

City Council Agenda



AUGUST 27, 2019

6:00 p.m.

City of Turlock Yosemite Room

156 S. Broadway, Turlock, California

Mayor
Amy Bublak

Council Members
Nicole Larson
Gil Esquer
Vice Mayor
Andrew Nosrati
Becky Arellano

City Manager
Robert C. Lawton
City Clerk
Jennifer Land
City Attorney
Douglas L. White

SPEAKER CARDS: To accommodate those wishing to address the Council and allow for staff follow-up, speaker cards are available for any agenda item or any other topic delivered under Public Comment. Please fill out and provide the Comment Card to the City Clerk or Police Officer.

NOTICE REGARDING NON-ENGLISH SPEAKERS: The Turlock City Council meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

EQUAL ACCESS POLICY: If you have a disability which affects your access to public facilities or services, please contact the City Clerk's Office at (209) 668-5540. The City is committed to taking all reasonable measures to provide access to its facilities and services. Please allow sufficient time for the City to process and respond to your request.

NOTICE: Pursuant to California Government Code Section 54954.3, any member of the public may directly address the City Council on any item appearing on the agenda, including Consent Calendar and Public Hearing items, before or during the City Council's consideration of the item. Members of the public will be allowed three (3) minutes for comments.

AGENDA PACKETS: Prior to the City Council meeting, a complete Agenda Packet is available for review on the City's website at www.cityofturlock.org and in the City Clerk's Office at 156 S. Broadway, Suite 230, Turlock, during normal business hours. Materials related to an item on this Agenda submitted to the Council after distribution of the Agenda Packet are also available for public inspection in the City Clerk's Office. Such documents may be available on the City's website subject to staff's ability to post the documents before the meeting.

0. A. **CALL TO ORDER**
- B. **SALUTE TO THE FLAG**
- C. **ROLL CALL**
- D. **DECLARATION OF CONFLICTS**

1. **CLOSED SESSION:**

The Closed Session items for this meeting have been agenda'd and will be heard toward the latter part of the meeting.

2. **APPROVAL OF AGENDA AS POSTED OR AMENDED**

This is the time for the City Council to remove items from the agenda or to change the order of the agenda. Matters may be taken up out of order of the established agenda by a four-fifths vote of the City Council.

3. PROCLAMATIONS, RECOGNITIONS, APPOINTMENTS, ANNOUNCEMENTS, PRESENTATIONS, AND BRIEFINGS:

- A. Proclamation: Turlock American Little League 10 Year Old All-Stars Team District 73, Section 6 Championship, accepted by Team Manager Courtney Keyler

4. PUBLIC PARTICIPATION

Pursuant to California Government Code Section 54954.3(a), this is the time set aside for members of the public to directly address the City Council on any item of interest to the public that is within the subject matter jurisdiction of the City Council and to address the Council on any item on tonight's agenda, including Consent Calendar items. You will be allowed three (3) minutes for your comments. If you wish to speak regarding an item on the agenda, you may be asked to defer your remarks until the Council addresses the matter.

Pursuant to California Government Code Section 54954.2(a)(3), no action or discussion may be undertaken on any item not appearing on the posted agenda, except that the City Council, or its staff, may briefly respond to comments or questions from members of the public, provide a reference to staff or other resources for factual information, or direct staff to place the issue on a future agenda.

5. MOTION WAIVING READING OF ALL ORDINANCES ON THE AGENDA, EXCEPT BY TITLE

6. CONSENT CALENDAR:

Information concerning the consent items listed hereinbelow has been forwarded to each Councilmember prior to this meeting for study. Unless the Mayor, a Councilmember or member of the audience has questions concerning the Consent Calendar, the items are approved at one time by the Council. The action taken by the Council in approving the consent items is set forth in the explanation of the individual items.

