

RECORDING REQUESTED BY:

**COUNTY OF STANISLAUS
BOARD OF SUPERVISORS**

When Recorded Mail To:

County of Stanislaus
Department of Planning & Community Development
1010 10th Street, Suite 3400
Modesto, CA 95354

Fee Waived per GC 27383

Space above this line for Recorder's use

**DEVELOPMENT AGREEMENT
BETWEEN THE
COUNTY OF STANISLAUS
AND
THE HONEST CHOICE
4701 MAIN ST., DENAIR**

THIS DEVELOPMENT AGREEMENT (this “Agreement” or this “Development Agreement”) is made and entered in the County of Stanislaus on this ___ day of _____, 2019, by and between Stanislaus County, a body corporate and a political subdivision of the State of California (hereafter “County”) and The Honest Choice (hereafter “Permittee”) pursuant to the authority of §§ 65864 *et seq.*, of the California Government Code and Stanislaus County Code, Title 22. County and Permittee are, from time-to-time, individually referred to in this Agreement as a “Party,” and are collectively referred to as “Parties.”

List of Attachments:

Attachment A “Project Description”

Attachment B “Legal Description/Property Description”

Attachment C “Floor Plan”

Attachment D “Operating Conditions”

Attachment E “Community Benefits”

Attachment F “Lease”

RECITALS

A. The Legislature of the State of California adopted the Development Agreement Act, Government Code §§65864 *et seq.*, which authorizes the County to enter into a property development agreement with any person having legal or equitable interest in real property for development of such property.

B. Pursuant to the Development Agreement Act, the County adopted the Development Agreement Ordinance, Title 22 of the Stanislaus County Code (hereafter “Title 22”), establishing procedures and requirements under which the County may enter into a Development Agreement for the development of real property with any person having a legal or equitable interest in such property in order to establish certain development rights in such property.

C. Permittee retains a legal or equitable interest in certain real property located at 4701 Main Street, in the Denair area, California, also known as Stanislaus County Assessor Parcel Number 024-027-022 and that is more particularly described in Attachment B attached hereto and is incorporated herein by reference. (“the Property”) Permittee has leased the Property for the purpose of carrying out the Project from the owner Randhawa International, Inc., (“Property Owner”). A copy of the lease is attached hereto as Attachment F.

D. Chapter 6.78 of the Stanislaus County Code (hereafter “Chapter 6.78”) establishes a regulatory permit for Commercial Cannabis Activities (“Commercial

Cannabis Activities Permit”) and prohibits all Commercial Cannabis Activities in all zoning areas without first obtaining a permit.

E. Permittee proposes to develop the Property to be used for the commercial cannabis activity described in Attachment A (“the Project”).

F. To ensure that the County remains responsive and accountable to its residents while pursuing the benefits of this development agreement, the County accepts the restraints on its police powers contained in this Agreement only to the extent and for the duration required to achieve the County’s objectives and to offset such restraints, seeks public benefits from the Permittee that go beyond those obtained by traditional County controls and conditions imposed on development project applications.

G. The County Board of Supervisors has found that, among other things, this Development Agreement is consistent with its General Plan and has been reviewed and evaluated in accordance with the Development Agreement Statute and Title 22.

H. County and Permittee desire the timely, efficient, orderly and proper development of the Project.

I. County and Permittee have reached agreement and desire to express herein a Development Agreement that shall facilitate development of the Project in conformance with Title 22 and subject to conditions set forth herein.

J. In addition, the parties intend that this Agreement satisfy the requirements of Chapter 6.78, which requires those operating a commercial cannabis activity to enter into a “development agreement” setting forth “the terms and conditions under which the Commercial Cannabis Activity will operate that are in addition to the requirements of this chapter, including, but not limited to, public outreach and education, community service, payment of fees and other charges as mutually agreed, and such other terms and conditions that will protect and promote the public health, safety, and welfare.”

K. On _____, 2019, the Stanislaus County Planning Commission, serving as the planning agency for purposes of Government Code section 65867, held a duly noticed public hearing on this Agreement and Related Project Approvals. Following the public hearing, the Planning Commission, determined that the Project, the Initial Project Approvals, and the Agreement are, as a whole and taken in their entirety, consistent with the County’s General Plan and the Zoning Code. The Planning Commission recommended _____ of the Project, including this Agreement, to the Board of Supervisors.

L. On _____, 2019, the County Board of Supervisors of the County of Stanislaus having receive the recommendations of the Planning commission, held a duly notice public hearing on this Agreement and the related initial Project Approvals. Following the public hearing, the board adopted Ordinance No. _____ (the “Enacting Ordinance”), approving this Agreement and authorizing the Chairman of the Board of Supervisors to execute this Agreement and found that the Agreement is consistent with the General Plan and Zoning Code in accordance with Government Code

section 65867.5 and determined that the Project as defined herein required no further analysis under CEQA, pursuant to CEQA Guidelines Section 15183 (Consistency with a General Plan or Zoning for which an EIR was prepared).

M. Permittee will implement public benefits, above and beyond the necessary mitigation for the Project, including the creation of new jobs, funding for various community improvements, and payment of the benefit fees as set forth in this Agreement and these public benefits serve as the consideration upon which the County bases its decision to enter into this Agreement.

NOW, THEREFORE, with reference to the foregoing recitals and in consideration of the mutual promises, obligations and covenants herein contained, County and Permittee agree as follows:

AGREEMENT

1. Incorporation of Recitals. The Recitals and all defined terms set forth above are hereby incorporated into this Agreement as if set forth herein in full.
2. Definitions.
 - 2.1. "Agreement" means this Development Agreement and all amendments and modifications thereto.
 - 2.2. "Enacting Ordinance" means Ordinance No. _____ adopted by the Board of Supervisors on _____, 2019, approving this Agreement and authorizing the Chairman of the Board of Supervisors to execute this Agreement.
 - 2.3. "Initial Project Approvals" means those land use approvals and entitlements relating to the Project that were approved by the Board of Supervisors concurrently with this Agreement, which include the Use Permit, and CEQA determination.
 - 2.4. "Regulatory Permit" means the permit required by Stanislaus County Code Chapter 6.78 to conduct Commercial Cannabis Activities.
 - 2.5. "Development Agreement Act" means Article 2.5 of Chapter 4 of Division 1 of Title 7 (section 65864 through 65869.5) of the California government Code.
 - 2.6. "Development Agreement Ordinance" means Title 22 of the Stanislaus County Code.
 - 2.7. "Effective Date" is the date on which the Agreement shall be effective in accordance with section 7.1 hereof.
 - 2.8. "Rules, Regulations and Official Policies" means the County rules, regulations, ordinances, laws, and officially adopted policies governing development, including, without limitation, density and intensity of use, permitted

uses, the maximum height and size of proposed buildings, the provision for the reservation or dedication of land, if any, for public purposes, the construction, installation, and extension of public improvements, environmental review, and other criteria relating to development or use of real property and which are generally applicable to the Property.

2.9. "Uniform Codes" means those building, electrical, mechanical, plumbing, fire, and other similar regulations of a Countywide adopted scope that are based on recommendations of the California Building Standards Commission and that become applicable throughout the County, such as, but not limited to, the California Uniform Building Code, the California Uniform Electrical Code, the California Uniform Mechanical Code, California Uniform Plumbing Code, or the California Uniform Fire Code (including those amendments to the promulgated California Uniform codes that reflect local modification adopted pursuant to the applicable process provided in state law for a local jurisdiction to modify such uniform codes and that are applicable Countywide).

3. Description of the Project. The Project consist of the use of the Property for the Commercial Cannabis Activities set forth in Attachment A attached hereto and in the Initial Project Approvals.
4. Description of Property. The Property that is the subject of this Agreement is described in Attachments B and C attached hereto.
5. Interest of Permittee. The Permittee has a legal interest in the Property in that it is the Lessee of the property.
6. Relationship of County and Permittee. It is understood that this Agreement is a contract that has been negotiated and voluntarily entered into by the County and Permittee and that the Permittee is not an agent of the County. The County and Permittee hereby renounce the existence of any form of joint venture or partnership between them and agree that nothing contained herein or in any document executed in connection herewith shall be construed as making the County and Permittee joint venture's or partners.
7. Effective Date and Term.

