

COMMUNITY BENEFITS AGREEMENT

between

CONTRA COSTA COUNTY

and

SGI RETAIL, LLC, DBA AUTHENTIC 925

County File LP# _____

This Community Benefits Agreement (“Agreement”) is entered into as of _____, 2020, (“Effective Date”) by and between Contra Costa County, a political subdivision of the State of California, (“County”) and SGI Retail, LLC, a California limited liability company, doing business as Authentic 925 (“Authentic 925”).

Recitals

A. On _____, 2020, the County issued Authentic 925 a land use permit (the “LUP”) for Authentic 925’s storefront cannabis dispensary (the “Dispensary”), located at 5753-5759 Pacheco Boulevard, in the unincorporated community of Pacheco, Contra Costa County (County File No. LP# _____).

B. In addition to obtaining the LUP and other discretionary state and local approvals to operate the Dispensary, Authentic 925 intends to obtain a County building permit and make improvements to the Dispensary. Following those improvements, Authentic 925 will seek to obtain a certificate of occupancy from the County (“Occupancy Certificate”).

C. Commercial cannabis storefront dispensaries are a unique land use with unique impacts on the community. When Authentic 925 submitted a proposal to apply for one of four storefront dispensary land use permits, it pledged to enter into this Agreement with the County. This Agreement includes voluntary commitments made by Authentic 925 when it submitted a proposal to seek an opportunity to apply for one of four land use permits to operate commercial cannabis storefront dispensaries in unincorporated Contra Costa County.

Agreement

NOW THEREFORE, the County and Authentic 925 agree as follows:

1. **Purpose.** The purpose of this Agreement is to memorialize Authentic 925’s commitment to paying the County a portion of the Dispensary’s Gross Profits, which the County will use to fund services and programs, and for other purposes, that benefit the community, including the Pacheco area.
2. **Term.** The term (“Term”) of this Agreement begins on the Effective Date, and it expires upon the earliest of any of the following to occur: (a) the expiration of the LUP and any

extensions and renewals thereof; (b) the revocation of the LUP; (c) the effective date of any court decision ruling that the LUP is invalid; (d) the effective date of any change in the law that invalidates the LUP or that prohibits sales of cannabis or cannabis products at the Dispensary.

3. **Community Benefits Payment.** Authentic 925 shall make an annual community benefits payment to the County (each a “Payment”) for each year, or portion thereof, during the Term beginning on the date the Occupancy Certificate is issued. Authentic 925 shall calculate each Payment in accordance with Section 4. When Authentic 925 makes a Payment to the County, Authentic 925 shall include with the payment a financial statement showing the Dispensary’s Gross Profits during the period for which the Payment is made. For the purposes of this Agreement, “Gross Profits” shall mean the resultant of the following calculation:

(net retail sales of cannabis, cannabis products, and other goods sold at the Dispensary) –
(wholesale costs of cannabis, cannabis products, and other goods sold at the Dispensary)
= Gross Profits.

4. **Calculation of Payments.**

- a. Annual Payment. Except as specified in Sections 4(b) and 4(c), by each April 15 during the term of this Agreement, Authentic 925 shall make a Payment for the year that ends on the December 31 immediately preceding the April 15 by which the payment is to be made. The annual Payment shall be the greater of the following:
- (i) One and one-half of one percent (1.5%) of the Dispensary’s Gross Profits during the January 1 through December 31 period immediately preceding the April 15 by which the Payment is to be made; or
 - (ii) The then-current Minimum Annual Payment as of January 1 of the year in which the Payment is made.
- b. Pro-Rated Payment for First Year of Operation. Notwithstanding anything to the contrary in Section 4(a), the Payment required to be paid by the April 15 immediately following the year in which the Occupancy Certificate is issued shall be calculated as follows:
- (i) One and one-half of one percent (1.5%) of the Dispensary’s Gross Profits during the period from and including the date the Occupancy Certificate is issued, through December 31 of that year; or
 - (ii) [(Then-current Minimum Annual Payment as of January 1 of the year in which the Payment is made)] x [(number of days between and including the date the Occupancy Certificate is issued and December 31 of that same year) ÷ (365)].

c. Pro-Rated Payment for Last Year of LUP. Notwithstanding anything to the contrary in this Section 4, within 10 days after the expiration of the Term of this Agreement, Authentic 925 shall pay the County its final Payment, which shall be the greater of:

- (i) One and one-half of one percent (1.5%) of the Dispensary's Gross Profits from and including the January 1 immediately preceding the expiration date, through and including the expiration date; or
- (ii) [(Then-current Minimum Annual Payment as of January 1 of the year in which the Payment is made)] x [(number of days from and including the January 1 immediately preceding the expiration date, through and including the expiration date) ÷ (365)].