- A. Resolution: Accepting Weekly Demands of 7/25/19 in the amount of \$5,167,869.75; Weekly Demands of 8/1/19 in the amount of \$1,810,284.40; Monthly Demands of 5/31/19 in the amount of \$2,143,839.42; Monthly Demands of 6/30/19 in the amount of \$2,361,874.91
- B. Motion: Accepting Minutes of the Special Meeting of July 9, 2019; Minutes of the Regular Meeting of July 9, 2019
- C. Resolution: Adopting a Resolution of Intent to vacate the 400 block of Third Street right-of-way between "C" Street and "D" Street and notice of the public hearing
- D. 1. Motion: Awarding RFP No. 19-026 and approving an Agreement with Provost & Pritchard Engineering Group for Design, Engineering Services during Construction, and Construction Management for Wellhead Treatment, for a period of (3) years, with an option to extend the Agreement for (3) additional one-year terms, in a total amount not to exceed \$988,800 over the 6-year term of the Agreement, if all renewal periods are exercised
2. Resolution: Appropriating \$248,800 to account number 420-52-551.51393 "Wellhead Treatment" from Fund 420 "Water Enterprise" unallocated reserves to fund RFP No. 19-026 for Design, Engineering Services during Construction, and Construction Management for Wellhead Treatment
- E. Motion: Approving a Memorandum of Understanding (MOU) with Stanislaus Business Alliance (Opportunity Stanislaus) for Economic Development and Workforce strategies for Fiscal Years 2019-2020 and 2020-2021
- F. Resolution: Appropriating amounts received through the Cannabis Business Pilot Program to recover all costs incurred by the City of Turlock or its vendors for time, materials, and expenditures associated with the Cannabis Business Pilot Program

7. **FINAL READINGS:** None

8. **PUBLIC HEARINGS:**

- A. Request to introduce an Ordinance for first reading approving a Development Agreement by and between the City of Turlock and Fire House Cooperative, Inc. located at 1601 West Main Street, Turlock, CA, County of Stanislaus, Assessor's Parcel Number 089-015-006 (*White*)

Recommended Action:

Ordinance: Introducing an Ordinance for first reading approving a Development Agreement by and between the City of Turlock and Fire House Cooperative, Inc. located at 1601 West Main Street, Turlock, CA, County of Stanislaus, Assessor's Parcel Number 089-015-006

- B. Request to introduce an Ordinance for first reading approving a Development Agreement by and between the City of Turlock and Fuego Azul, Inc. located at 495 South Golden State Boulevard, Turlock, CA, County of Stanislaus, Assessor's Parcel Number 043-051-016 (*White*)

Recommended Action:

Ordinance: Introducing an Ordinance for first reading approving a Development Agreement by and between the City of Turlock and Fuego Azul, Inc. located at 495 South Golden State Boulevard, Turlock, CA, County of Stanislaus, Assessor's Parcel Number 043-051-016

- C. Request to introduce an Ordinance for first reading approving a Development Agreement by and between the City of Turlock and Cal State Ventures2 located at 501 West F Street, Turlock, CA, County of Stanislaus, Assessor's Parcel Number 043-018-006 (*White*)

Recommended Action:

Ordinance: Introducing an Ordinance for first reading approving a Development Agreement by and between the City of Turlock and Cal State Ventures2 located at 501 West F Street, Turlock, CA, County of Stanislaus, Assessor's Parcel Number 043-018-006

9. **ACTION ITEMS:**

- A. Request to approve and authorize the execution of the Deed of Trust with Assignment of Rents, Security, and Fixture Filing, the Regulatory Agreement and Declaration of Restrictive Covenants, and Loan Agreement in the amount of Two Million Two hundred thousand Dollars (\$2,200,000) of HOME funds as Financial assistance to EAH Housing, Inc. to develop an affordable multi-family housing project located at 500 West Linwood, Turlock (APN# 044-064-020) also known as Avena Bella Phase 2 (*Pitt*)

Recommended Action:

Motion: Approving and authorizing the execution of the Deed of Trust with Assignment of Rents, Security, and Fixture Filing, the Regulatory Agreement and Declaration of Restrictive Covenants, and Loan Agreement in the amount of Two Million Two hundred thousand Dollars (\$2,200,000) of HOME funds as Financial assistance to EAH Housing, Inc. to develop an affordable multi-family housing project located at 500 West Linwood, Turlock (APN# 044-064-020) also known as Avena Bella Phase 2