7.1. Effective Date. The Effective Date of this Agreement shall be the date on which the Enacting Ordinance becomes effective. The Enacting Ordinance is effective 30 days after the date of approval ("the Effective Date").

7.2. Term. The term of this Agreement shall commence on the Effective Date and extend five (5) years thereafter, unless said term is otherwise terminated or amended by circumstances set forth in this Agreement or Permittee no longer has a legal interest in the property or has ceased operations on the property for a period of 30 consecutive days.

8. Development of the Property.

8.1. Right to Develop. This Agreement is entered into by the Parties for the limited purpose of setting forth the terms concerning the development and use of the Property by Permittee for Commercial Cannabis Activities. Accordingly:

8.1.1. Vested Rights. Permittee waives any and all “vested rights” (as that term is used in California land use law) the Permittee may have or later acquire, in law or equity, concerning the Property or the Project except those specifically stated herein. Nothing contained in this Agreement, nor in any of the permits, approvals, plans, inspections, certificates, documents, licenses, or any other actions taken by the County regarding the Project shall be construed to grant Permittee any vesting of rights for future development or use of the Property or to conduct commercial cannabis activities except as specifically stated herein; and

8.1.2. Project Subject to Rules in Effect at Time of Development. Permittee agrees that any and all development and use of the Property shall be governed by the County’s fees, taxes, rules, regulations, ordinances, laws, and officially adopted policies governing the development and use of the Property, including, without limitation, impact fees, processing fees, regulatory fees and permits, density and intensity of use, permitted uses, the maximum height and size of proposed buildings, the provision for the reservation or dedication of land, if any, for public purposes, the construction, installation, and extension of public improvements, environmental review, and other criteria relating to development or use of real property and which are generally applicable to the Property in effect at the time of the development or use.

8.1.3. New Rules and Regulations. During the term of this Agreement, the County may apply new or modified ordinances, resolutions, rules, regulations and official policies of the County to the Property to ensure that the operation of the Commercial Cannabis Activity is consistent with the protection of the health, safety and welfare of the community and will not adversely affect the surrounding uses.

8.1.4. Future Approvals. Nothing in this Agreement shall prevent the County from denying or conditionally approving any subsequent land use permit or authorization for the Project on the basis of such new or modified ordinances, resolutions, rules, regulations and policies except that such subsequent actions shall be subject to any conditions, terms, restrictions, and requirements expressly set forth herein.

8.1.5. Application of State and Local Regulatory Laws Governing Commercial Cannabis Activities. The operation of Commercial Cannabis Activities is a highly regulated business activity, and it is subject to various state and local laws and regulations. This Agreement does not, and the County cannot and does not intend to, give Permittee the right to continue its operations without complying with applicable state and local laws governing its operations. Permittee shall be responsible for obtaining all applicable state permits, approvals and consents, even if the applicable state laws and regulations are altered following the Effective Date.

8.1.6. Uniform Codes Applicable. The Project shall be constructed in accordance with the provisions of the California Building, Mechanical, Plumbing, Electrical and Fire Codes and Title 24 of the California Code of Regulations, relating to Building Standards, in effect at the time of approval of the appropriate building, grading, or other construction permits for the Project.

8.1.7. Maintaining Regulatory Permit. Permittee shall continuously maintain its Regulatory Permit. Permittee agrees that it has an obligation to annually renew its Regulatory Permit pursuant to the terms of Stanislaus County Code Chapter 6.78. Nothing in this Agreement shall prevent the County from denying or conditionally approving the renewal of a Commercial Cannabis Business Regulatory Permit, revoking such permit, or amending Chapter 6.78 or its implementing regulations in a manner that would impose stricter requirements on existing or to-be-issued Regulatory Permits.

8.1.8. Timing of Development. Permittee shall complete Project improvements pursuant to the schedule set forth in Attachment G of this Agreement.

8.2. Permitted Uses. The permitted uses of the Property, the density and intensity of use, the maximum height, bulk and size of proposed buildings, provisions for reservation or dedication of land for public purposes and location and maintenance of on-site and off-site improvements, and other terms and conditions of development applicable to the Property, shall be those set forth in this Agreement, the Initial Project Approvals, any amendments to this Agreement, and any subsequent land use entitlements.

8.2.1. Although Chapter 6.78 - Commercial Cannabis Activities, of the Stanislaus County Code does not specifically identify Commercial Cannabis Activities as allowed uses in any specific zoning district, Stanislaus County Code Title 21 identifies zoning districts where commercial cannabis activities are permitted, when a Use Permit is obtained.

9. Public Benefits

9.1. Community Benefits. Permittee shall perform the Community Benefits identified in Attachment E to the Agreement.

10. Fees & Subsequently Enacted or Revised Fees, Assessments and Taxes.

10.1. Fees. Permittee agrees to pay all permit fees and charges required by Stanislaus County, including but not limited to permit application and permit issuance fees, annual operating fees, amended registration fees, and regulatory renewal fees. Permittee shall pay such fees in an amount determined by the County Board of Supervisors.

10.2. Amended Application Fees. Any existing application, processing, renewal and registration fees that are amended during the term of this Agreement shall apply to the Project.

10.3. New Taxes. Any subsequently enacted County taxes shall apply to the Project.

10.4. Assessments. Nothing herein shall be construed to relieve the Property from assessments levied against it by the County pursuant to any statutory procedure for the assessment of property to pay for infrastructure and/or services which benefit the Property.

10.5. Vote on Future Assessments and Fees. In the event that any assessment, fee or charge which is applicable to the Property is subject to Article XIID of the Constitution and Permittee does not return its ballot, Permittee agrees, on behalf of itself and its successors that the County may count Permittee's ballot as affirmatively voting in favor of such assessment, fee or charge.

11. Compliance with Chapter 6.78 of the Stanislaus County Code.

11.1. The parties intend this Agreement as the instrument to satisfy the requirements of Stanislaus County Code section 6.78.060 (A)(2), which provides as follows:

"Development Agreement. Prior to operating in the county and as a condition of issuance of the CCA permit, the permittee of each commercial cannabis activity shall enter into a development agreement, as specified in Title 22 of the Stanislaus County Code, with the county setting forth the terms and conditions under which the commercial cannabis activity will operate that are in addition to the requirements of this chapter, and such other terms and conditions that will protect and promote the public health, safety and welfare."

12. Compliance with Conditions of Approval and Regulatory Permits.

12.1. Permittee agrees to operate the Commercial Cannabis Activity on the Property pursuant to the terms and conditions set forth in the Operating Conditions attached hereto as Attachment D and incorporated herein by reference. Failure to strictly comply with the terms and conditions of the Operating Conditions shall constitute a default under this Agreement, which shall be subject to termination pursuant to paragraph 15 below.

12.2. Permittee agrees that its failure to strictly comply with all the requirements set out in Attachment D shall be a material breach of this agreement and subject to default under paragraph 15 below.

12.3. The provisions of this Agreement require a close degree of cooperation between County and Permittee. It is anticipated during the term of this Agreement that refinements to the manner in which the Permittee operates may be appropriate with respect to the Project. To the extent allowable by law, the Parties shall retain a certain degree of flexibility as provided herein with respect to all matters, items and provisions covered in general under this Agreement. When and if the Parties find it necessary or appropriate to make changes, adjustments or clarifications, the Parties shall enter into memoranda ("Operating Memoranda") approved by the Parties in writing, which reference this Section of the Agreement. Operating Memoranda are not intended to constitute an amendment to this Agreement but mere ministerial clarifications; therefore, public notices and hearings shall not be required. The Stanislaus County Chief Executive Officer shall be authorized upon consultation with the County Counsel, to determine whether a requested clarification may be effectuated pursuant to this Section or whether the requested clarification is of such character to constitute an amendment to the Agreement which requires compliance with the provision of this Agreement pertaining to amendments. The authority to enter into such Operating Memoranda is hereby delegated to the Chief Executive Officer, who is hereby authorized to execute any Operating Memoranda hereunder without further Board of Supervisor action.