If Authentic 925 has not already paid its Payment for the preceding calendar year in accordance with Section 4(a) or 4(b), Authentic 925 shall include that Payment with the Payment it makes under this Section 4(c). Authentic 925's obligations under this Section 4(c) shall survive the or expiration of this Agreement.

d. Minimum Annual Payment; Adjustments. The initial amount of the "Minimum Annual Payment" is \$150,000. Effective January 1, 2022, and on each January 1 thereafter, the amount of the Minimum Annual Payment shall increase based on any change in the Consumer Price Index for the San Francisco-Oakland-Hayward Combined Statistical Area (U.S. Bureau of Labor Statistics) for the 12-month period ending on the December 31 immediately prior to the January 1 when the increase is effective. By February 1, 2022, and by each February 1 thereafter, the Director of Conservation and Development, or designee, ("Director") will provide written notice to Authentic 925 regarding any increase to the Minimum Annual Payment that became effective on the January 1 immediately preceding the date of the notice.

5. **Verification of Gross Profits.** During the term of this Agreement and for three years following its expiration, the Director may request copies of Authentic 925's state and federal tax returns, cash-flow reports, financial statements, income statements, books, journals, and other financial records for the Dispensary ("Financial Records"), to enable the Director to independently verify the Dispensary's Gross Profits during the period for which any Payment is made. Within 30 days after receiving the Director's written request for Financial Records under this section, Authentic 925 shall provide the Director copies of all Financial Records requested by the Director. If the Director determines that Authentic 925 has underpaid any Payment, Authentic 925 shall pay the County the balance owed, as determined by the Director, within 30 days following a written request for payment from the Director. Authentic 925's obligations under this Section 4 shall survive the expiration of this Agreement.

6. **Deposit and Use of Payments.** The Director will ensure that all Payments are deposited in an account administered by the County. The use and allocation of all Payment revenues, and any interest that accrues thereon, will be determined by the Board of

Supervisors, in its sole discretion. All Payments, and all interest that accrues thereon, shall be the property of the County.

7. **Notices.** All payments, notices, demands, and other communications made under this Agreement shall be in writing and personally delivered, sent by overnight carrier with delivery charges prepaid for next business day delivery, or sent by First Class U.S. Mail with postage prepaid, and addressed as follows:

To County: Director of Conservation and Development
 30 Muir Road
 Martinez, CA 94553

To Authentic 925: Attn: Eric Lightman

 728 E Commercial St

 Los Angeles, CA 90012

A payment, notice, demand, or other communication shall be deemed given on the same day it is personally delivered, on the next business day following deposit with and overnight carrier, or on the fifth day after deposit in the U.S. Mail. A party may change its address for delivery of notices under this Agreement by providing written notice of the change in accordance with this section.

8. **Assignment.** Authentic 925's obligations under this Agreement shall be binding upon Authentic 925's successors and assigns. Authentic 925 shall not assign this Agreement, or any of its obligations under this Agreement, to any other person or entity without the advance written approval of the County, which shall be within its sole discretion to provide.
9. **No Third-Party Beneficiaries.** Nothing in this Agreement confers and rights or obligations on any person or entity that is not a party to this Agreement.
10. **Counterparts.** The Agreement may be executed in counterparts.
11. **Governing Law.** This Agreement shall be governed by the laws of the State of California.

[Signatures on next page.]

Contra Costa County and Authentic 925 have executed this Agreement as of the Effective Date.

CONTRA COSTA COUNTY

Name: _____
Title: _____

AUTHENTIC 925

Brian Mitchell
Brian Mitchell (Sep 3, 2020 09:17 PDT)

Name: **Brian Mitchell**
Title: **CEO**

Name: _____
Title: _____

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Final Audit Report

2020-09-03

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