- B. Request to approve and authorize the execution of the First Amendment to the Disposition and Development Agreement, Estoppel Certificate, and any other supporting documents between the City of Turlock as the Housing Successor Agency and EAH, Inc. for the development of Avena Bella Phase 2 (*Pitt*)

Recommended Action:

Motion: Approving and authorizing the execution of the First Amendment to the Disposition and Development Agreement, Estoppel Certificate, and any other supporting documents between the City of Turlock as the Housing Successor Agency and EAH, Inc. for the development of Avena Bella Phase 2

- C. Request to establish the position of Deputy City Manager, approve the salary range and job description for the Deputy City Manager position, and authorize a related budget amendment for Fiscal Year 2019-20 for the salary and benefits for the Deputy City Manager position (*Lawton*)

Recommended Action:

Resolution: Establishing the position of Deputy City Manager, approving the salary range and job description for the Deputy City Manager position, and authorizing a related budget amendment for Fiscal Year 2019-20 for the salary and benefits for the Deputy City Manager position

- D. Request to approve the updated salary range and updated job description for the position of Assistant City Manager and authorize a related budget amendment for Fiscal Year 2019-20 for the updated salary and benefits for the Assistant City Manager position (*Lawton*)

Recommended Action:

Resolution: Approving the updated salary range and updated job description for the position of Assistant City Manager and authorizing a related budget amendment for Fiscal Year 2019-20 for the updated salary and benefits for the Assistant City Manager position

10. CITY MANAGER REPORTS/UPDATES

City Manager reports/updates are provided for informational purposes only and no action or discussion may be undertaken. The City Manager may direct department heads to provide reports/updates at the City Manager's request.

- A. West Main Street Rehabilitation/Construction Project Update (*Bray*)

11. COUNCIL ITEMS FOR FUTURE CONSIDERATION

Requests for Council items for future consideration will be scheduled in accordance with the City of Turlock Elected and Appointed Officials' Handbook (Resolution No. 2019-094), unless otherwise specified by the Mayor or a majority of the Council.

12. COUNCILMEMBER QUESTIONS, COMMENTS, AND ANNOUNCEMENTS

Councilmembers may ask questions, provide comments, and make brief announcements on notable topics of interest. The Brown Act does not allow discussion or action by the legislative body.

13. CLOSED SESSION:

Closed Session Items have been agendized as part of the Special Meeting (scheduled at 4:00 p.m. on this date) as well as this Regular Meeting to allow for continued discussion if necessary.

- A. Liability Claims, Cal. Gov't Code §54956.95
"For the purposes of [Section 54956.9], 'existing facts and circumstances' shall consist only of one of the following: The receipt of a claim pursuant to the Government Claims Act (Division 3.6 (commencing with Section 810) of Title 1 of the Government Code) or some other written communication from a potential plaintiff threatening litigation, which claim or communication shall be available for public inspection pursuant to Section 54957.5."
Claimants: Baljit (Bobby) Athwal, Navneet Athwal, Daljit Atwal, and Karan Inc., d/b/a Pop-N-Cork
Agency Claimed Against: City of Turlock
- B. Liability Claims, Cal. Gov't Code §54956.95
"For the purposes of [Section 54956.9], 'existing facts and circumstances' shall consist only of one of the following: The receipt of a claim pursuant to the Government Claims Act (Division 3.6 (commencing with Section 810) of Title 1 of the Government Code) or some other written communication from a potential plaintiff threatening litigation, which claim or communication shall be available for public inspection pursuant to Section 54957.5."
Claimant: Yubert Envia
Agency Claimed Against: City of Turlock
- C. Liability Claims, Cal. Gov't Code §54956.95
"For the purposes of [Section 54956.9], 'existing facts and circumstances' shall consist only of one of the following: The receipt of a claim pursuant to the Government Claims Act (Division 3.6 (commencing with Section 810) of Title 1 of the Government Code) or some other written communication from a potential plaintiff threatening litigation, which claim or communication shall be available for public inspection pursuant to Section 54957.5."
Claimant: Katherine E. Cravinho
Agency Claimed Against: City of Turlock
- D. Conference with Legal Counsel – Anticipated Litigation, Cal. Gov't Code §54956.9(d)(2)
"For the purposes of this section, litigation shall be considered pending when any of the following circumstances exist... A point has been reached where, in the opinion of the legislative body of the local agency on the advice of its legal counsel, based on existing facts and circumstances, there is a significant exposure to litigation against the local agency."
Potential Case: (1 case)