13. Amendment or Cancellation.

13.1. Amendment Because of Conflict with State or Federal Laws. In the event that state or federal laws or regulations enacted after the Effective Date of this Agreement prevent or preclude compliance with one or more provisions of this Agreement or require changes in plans, maps or permits approved by the County, the parties shall meet and confer in good faith in a reasonable attempt to modify this Agreement to comply with such federal or state law or regulation. Any such amendment or suspension of the Agreement shall be subject to approval by the County Board of Supervisors in accordance with Stanislaus County Code, Title 22.

13.2. Amendment by Mutual Consent. This Agreement may be amended in writing from time to time by mutual consent of the parties hereto and in accordance with the procedures of State law and permitted uses.

13.3. Insubstantial Amendments. Notwithstanding the provisions of the preceding Section 13.2, any amendments to this Agreement which do not relate to (a) the term of the Agreement; (b) the permitted uses of the Property; (c) provisions for "significant" reservation or dedication of land; (d) conditions, terms, restrictions or requirements for subsequent discretionary actions; (e) the density or intensity of use of the Project; (f) the maximum height or size of proposed buildings; or (g) monetary contributions by Permittee as provided in this Agreement, shall not, except to the extent otherwise required by law, require notice or public hearing before either the Planning Commission or the County Board of Supervisors before the parties may execute an amendment hereto. The County Chief Executive Officer, or his/her designee, shall determine whether a reservation or dedication is "significant".

13.4. Amendment of Project Approvals. Any amendment of Project Approvals relating to: (a) the permitted use of the Property; (b) provision for reservation or dedication of land; (c) conditions, terms, restrictions or requirements for subsequent discretionary actions; (d) the density or intensity of use of the Project; (e) the maximum height or size of proposed buildings; (f) monetary contributions by the Permittee; or (g) public improvements to be constructed by Permittee shall require an amendment of this Agreement. Such amendment shall be limited to those provisions of this Agreement which are implicated by the amendment of the Project Approval. Any other amendment of the Project Approvals, or any of them, shall not require amendment of this Agreement unless the amendment of the Project Approval(s) relates specifically to some provision of this Agreement.

14. Annual Review.

14.1. Review Date. Annual review of the Property Owner's good faith compliance with the terms of this Agreement shall take place on an annual basis beginning 12 months after the Effective Date of this Agreement and continuing to occur annually thereafter on the yearly anniversary of the Effective Date ("Annual Review") until termination of the Agreement.

14.2. Initiation of Review. The County Chief Executive Officer, or designee, shall initiate the annual review, as required under Chapter 22.07 of the Stanislaus County Code, by giving to Permittee thirty (30) days written notice that the County intends to undertake such review. Permittee shall provide evidence to the County Chief Executive Officer, or designee, prior to the hearing on the annual review, as and when reasonably determined necessary by the County Chief Executive Officer, or designee, to demonstrate good faith compliance with the provisions of the Agreement. The burden of proof by substantial evidence of compliance is upon the Permittee.

14.2.1. Appeal of the Chief Executive Officer's, or designee's, findings regarding compliance shall be made in accordance with Stanislaus County Chapter 22.07, except that the County Chief Executive Officer, or designee, shall replace all instances where the planning director is indicated.

14.3. Staff Reports. To the extent practical, the County shall deposit in the mail and fax to Permittee a copy of all staff reports, and related Attachments concerning contract performance at least ten (10) days prior to any annual review.

14.4. Costs. Costs reasonably incurred by the County in connection with the annual review shall be paid by Permittee in accordance with the County's schedule of fees in effect at the time of review.

15. Default.

15.1. Permittee's Default. The occurrence of any of the following shall constitute a default by Permittee under this Agreement.

15.1.1. Failure or unreasonable delay to perform any material provision of this Agreement.

15.1.2. Permittee's failure to pay when due any fee, tax, or payment required to be paid under this Agreement, County Ordinance or Resolution, or California State Law, if the failure to pay continues for three (3) days after written notice of the failure from County.

15.1.3. Permittee's abandonment of the Property, including Permittee's absence from the Property for thirty 30 consecutive days.

15.1.4. Permittee's failure to strictly comply with all the requirements set out in Attachment D.

15.1.5. Permittee's failure to make the contributions or community Benefit Rate Payments set out in Attachment E.

15.2. County's Default. Failure to perform any material provision of this agreement, or any intentional or unreasonable delay to perform or in performance of any material provision of this Agreement.

15.3. Other Remedies Available. Upon the occurrence of an event of default, the parties may pursue all other remedies at law or in equity which are not otherwise provided for in this Agreement or in the County's regulations governing development agreements, expressly including the remedy of specific performance of this Agreement.

15.4. Notice and Cure. Upon the occurrence of an event of default by either party, the non-defaulting party shall serve written notice of such default upon the defaulting party ("Notice of Default"). Failure to give notice shall not constitute a waiver of any default. Upon delivery of notice, the parties shall meet and confer in good faith to address the alleged default and attempt to cure such default within a reasonable time or modify the Agreement to remedy such default.

15.5. Cure Period. The defaulting Party shall respond within 5 business days of the date of the Notice of Default, and shall provide reasonable evidence that it was never, in fact, in default or shall state that it will immediately commence to cure the identified default and shall cure the identified default within 30 days of the Notice of Default, unless the Parties extend such time by mutual written consent. In the case of a dispute as to whether a default exist or whether the defaulting Party has cured the default, the Parties may submit the matter to dispute resolution pursuant to section 16 of this Agreement.

15.6. Remedies for Default.

15.6.1. Permittee Default; If the Permittee remains in default after the cure period, and the alleged default is not the subject of a dispute resolution pursuant to Section 16 of this Agreement, the County shall have all rights and remedies provided by this Agreement, including, without limitation, the right to terminate or modify this Agreement subject to the provisions set forth below. The County shall, in addition to any other remedy available at law or in equity, also have the right to compel specific performance of the obligations of Property Owner under this Agreement, including, without limitation, the right to compel specific performance of the Community Benefits set forth in Attachment E to this Agreement.

15.6.2. Termination or Modification. If the Director of Planning finds and determines that Permittee remains in default after the cure period, if the alleged default is not the subject of dispute resolution pursuant to Section 16 of this Agreement, and if the County intends to terminate or modify this Agreement, the Director of Planning shall set the matter for a hearing by the Planning Commission in accordance with the provisions of the Development Agreement Ordinance (County Code Chapter 22.08). If after such public hearing, the Planning Commission finds that Property Owner is in violation of this Agreement, the Planning Commission shall notify the Board of Supervisors of its findings and recommend such action as it deems appropriate. If the Planning Commission reports a violation of the Development Agreement to the Board of Supervisors pursuant to this Section, the Board of Supervisors may take one of the following actions: (a) approve the recommendation of the Planning Commission instructing that action be taken as indicated therein in cases other than a recommendation to terminate or modify the Agreement; (b) refer the matter back to the Planning Commission for further proceedings with or without instructions;

or (c) schedule the matter for hearing before the Board of Supervisors if termination or modification of the Agreement is recommended. There shall be no termination or modifications of this Agreement unless the Board of Supervisors acts pursuant to the provisions set forth in Government Code Sections 65865.1, et seq., and Stanislaus County Code chapter 22.08. Pursuant to Government Code §65865., if as a result of the Annual Review, the County determines, on the basis of substantial evidence, that Permittee has not complied in good faith with terms or conditions of this Agreement, the County may terminate or modify the Agreement; provided, however, that if Permittee does not agree to the modification the County's only remedy shall be to terminate the Agreement. Further, if the County seeks to terminate or modify the Agreement for any other reason, such action shall be subject to the requirements of Government Code § 65868, including the requirement for the mutual consent of the Parties.

