control measures. Also, as noted in Part I hereof, PDIS will bring expertise and experience to the commercial cannabis industry in Brisbane, which will ensure that the products it sells are compliant with all applicable State and local laws and are not detrimental to the public.

*3. How will the proposed use be designed and operated in order to not be injurious or detrimental to property and improvements in the neighborhood or the general welfare of the city?*

See response to Question 2.

# ATTACHMENT 4

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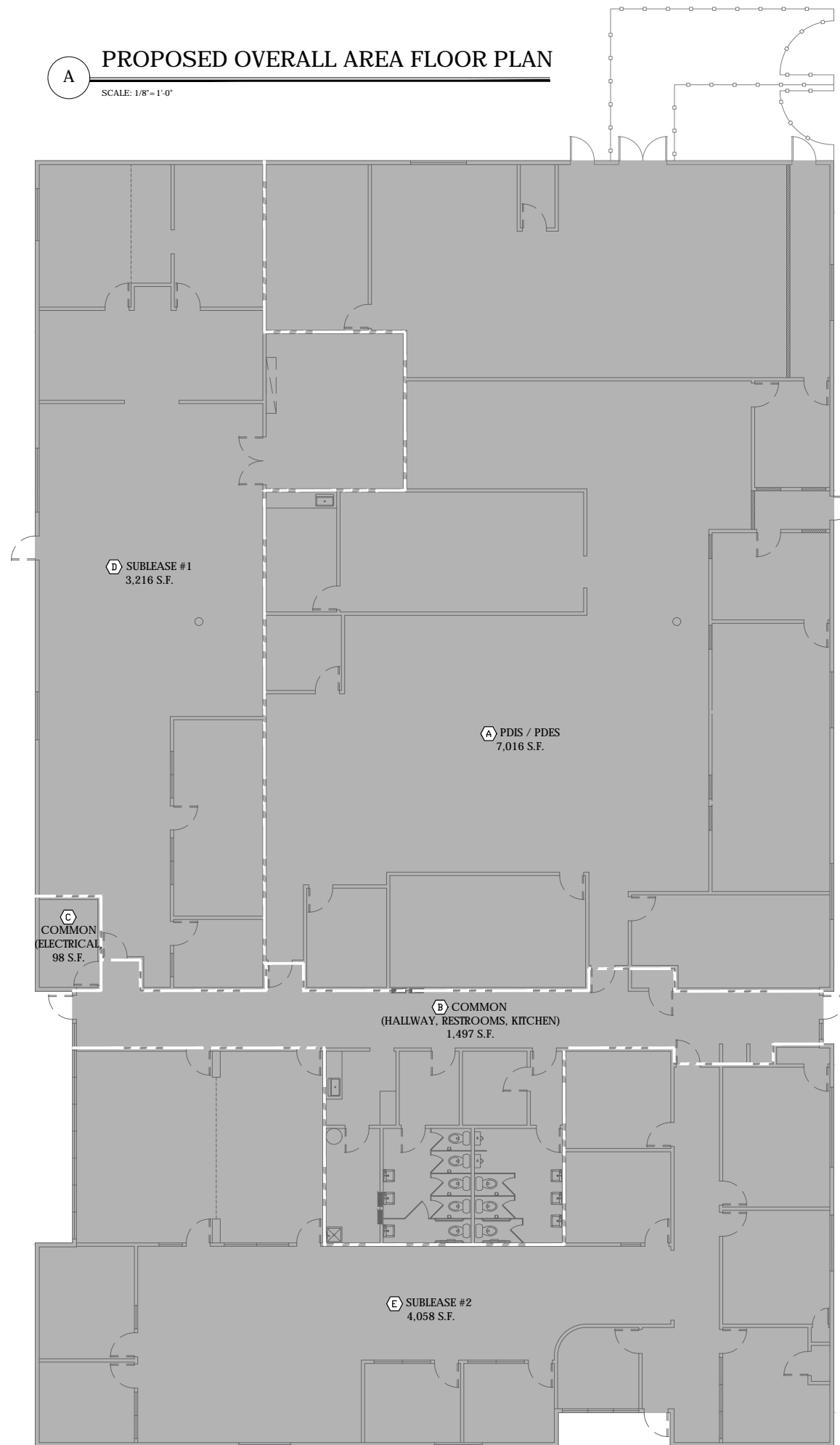
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**PROPOSED OVERALL AREA FLOOR PLAN**

SCALE: 1/8" = 1'-0"



**BUILDING AREAS:** ATTACHMENT 4

- (A) PDIS / PDES
- (B) COMMON (HALLWAY, RESTROOMS, KITCHEN)
- (C) COMMON (ELECTRICAL)
- (D) SUBLEASE #1
- (E) SUBLEASE #2

**BUILDING DATA:**

AREA COVERAGE:	PERCENTAGE
A: 7,016 S.F.	(44%)
B: 1,497 S.F.	(9%)
C: 98 S.F.	(1%)
D: 3,216 S.F.	(20%)
E: 4,058 S.F.	(26%)
<b>TOTAL BUILDING COVERAGE:</b>	<b>15,885 S.F. (100%)</b>

**EMPIRE DESIGN GROUP Inc.**

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Murrieta, Calif. 92562  
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CLIENT:

**BRISBANE DISTRIBUTION SOLUTIONS, LLC.**

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Date: NOVEMBER 16, 2018

Project Number: EDG#04545

NO.	DATE	REVISION DESCRIPTION

DESIGNED BY: GH  
CHECKED BY: GH  
DRAWN BY: AH

DRAWING TITLE:

PROPOSED OVERALL AREA FLOOR PLAN

SHEET NO:

**A 1.1**

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