14. REPORTS FROM CLOSED SESSION**15. ADJOURNMENT**

IN RECOGNITION OF

**TURLOCK AMERICAN LITTLE LEAGUE 10 YEAR OLD ALL-STAR TEAM
DISTRICT 73, SECTION 6 CHAMPIONSHIP**

WHEREAS, Little League Baseball is a program of service to the youth of our community, dedicated to teaching sportsmanship and the competitive will to win, as well as furthering physical fitness and well being through healthful association with other youth under proper leadership; and

WHEREAS, players, managers, coaches, officials, parents, umpires and countless others work together in an atmosphere of wholesome community activity to provide valuable training for the participants and entertainment for the spectators; and

WHEREAS, it is with great pleasure that the City Council recognizes the Turlock American Little League 10 Year Old All-Stars on their victory finishing 4th in the Northern California State Little League Championship out of over 300 little league teams; and

WHEREAS, the Turlock American Little League 10 Year Old team had a performance highlighted by a 14-7 win over Danville in the State Final Tournament including a combined four home run performance by Braydon Keyler and Mason Hackler, of which these two ball players went on to the Home Run Derby at the State level with Braydon Keyler, taking the win; and

WHEREAS, this Turlock All Star team consists of Noah Suarez, Cole Kelly, Cruz Contreras, Brock Arellano, Jay Araujo, Aidan De Los Santos, Cam Kelley, Mason Hackler, Cameron Henard, Kohen Ficher, Braiden Fuentes, Michael Cardoso and Braydon Keyler. All players are to be commended and congratulated on their exciting, hard-fought and successful Little League season and have earned the fine publicity brought to our community by their inspired team effort.

NOW, THEREFORE, I, AMY BUBLAK, by virtue of the authority vested in me as Mayor of the City of Turlock, and on behalf of the entire City Council and all our citizens, do hereby recognize **“Turlock American Little League 10 Year Old All Stars”** for their fine efforts and extend our expression of pride in their accomplishment.

IN WITNESS WHEREOF, I, AMY BUBLAK, Mayor of Turlock, have hereunto set my hand and caused the Seal of the City of Turlock to be affixed this 27th day of August, 2019.

AMY BUBLAK, MAYOR
City of Turlock, County of Stanislaus,
State of California

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF ACCEPTING	}	RESOLUTION NO. 2019-
WEEKLY DEMANDS OF 7/25/19 IN THE	}	
AMOUNT OF \$5,167,869.75;	}	
WEEKLY DEMANDS OF 8/1/19 IN THE	}	
AMOUNT OF \$1,810,284.40;	}	
MONTHLY DEMANDS OF 5/31/19 IN THE	}	
AMOUNT OF \$2,143,839.42;	}	
MONTHLY DEMANDS OF 6/30/19 IN THE	}	
AMOUNT OF \$2,361,874.91	}	

WHEREAS, the City has received demands for ratification and approval.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Turlock does hereby accept Demands as follows:

Demands of:	In the Amount of:
7/25/19	\$5,167,869.75
8/1/19	\$1,810,284.40
5/31/19	\$2,143,839.42
6/30/19	\$2,361,874.91

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Turlock this 27th day of August, 2019, by the following vote:

AYES:
 NOES:
 NOT PARTICIPATING:
 ABSENT:

ATTEST:

 Jennifer Land, City Clerk,
 City of Turlock, County of Stanislaus,
 State of California