15.6.3. County Default. If the County remains in default after the cure period and the alleged default is not the subject of dispute resolution pursuant to Section 16 of this Agreement, Permittee shall have all rights and remedies provided by this Agreement, including, without limitation, the right to compel specific performance of the County's obligations under this Agreement. Permittee also has the right to initiate amendment or cancellation of this Agreement subject to the provisions set forth in the Development Agreement Act and Development Agreement Ordinance, which include, but are not limited to, the requirement for mutual consent of the Parties to the amendment or cancellation.

15.6.4. No Monetary Damages Against County. Notwithstanding anything to the contrary contained herein, in no event shall monetary damages be awarded against the County upon an event of default or upon termination of this Agreement.

16. Dispute Resolution. In addition to, and not by way of limitation of, all other remedies available to the Parties under the terms of this Agreement, the Parties may choose to use the informal dispute resolution and/or arbitration processes in this Section.

16.1. Informal Dispute Resolution Process. The Parties may agree to informal dispute resolution proceedings to fairly and expeditiously resolve disputes related to the interpretation or enforcement of, or compliance with, the provision of this Agreement ("Disputes"). These dispute resolution proceedings may include: (a) procedures developed by the County for expeditious interpretation of questions arising under development agreements; or (b) any other manner of dispute resolution that is mutually agreed upon by the Parties.

16.2. Non-Binding Arbitration. The Parties may agree to use nonbinding arbitration to resolve any Dispute arising under this Agreement. The arbitration shall be conducted by an arbitrator who must be a former judge of the Stanislaus

County Superior Court, Appellate Justice of the Fifth District Court of Appeals, or Justice of the California Supreme Court. This arbitrator shall be selected by mutual agreement of the Parties.

16.3. Non-Binding Arbitration Procedures. Upon appointment of the arbitrator, the Dispute shall be set for arbitration at a time not less than thirty (30) nor more than ninety (90) days from the effective date of the appointment of the arbitrator. The arbitration shall be conducted under procedures that are mutually agreed upon by the Parties in writing prior to the commencement of arbitration.

17. Termination or cancellation. In addition to the procedures set forth in Section 15.6, above, this Agreement is also subject to the following termination provisions:

17.1. Termination Upon Expiration of Term. This Agreement shall terminate upon expiration of the Term set forth in Section 7.2 unless otherwise extended or modified by mutual consent of the Parties. Upon termination of this Agreement, the County Registrar-Recorder/County Clerk may cause a notice of such termination in a form satisfactory to the County to be duly recorded in the official records of the County.

17.2. Cancellation by Mutual Consent. This Agreement may be cancelled by mutual consent of the Parties, subject to the procedures set forth in the Development Agreement Act and the Development Agreement Ordinance.

17.3. Enforced Delay; Extension of Time of Performance. In addition to specific provisions of this Agreement, performance by any Party hereunder shall not be deemed to be in default where a delay is enforced due to: war, insurrection, strikes, walkouts, riots, floods, earthquakes, fires, casualties, acts of God, third-party litigation, restrictions imposed or mandated by other governmental entities, enactment of conflicting state or federal laws or regulations, judicial decisions, or similar basis for excused performance that is not within the reasonable control of the Party to be excused, and the cause of the enforced delay actually prevents or unreasonably interferes with such Party's ability to comply with this Agreement; provided, however, that the Parties agree that a delay that results solely from unforeseen economic circumstances shall not constitute an enforced delay for purposes of this Section. This Section shall not be applicable to any proceedings with respect to bankruptcy or receivership initiated by or on behalf of Permittee, or by any third parties against Permittee if such third-party proceedings are not dismissed within ninety (90) days. If written notice of an enforced delay is given to either Party within forty-five (45) days of the commencement of such enforced delay, an extension of time for such cause will be granted in writing for the period of the enforced delay, or longer as may be mutually agreed upon.

18. Estoppel Certificate.

18.1. Either party may, at any time, and from time to time, request written notice from the other party requesting such party to certify in writing that, (a) this Agreement is in full force and effect and a binding obligation of the parties, (b) this Agreement has not been amended or modified either orally or in writing, or if so amended, identifying the amendments, and (c) to the knowledge of the certifying party the requesting party is not in default in the performance of its obligations under this Agreement, or if in default, to describe therein the nature and amount of any such defaults. A party receiving a request hereunder shall execute and return such certificate within thirty (30) days following the receipt thereof, or such longer period as may reasonably be agreed to by the parties. Chief Executive Officer of the County shall be authorized to execute any certificate requested by Permittee. Should the party receiving the request not execute and return such certificate within the applicable period, this shall not be deemed to be a default, provided that such party shall be deemed to have certified that the statements in clauses (a) through (c) of this section are true, and any party may rely on such deemed certification.

19. Severability.

19.1. The unenforceability, invalidity or illegality of any provisions, covenant, condition or term of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

20. Attorneys' Fees and Costs.

20.1. If the County or Permittee initiates any action at law or in equity to enforce or interpret the terms and conditions of this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs in addition to any other relief to which it may otherwise be entitled. If any person or entity not a party to this Agreement initiates an action at law or in equity to challenge the validity of any provision of this Agreement or the Project Approvals, the parties shall cooperate in defending such action. Permittee shall bear its own costs of defense as a real party in interest in any such action and shall reimburse the County for all reasonable court costs and attorneys' fees expended by the County in defense of any such action or other proceeding.

21. Transfers and Assignments.

21.1. The Permittee shall not transfer, delegate, or assign its interest, rights, duties, and obligations under this Agreement without the prior written consent of the County. Any assignment, delegation, or assignment without the prior written County consent of the other parties to this Agreement shall be null and void. Any transfer, delegation, or assignment by the Permittee as authorized herein shall be effective only if and upon the party to whom such transfer, delegation, or

assignment is made is issued a Regulatory Permit as required under chapter 6.78 of the Stanislaus County Code.

21.2. No change in Permittee's ownership or in the composition of the Permittee's ownership shall be made, and no transfer or sub-lease of the lease Agreement shall be made, without providing the County with 30 days prior written notice. If the change, transfer or sub-lease changes Control over the use of the Property, the operations of Permittee, or the actions or activities of Permittee, then the prior written consent of the County must be obtained 30 days before the change, transfer or sub-lease.

21.3. Notwithstanding the above, the County Chief Executive Officer (CEO) shall evaluate in good faith any request for a transfer of rights to a third party under this Agreement, and shall not unreasonably withhold approval of such request. The CEO's evaluation may take into consideration the experience of and resources available to the prospective transferee relative to their ability to competently assume the commercial cannabis business operation, and applicable background information of the third party, including but not limited to a background check for criminal activity, a history of legal actions such as filing for bankruptcy, civil lawsuits involving claims of fraud or related actions. Additionally, the CEO may, at his or her discretion, deny a transfer request for any of the reasons contemplated in California Code of Regulations, tit. 16, sections 5017-5018.

21.3.1. Successor in Interest. Permittee shall have the right to name a successor in interest who may assume ownership of the Cannabis Business Project and permits thereunder in the event of the permittee or it's principal's death or incapacity, provided the CEO has conducted a background check of the named successor in interest, subject to the provisions for assignments to third parties set forth above, and there are no issues related to his or her background that would preclude eligibility to operate the Cannabis Business Project. Permittee shall designate its successor in interest in writing and provide notice to the County as set forth below.

22. Bankruptcy.

The obligations of this Agreement shall not be dischargeable in bankruptcy.

23. Indemnification.

23.1. Permittee hereby agrees to and shall indemnify, save, hold harmless, and, if requested by the County, defend the County from any claim, action, or proceeding brought by a third party (i) to challenge, attack, set aside, void, or annul this Agreement or the Initial Project Approvals, or (ii) for claims, costs, and liability for any damages, personal injury, or death, which may arise in connection with The Project or this Agreement. Directly or indirectly from the negotiation, formation, execution, enforcement, or termination of this Agreement. Nothing in this Section

shall be construed to mean that Permittee shall hold the County harmless and/or defend it from any claims arising from, or alleged to arise from, the negligent acts, negligent failure to act, or intentional acts on the part of the County. The County agrees that it shall reasonably cooperate with Permittee in the defense of any matter in which Permittee is defending, indemnifying, and/or holding the County harmless. The County may make all reasonable decisions with respect to its representation in any legal proceeding. In the event any claim, action, or proceeding as described above is filed by a third party against the County, Permittee shall, within 10 days of being notified of the filing, make an initial deposit with the County in the amount of \$5,000, from which actual costs and expenses shall be billed and deducted for purposes of defraying the costs and/or expenses involved in the County's cooperation in the defense, including, but not limited to, depositions, testimony, and other assistance provided to Permittee or Permittee's counsel. If during the litigation process actual costs or expenses incurred reach 80 percent of the amount on deposit, Permittee shall deposit additional funds to bring the balance up to the amount of \$5,000. There is no limit to the number of supplemental deposits that may be required during the course of litigation. At the sole discretion of Permittee, the amount of the initial or any supplemental deposit may exceed the minimum amounts specified herein. Additionally, the cost for collection and duplication of records, including the reasonable costs of staff time necessary to collect, review, and/or duplicate such records in connection with the preparation of any administrative record or otherwise in relation to litigation, shall be paid by Permittee. Upon Permittee's initial \$5,000.00 deposit to cover the County's costs and expenses pursuant to this section, Permittee shall have the right to a monthly, itemized accounting of such expenses, which County shall provide upon Permittee's request within 5 days of such request, but no sooner than 30 days after Permittee's initial deposit.

24. Insurance.

24.1. Public Liability and Property Damage Insurance. During the term of this Agreement, Permittee shall maintain in effect a policy of comprehensive general liability insurance with a per-occurrence combined single limit of not less than two million dollars (\$2,000,000.00) with a one hundred thousand dollar (\$100,000) self-insurance retention per claim. The policy so maintained by Permittee shall name the County as an additional insured and shall include either a severability of interest clause or cross-liability endorsement.

24.2. Workers Compensation Insurance. During the term of this Agreement Permittee shall maintain Worker's Compensation insurance for all persons employed by Permittee for work at the Project site. Permittee shall require each contractor and subcontractor similarly to provide Worker's Compensation insurance for its respective employees. Permittee agrees to indemnify the County for any damage resulting from Permittee's failure to maintain any such insurance.

24.3. Evidence of Insurance. Prior to the County Board of Supervisors approval of this Agreement, Permittee shall furnish the County satisfactory evidence of the insurance required in Sections 24.1 and 24.2 and evidence that the carrier is required to give the County at least fifteen days prior written notice of the cancellation or reduction in coverage of a policy. The insurance shall extend to the County, its elective and appointive boards, commissions, officers, agents, employees and representatives and to Permittee performing work on the Project.

25. Notices.

25.1. All notices required or provided for under this Agreement shall be in writing. Notices required to be given to the County shall be addressed as follows:

County Chief Executive Officer
County of Stanislaus
1010 10th Street, Suite 6800
Modesto, CA 95354

Notices required to be given to Permittee shall be addressed as follows:

The Honest Choice
4701 Main St., Suite D
Denair, CA 95316
ATTN: Shawnee Amaral

A party may change address by giving notice in writing to the other party and thereafter all notices shall be addressed and transmitted to the new address. Notices shall be deemed given and received upon personal delivery, or if mailed, upon the expiration of 48 hours after being deposited in the United States Mail. Notices may also be given by overnight courier which shall be deemed given the following day or by facsimile transmission which shall be deemed given upon verification of receipt.

26. Agreement is Entire Understanding.

This Agreement constitutes the entire understanding and agreement of the parties.

27. Attachments.

The following documents are referred to in this Agreement and are attached hereto and incorporated herein as though set forth in full:

Attachment A "Project Description"
Attachment B "Legal Description/Property Description"
Attachment C "Site Plan"
Attachment D "Operating Conditions"
Attachment E "Community Benefits"
Attachment F "Lease"

28. Counterparts.

This Agreement is executed in three (3) duplicate originals, each of which is deemed to be an original.

29. Recordation.

The County shall record a copy of this Agreement within ten (10) days following execution by all parties.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

COUNTY

PERMITTEE

County of Stanislaus

The Honest Choice

By: _____
Terrance Withrow
Chairman of the Board of Supervisors

By: _____
Shawnee Amaral, Owner

Dated: _____

Attest:
Clerk of the Board of Supervisors

Deputy Clerk

Approved as to form:
County Counsel

Thomas E. Boze
County Counsel

(NOTARIZATION ATTACHED)

ATTACHMENT A

PROJECT DESCRIPTION

Project Description: Request to establish a commercial cannabis retail business, within an 850 square-foot suite of an existing building in the C-2 (General Commercial) zoning district.

ATTACHMENT B

LEGAL DESCRIPTION

Real property in the County of Stanislaus, State of California, described as follows:

LOTS 17, 18, 19 AND 20, IN BLOCK 3, OF TOWN OF ELMWOOD, AS PER MAP FILED MARCH 8, 1897 IN VOLUME 1 OF MAPS, AT PAGE 51, STANISLAUS COUNTY RECORDS.

TOGETHER WITH THAT PORTION OF ABANDONED SAN JOAQUIN AVEUE AS ABANDONED BY RESOLUTION RECORDED NOVEMBER 3, 1976 IN BOOK 2846, PAGE 260, INSTRUMENT NO. 23550.

ATTACHMENT D

OPERATING CONDITIONS

1. Compliance with Laws. Permittee shall operate in accordance with all applicable State and local laws, and any regulations promulgated thereunder.
2. Compliance with Conditions of Approval/Development Standards/Mitigation Measures. Permittee shall operate in compliance with all conditions of approval/development standards/mitigation measures associated with the Initial Project Approvals and any subsequent approvals issued by the County or any other regulatory agency.
3. Compliance with License Regulations. Permittee shall operate in strict compliance with the regulations contained in Chapter 6.78 of the Stanislaus County Code.
4. Hours of operation. A licensed Retailer shall only sell cannabis goods during the hours of 8:00 a.m. Pacific Time to 8:00 p.m. Pacific Time, and shall not otherwise be open to the public outside of those hours.
5. Exception to Stanislaus County Ordinance Chapter 6.78 Commercial Cannabis Activities, 6.78.120 General Operational Standards, Section A(7), which states "Commercial Cannabis Activities shall not be located within a 600 foot radius of any day care center, youth center (including parks), or school, as defined in this Chapter, existing at the time of initial permitting, and as required by State law".

State law does not require any setbacks for parks, and therefore an exception is made to not require the 600 foot set back to a park as it relates to this location and operation.

ATTACHMENT E

COMMUNITY BENEFITS

Permittee agrees that its participation in commercial cannabis activities negatively impacts the residents of Stanislaus County and that by entering into this Development Agreement Permittee is agreeing to contribute greater public benefits than could otherwise be required and that Permittee does so freely and with full knowledge and consent.

Permittee agrees to provide the following public benefits and specifically consents to the payment or provision of these public benefits. Permittee agrees that these public benefits are not a tax and do not constitute a taking of Permittee's property for the public's benefit and Permittee waives any and all claims, actions, causes of action, liabilities, damages, demands, attorneys' fees, expenses and costs (including without limitation court costs) of any kind or nature whatsoever, whether known or unknown, suspected or unsuspected, which may arise by reason of payment or provision of the community benefits stated herein.

A. Community Benefit Contribution.

Permittee shall pay to the County a Community Benefit Contribution in the amount of \$6,000 in year 1 (first payment due July 1, 2019); \$15,000 in 2020, \$16,000 in 2021, \$17,000 in 2022, and \$18,000 in 2023. Permittee shall deliver the Community Benefit Contribution in quarterly installments in the same manner as Benefit Rate Payments described in section B.

The Community Benefit Contribution may be used for the general governmental purposes of the County and not for the purposes of regulation or of raising revenues for regulatory purposes. All of the Community Benefit Contribution proceeds received from Permittee shall be placed in the County's general fund and used for the usual current expenses of the County and is a separate and distinct payment from the Community Benefit Rate Payment below. The County intends, but is not obligated, to distribute these funds to local community charities for their use and for public improvement projects.

B. Community Benefit Rate Payments:

1. Permittee shall provide funding as described below for the general governmental purposes of the County, including the enforcement of illegal commercial cannabis activities, and not for the purposes of regulation or of raising revenues for regulatory purposes. All of the proceeds received from Permittee shall be placed in the County's general fund and used for the usual current expenses of the County.

2. Definitions.

2.1. "Canopy" means all of the following:

2.1.1. The designated area(s) at a licensed premises that will contain cannabis plants at any point in time;

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

2.1.3. Canopy may be noncontiguous but each unique area included in the total canopy calculation shall be separated by an identifiable boundary such as an interior wall or by at least ten feet of open space; and

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

2.2. "Designated area(s)" means the entirety of the enclosed area measured in square feet without regard to any portion of the enclosed area that does not or will not contain cannabis plants.

2.3. "Gross Receipts," except as otherwise specifically provided, means the total amount actually received or receivable from all sales or transfers; the total amount or compensation actually received or receivable for the performance of any act or service, of whatever nature it may be, for which a charge is made or credit allowed, whether or not such act or service is done as a part of or in connection with the sale of materials, goods, wares or merchandise; discounts, rents, royalties, fees, commissions, dividends, and gains realized from trading in stocks or bonds, however designated. Included in "gross receipts" shall be all receipts, cash, credits and property of any kind or nature, without any deduction therefrom on account of the cost of the property sold, the cost of materials used, labor or service costs, interest paid or payable, or losses or other expenses whatsoever, except that the following shall be excluded therefrom:

2.3.1. Cash discounts allowed and taken on sales;

2.3.2. Credit allowed on property accepted as part of the purchase price and which property may later be sold, at which time the sales price shall be included as gross receipts;

2.3.3. Any tax required by law to be included in or added to the purchase price and collected from the consumer or purchaser;

2.3.4. Such part of the sale price of any property returned by purchasers to the seller as refunded by the seller by way of cash or credit allowances or return of refundable deposits previously included in gross receipts;

2.3.5. Receipts from investments where the holder of the investment receives only interest and/or dividends, royalties, annuities and gains from the sale or exchange of stock or securities solely for a person's own account, not derived in the ordinary course of a business;

2.3.6. Receipts derived from the occasional sale of used, obsolete or surplus trade fixtures, machinery or other equipment used by the Permittee in the regular course of the Permittee's business;

2.3.7. Cash value of sales, trades or transactions between departments or units of the same business;

2.3.8. Whenever there are included within the gross receipts amounts which reflect sales for which credit is extended and such amount proved uncollectible in a subsequent year, those amounts may be excluded from the gross receipts in the year they prove to be uncollectible; provided, however, if the whole or portion of such amounts excluded as uncollectible are subsequently collected, they shall be included in the amount of gross receipts for the period when they are recovered;

2.3.9. Transactions between a partnership and its partners;

2.3.10. Receipts from services or sales in transactions between affiliated corporations. An affiliated corporation is a corporation:

A. The voting and nonvoting stock of which is owned at least 80 percent by such other corporation with which such transaction is had; or

B. Which owns at least 80 percent of the voting and nonvoting stock of such other corporation; or

C. At least 80 percent of the voting and nonvoting stock of which is owned by a common parent corporation which also has such ownership of the corporation with which such transaction is had.

2.3.11. Transactions between a limited liability company and its member(s), provided the limited liability company has elected to file as a Subchapter K entity under the Internal Revenue Code and that such transaction(s) shall be treated the same as between a partnership and its partner(s) as specified in subsection (E)(9) of this section;

2.3.12. Receipts of refundable deposits, except that such deposits when forfeited and taken into income of the business shall not be excluded when in excess of \$1.00;

2.3.13. Amounts collected for others where the business is acting as an agent or trustee and to the extent that such amounts are paid to those for whom collected. These agents or trustees must provide the names and the addresses of the others and the amounts paid to them. This exclusion shall not apply to any fees, percentages, or other payments retained by the agent or trustees.

2.4. "Sell," "sale," and "to sell" include any transaction whereby, for any consideration, title to cannabis is transferred from one person to another, and includes the delivery of cannabis or cannabis products pursuant to an order placed for the purchase of the same and soliciting or receiving an order for the same, but does not include the return of cannabis or cannabis products by a licensee to the licensee from whom such cannabis or cannabis product was purchased.

3. Amount of Community Benefit Rate Payment.

3.1. Retail. Permittee shall pay the County:

3.1.1. In Year 2019, the greater of \$120,000 or 8% of Gross Receipts, to be paid in quarterly installments within 30 days of adoption, and on July 30, October 30, and January 30.

3.1.2. Subsequent years to be paid in quarterly installments on April 30, July 30, October 30, and January 30, as follows:

- A. In Year 2020, the greater of \$150,000 or 8% of Gross Receipts;
- B. In Year 2021 the greater of \$160,000 or 8% of Gross Receipts;
- C. In Year 2022, the greater of \$170,000 or 8% of Gross Receipts;
- D. In Year 2023, the greater of \$180,000 or 8% of Gross Receipts.

4. Payment Location. Permittee shall make the Community Benefit Rate Payment at the Offices of the County Treasurer-Tax Collector. The Community Benefit Rate Payment may be paid in legal tender or in money receivable in payment of taxes by the United States. The County Treasurer-Tax Collector shall have the right to refuse the payment in coins. The County Treasurer-Tax Collector may, in his or her discretion, accept electronic funds transfers in payment of the Community Benefit Rate Payment in the same way it would accept the payment of taxes in accordance with section 2503.2 of the Revenue and Taxation Code.

5. Payment Due.

5.1. The Community Benefit Rate Payment shall be due and payable as follows:

5.1.1. Permittee shall on or before the last day of the period designated by and at the discretion of the County Treasurer-Tax Collector, prepare and deliver a Community Benefit Rate Payment statement to the County

Treasurer-Tax Collector of the total gross receipts and the amount of Community Benefit Rate Payment owed for the preceding designated period. At the time the Community Benefit Rate Payment statement is filed, the full amount of the Community Benefit Rate Payment owed for the preceding designated period shall be remitted to the County Treasurer-Tax Collector.

5.1.2. All Community Benefit Rate Payment statements shall be completed on forms provided by the County Treasurer-Tax Collector.

5.1.3. Community Benefit Rate Payment statements and payments for all outstanding Community Benefit Rate Payment owed the County are immediately due to the County Treasurer-Tax Collector upon cessation of business for any reason.

6. Payments and Communications Made by Mail—Proof of Timely Submittal. Community Benefit Rate Payments made shall be deemed timely if submitted in accordance with Revenue and Taxation Code sections 2512 and 2513.

7. Payment—When Deemed Late.

7.1. The Community Benefit Rate Payments required to be paid pursuant to this Agreement shall be deemed late if not paid on or before the due date specified in this Attachment E.

7.2. The County is not required to send a late or other notice or bill to the Permittee.

8. Payment—Returned Checks. Whenever a check is submitted in payment of and the check is subsequently returned unpaid by the bank upon which the check is drawn, and the check is not redeemed prior to the due date, the Permittee, in addition to the amount due, pay a return check fee as established by the Board of Supervisors.

9. Payment —Interest on Late Payments. If Permittee fails to remit the Community Benefit Rate Payment at the time due shall pay interest at the rate of one-half of one percent per month or fraction thereof on the amount of the Community Benefit Rate Payment, from the date on which the remittance first became delinquent until paid. All such interest as accrues shall become a part of the Community Benefit Rate Payment required to be paid. Only payments for the full amount due shall be accepted. Partial payments shall not be accepted.

10. Refunds.

10.1. Whenever the amount of Community Benefit Rate Payment or interest has been overpaid, paid more than once, or has been erroneously collected or received

by the County under this Agreement, it may be refunded to the Permittee; provided, that a written claim for refund is filed with the County Treasurer-Tax Collector within three years of the date the Community Benefit Rate Payment was originally due and payable.

10.2. The County Treasurer-Tax Collector or the County Treasurer-Tax Collector's authorized agent shall have the right to examine and audit all the books and business records of the Permittee in order to determine the eligibility of the Permittee to the claimed refund. No claim for refund shall be allowed if the Permittee refuses to allow such examination of Permittee's books and business records after request by the County Treasurer-Tax Collector to do so.

10.3. In the event that the Community Benefit Rate Payment was erroneously paid and the error is attributable to the County, the entire amount of the Community Benefit Rate Payment erroneously paid shall be refunded to the claimant. If the error is attributable to the Permittee, the County shall retain the amount set forth in the schedule of fees and charges established by resolution of the Board of Supervisors from the amount to be refunded to cover expenses.

11. Audit and Examination of Records and Equipment.

11.1. The County Treasurer-Tax Collector shall have the power to audit and examine all books and records of the Permittee, including both State and Federal income tax returns, California sales tax returns, or other evidence documenting the gross receipts of the Permittee, and, where necessary, all equipment of Permittee, for the purpose of ascertaining the gross receipts to determine the amount of Community Benefit Rate Payment, if any, required to be paid by this Agreement, and for the purpose of verifying any statements or any item thereof when filed by the Permittee. If such person, after written demand by the County Treasurer-Tax Collector, refuses to make available for audit, examination or verification such books, records or equipment as the County Treasurer-Tax Collector requests, the County Treasurer-Tax Collector may, after full consideration of all information within his or her knowledge concerning the cannabis business and activities of the person so refusing, make an assessment in the manner provided in this Chapter of any Benefit Rate Payment estimated to be due.

11.2. Permittee shall keep and preserve, for a period of at least three years, all records as may be necessary to determine the amount of the Community Benefit Rate Payment, which records the County Treasurer-Tax Collector shall have the right to inspect at all reasonable times.

12. Deficiency Determination. If the County Treasurer-Tax Collector is not satisfied that any statement filed as required under the provisions of this Agreement is correct, or that the amount of Community Benefit Rate Payment is correctly computed, the Treasurer-Tax Collector may compute and determine the amount to be paid and make a deficiency determination upon the basis of the facts

contained in the statement or upon the basis of any information in their possession or that may come into their possession within three years of the date the Community Benefit Rate Payment was originally due and payable. One or more deficiency determinations of the amount of Community Benefit Rate Payment due for a period or periods may be made. If Permittee discontinues the permitted commercial cannabis activity, a deficiency determination may be made at any time within three years thereafter as to any liability arising from engaging in such business whether or not a deficiency determination is issued prior to the date the Community Benefit Rate Payment would otherwise be due. Whenever a deficiency determination is made, a notice shall be given to the Permittee concerned in the same manner as notices under this Agreement.

13. Subsequently Enacted Tax. In the event Stanislaus County enacts a tax applicable to the Project following the execution of this agreement, Permittee's obligation to pay Community Benefit Rates under this Section shall be reduced by the amount to which Permittee would be obligated to pay under the subsequently enacted tax.

[End of Attachment E.]



COMMERCIAL LEASE AGREEMENT

(C.A.R. Form CL, Revised 4/13)

Date (For reference only): February 4, 2017

Randhawa Intl. Inc.

("Landlord") and

Shawnee Amaral, DBA The Honest Choice

("Tenant") agree as follows:

1. **PROPERTY:** Landlord rents to Tenant and Tenant rents from Landlord, the real property and improvements described as: 4701 Main St., Unit D, Denair, CA 95316 (Unit D is about 945 square feet). ("Premises"), which comprise approximately 21.000 % of the total square footage of rentable space in the entire property. See exhibit _____ for a further description of the Premises.
2. **TERM:** The term begins on (date) February 4, 2017 ("Commencement Date"), (Check A or B):
 - ☒ **A. Lease:** and shall terminate on (date) December 31, 2017 at _____ ☐ AM ☒ PM. Any holding over after the term of this agreement expires, with Landlord's consent, shall create a month-to-month tenancy that either party may terminate as specified in paragraph 2B. Rent shall be at a rate equal to the rent for the immediately preceding month, payable in advance. All other terms and conditions of this agreement shall remain in full force and effect.
 - ☐ **B. Month-to-month:** and continues as a month-to-month tenancy. Either party may terminate the tenancy by giving written notice to the other at least 30 days prior to the intended termination date, subject to any applicable laws. Such notice may be given on any date.
 - ☒ **C. RENEWAL OR EXTENSION TERMS:** See attached addendum One
3. **BASE RENT:**
 - A. Tenant agrees to pay Base Rent at the rate of (CHECK ONE ONLY):
 - ☐ (1) \$ _____ per month, for the term of the agreement.
 - ☐ (2) \$ _____ per month, for the first 12 months of the agreement. Commencing with the 13th month, and upon expiration of each 12 months thereafter, rent shall be adjusted according to any increase in the U.S. Consumer Price Index of the Bureau of Labor Statistics of the Department of Labor for All Urban Consumers ("CPI") for _____ (the city nearest the location of the Premises), based on the following formula: Base Rent will be multiplied by the most current CPI preceding the first calendar month during which the adjustment is to take effect, and divided by the most recent CPI preceding the Commencement Date. In no event shall any adjusted Base Rent be less than the Base Rent for the month immediately preceding the adjustment. If the CPI is no longer published, then the adjustment to Base Rent shall be based on an alternate index that most closely reflects the CPI.
 - ☒ (3) \$ 845.00 per month for the period commencing February 4, 2017 and ending December 31, 2017 and \$ 870.00 per month for the period commencing January 1, 2018 and ending December 31, 2018 and \$ 900.00 per month for the period commencing January 1, 2019 and ending December 31, 2019
 - ☐ (4) In accordance with the attached rent schedule.
 - ☐ (5) Other: _____
 - B. Base Rent is payable in advance on the 1st (or 5th) day of each calendar month, and is delinquent on the next day.
 - C. If the Commencement Date falls on any day other than the first day of the month, Base Rent for the first calendar month shall be prorated based on a 30-day period. If Tenant has paid one full month's Base Rent in advance of Commencement Date, Base Rent for the second calendar month shall be prorated based on a 30-day period.
4. **RENT:**
 - A. Definition: ("Rent") shall mean all monetary obligations of Tenant to Landlord under the terms of this agreement, except security deposit.
 - B. Payment: Rent shall be paid to (Name) Randhawa Intl. Inc. at (address) _____, or at any other location specified by Landlord in writing to Tenant.
 - C. Timing: Base Rent shall be paid as specified in paragraph 3. All other Rent shall be paid within 30 days after Tenant is billed by Landlord.
5. **EARLY POSSESSION:** Tenant is entitled to possession of the Premises on February 4, 2017. If Tenant is in possession prior to the Commencement Date, during this time (i) Tenant is not obligated to pay Base Rent, and (ii) Tenant ☐ is not obligated to pay Rent other than Base Rent. Whether or not Tenant is obligated to pay Rent prior to Commencement Date, Tenant is obligated to comply with all other terms of this agreement.
6. **SECURITY DEPOSIT:**
 - A. Tenant agrees to pay Landlord \$ 1,500.00 as a security deposit. Tenant agrees not to hold Broker responsible for its return. (IF CHECKED:) ☐ If Base Rent increases during the term of this agreement, Tenant agrees to increase security deposit by the same proportion as the increase in Base Rent.
 - B. All or any portion of the security deposit may be used, as reasonably necessary, to: (i) cure Tenant's default in payment of Rent, late charges, non-sufficient funds ("NSF") fees, or other sums due; (ii) repair damage, excluding ordinary wear and tear, caused by Tenant or by a guest or licensee of Tenant; (iii) broom clean the Premises, if necessary, upon termination of tenancy; and (iv) cover any other unfulfilled obligation of Tenant. **SECURITY DEPOSIT SHALL NOT BE USED BY TENANT IN LIEU OF PAYMENT OF LAST MONTH'S RENT.** If all or any portion of the security deposit is used during tenancy, Tenant agrees to reinstate the total security deposit within 5 days after written notice is delivered to Tenant. Within 30 days after Landlord receives possession of the Premises, Landlord shall: (i) furnish Tenant an itemized statement indicating the amount of any security deposit received and the basis for its disposition, and (ii) return any remaining portion of security deposit to Tenant. However, if the Landlord's only claim upon the security deposit is for unpaid Rent, then the remaining portion of the security deposit, after deduction of unpaid Rent, shall be returned within 14 days after the Landlord receives possession.
 - C. No interest will be paid on security deposit, unless required by local ordinance.

Landlord's Initials (SR) (_____)

Tenant's Initials (SA) (_____)

© 2013, California Association of REALTORS®, Inc.

Reviewed by _____ Date _____

CL REVISED 4/13 (PAGE 1 of 6)

COMMERCIAL LEASE AGREEMENT (CL PAGE 1 OF 6)

Royal Realty, 1800 Tully Road Suite A-1 Modesto, CA 95350
Satnam Singh

Produced with zipForm® by zipLogix 18070 Fifteen Mile Road, Fraser, Michigan 48026 www.zipLogix.com

Phone: (510)926-5738 Fax: (209)408-0807

Randy and Ismael



7. PAYMENTS:

| | TOTAL DUE | PAYMENT RECEIVED | BALANCE DUE | DUE DATE |
|---|-----------|---------------------|-------------|----------|
| A. Rent: From _____ To _____ Date Date | \$ _____ | \$ _____ | \$ _____ | _____ |
| B. Security Deposit | \$ _____ | \$ _____ | \$ _____ | _____ |
| C. Other: _____ Category | \$ _____ | \$ _____ | \$ _____ | _____ |
| D. Other: _____ Category | \$ _____ | \$ _____ | \$ _____ | _____ |
| E. Total: | \$ _____ | \$ _____ | \$ _____ | _____ |

8. **PARKING:** Tenant is entitled to 2 unreserved and 1 reserved vehicle parking spaces. The right to parking ☒ is ☐ is not included in the Base Rent charged pursuant to paragraph 3. If not included in the Base Rent, the parking rental fee shall be an additional \$ _____ per month. Parking space(s) are to be used for parking operable motor vehicles, except for trailers, boats, campers, buses or trucks (other than pick-up trucks). Tenant shall park in assigned space(s) only. Parking space(s) are to be kept clean. Vehicles leaking oil, gas or other motor vehicle fluids shall not be parked in parking spaces or on the Premises. Mechanical work or storage of inoperable vehicles is not allowed in parking space(s) or elsewhere on the Premises. No overnight parking is permitted.

9. **ADDITIONAL STORAGE:** Storage is permitted as follows: N/A
The right to additional storage space ☐ is ☐ is not included in the Base Rent charged pursuant to paragraph 3. If not included in Base Rent, storage space shall be an additional \$ _____ per month. Tenant shall store only personal property that Tenant owns, and shall not store property that is claimed by another, or in which another has any right, title, or interest. Tenant shall not store any improperly packaged food or perishable goods, flammable materials, explosives, or other dangerous or hazardous material. Tenant shall pay for, and be responsible for, the clean-up of any contamination caused by Tenant's use of the storage area.

10. **LATE CHARGE; INTEREST; NSF CHECKS:** Tenant acknowledges that either late payment of Rent or issuance of a NSF check may cause Landlord to incur costs and expenses, the exact amount of which are extremely difficult and impractical to determine. These costs may include, but are not limited to, processing, enforcement and accounting expenses, and late charges imposed on Landlord. If any installment of Rent due from Tenant is not received by Landlord within 5 calendar days after date due, or if a check is returned NSF, Tenant shall pay to Landlord, respectively, \$ 150.00 as late charge, plus 10% interest per annum on the delinquent amount and \$25.00 as a NSF fee, any of which shall be deemed additional Rent. Landlord and Tenant agree that these charges represent a fair and reasonable estimate of the costs Landlord may incur by reason of Tenant's late or NSF payment. Any late charge, delinquent interest, or NSF fee due shall be paid with the current installment of Rent. Landlord's acceptance of any late charge or NSF fee shall not constitute a waiver as to any default of Tenant. Landlord's right to collect a Late Charge or NSF fee shall not be deemed an extension of the date Rent is due under paragraph 4, or prevent Landlord from exercising any other rights and remedies under this agreement, and as provided by law.

11. **CONDITION OF PREMISES:** Tenant has examined the Premises and acknowledges that Premise is clean and in operative condition, with the following exceptions: _____
Items listed as exceptions shall be dealt with in the following manner: _____

12. **ZONING AND LAND USE:** Tenant accepts the Premises subject to all local, state and federal laws, regulations and ordinances ("Laws"). Landlord makes no representation or warranty that Premises are now or in the future will be suitable for Tenant's use. Tenant has made its own investigation regarding all applicable Laws.

13. **TENANT OPERATING EXPENSES:** Tenant agrees to pay for all utilities and services directly billed to Tenant _____

14. **PROPERTY OPERATING EXPENSES:**

A. Tenant agrees to pay its proportionate share of Landlord's estimated monthly property operating expenses, including but not limited to, common area maintenance, consolidated utility and service bills, insurance, and real property taxes, based on the ratio of the square footage of the Premises to the total square footage of the rentable space in the entire property. _____

OR B. ☒ (If checked) Paragraph 14 does not apply.

15. **USE:** The Premises are for the sole use as MEDICAL CANNABIS DISPENSARY
No other use is permitted without Landlord's prior written consent. If any use by Tenant causes an increase in the premium on Landlord's existing property insurance, Tenant shall pay for the increased cost. Tenant will comply with all Laws affecting its use of the Premises.

16. **RULES/REGULATIONS:** Tenant agrees to comply with all rules and regulations of Landlord (and, if applicable, Owner's Association) that are at any time posted on the Premises or delivered to Tenant. Tenant shall not, and shall ensure that guests and licensees of Tenant do not, disturb, annoy, endanger, or interfere with other tenants of the building or neighbors, or use the Premises for any unlawful purposes, including, but not limited to, using, manufacturing, selling, storing, or transporting illicit drugs or other contraband, or violate any law or ordinance, or committing a waste or nuisance on or about the Premises.

17. **MAINTENANCE:**

A. Tenant OR ☐ (If checked, Landlord) shall professionally maintain the Premises including heating, air conditioning, electrical, plumbing and water systems, if any, and keep glass, windows and doors in operable and safe condition. Unless Landlord is checked, if Tenant fails to maintain the Premises, Landlord may contract for or perform such maintenance, and charge Tenant for Landlord's cost.

B. Landlord OR ☐ (If checked, Tenant) shall maintain the roof, foundation, exterior walls, common areas and _____

Landlord's Initials (SR) (_____)

Tenant's Initials (SA) (_____)

Reviewed by _____ Date _____

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COMMERCIAL LEASE AGREEMENT (CL PAGE 2 OF 6)

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Randy and Ismael