Payment Register

From Payment Date: 7/19/2019 - To Payment Date: 7/25/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
AP - Accounts Payable Check									
121831	07/22/2019	Open			Utility Management Refund	CENICEROS, SETH	\$360.56		
	Account Type		Account Number	Description	Transaction Date	Transaction Type	Amount		
	Single Family Res Metered		641677-003	MOVE OUT CREDIT	07/22/2019	Refund	\$360.56		
	Paying Fund			Cash Account					
	420 - WATER			420.11000 (Cash)					
121832	07/22/2019	Open			Utility Management Refund	JOHNSON, EVERETT H	\$264.56		
	Account Type		Account Number	Description	Transaction Date	Transaction Type	Amount		
	Single Family Res Metered		708267-001	MOVE OUT CREDIT	07/22/2019	Refund	\$264.56		
	Paying Fund			Cash Account					
	420 - WATER			420.11000 (Cash)					
121833	07/22/2019	Open			Utility Management Refund	LIMA, FRANK	\$85.36		
	Account Type		Account Number	Description	Transaction Date	Transaction Type	Amount		
	Single Family Res Metered		499064-006	MOVE OUT CREDIT	07/22/2019	Refund	\$85.36		
	Paying Fund			Cash Account					
	420 - WATER			420.11000 (Cash)					
121834	07/22/2019	Open			Utility Management Refund	ZAJFERT, TOMAS	\$116.64		
	Account Type		Account Number	Description	Transaction Date	Transaction Type	Amount		
	Single Family Res Metered		880302-005	MOVE OUT CREDIT	07/22/2019	Refund	\$116.64		
	Paying Fund			Cash Account					
	420 - WATER			420.11000 (Cash)					
121835	07/23/2019	Open			Accounts Payable	P G & E	\$5.72		
	Invoice	Date	Description	Amount					
	07/24/19	07/11/2019	808-810 S. Soderquist -dated 07/03/19	\$5.72					
	Paying Fund		Cash Account	Amount					
	256 - Stanislaus Housing Consortium		256.11000 (Cash)	\$5.72					
121836	07/25/2019	Open			Accounts Payable	AECOM TECHNICAL SERVICES INC	\$8,539.55		
	Invoice	Date	Description	Amount					
	2000235907	06/30/2019	June 1 - 30, 2019	\$5,209.25					
	2000235459	06/30/2019	May 4 - 31, 2019	\$3,330.30					
	Paying Fund		Cash Account	Amount					
	410 - WATER QUALITY CONTROL (WQC)		410.11000 (Cash)	\$8,539.55					
121837	07/25/2019	Open			Accounts Payable	AFLAC	\$5,352.10		
	Invoice	Date	Description	Amount					
	289151	07/22/2019	INDIVIDUAL JUNE 2019	\$5,352.10					
	Paying Fund		Cash Account	Amount					
	104 - Payroll Clearing Fund		104.11000 (Cash)	\$5,352.10					
121838	07/25/2019	Open			Accounts Payable	AGEE CONSTRUCTION CORPORATION	\$735,980.63		
	Invoice	Date	Description	Amount					
	PP2/CP0828	06/30/2019	0828 AGEe SR99/FULKERTH INTERCHANGE - JUNE 2019	\$735,980.63					
	Paying Fund		Cash Account	Amount					

6A.

Payment Register

From Payment Date: 7/19/2019 - To Payment Date: 7/25/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121839	305 - Capital Facility Fees	Open		305.11000 (Cash)	Accounts Payable	AIRGAS NCN	\$1,175.00		\$735,980.63
	Invoice								
	07/25/2019	Open		06/30/2019					
	9090262310			06/30/2019					
	9963276132			06/30/2019					
	9963276133			06/30/2019					
	9090067246			06/30/2019					
	9090430381			07/17/2019					
	Paying Fund								
	410 - WATER QUALITY CONTROL (WQC)								
	420 - WATER								
121840	07/25/2019	Open			Accounts Payable	AMERICAN PUBLIC TRANSPORTATION ASSOCIATION	\$3,000.00		
	Invoice								
	358213			07/18/2019					
	Paying Fund								
	426 - Transit - Fixed Route								
121841	07/25/2019	Open			Accounts Payable	AMERICAN REPROGRAPHICS CO LLC	\$321.64		
	Invoice								
	2152457			06/30/2019					
	Paying Fund								
	502 - Engineering								
121842	07/25/2019	Open			Accounts Payable	Aquatic Science Center	\$20,600.00		
	Invoice								
	8320461			07/17/2019					
	Paying Fund								
	410 - WATER QUALITY CONTROL (WQC)								
121843	07/25/2019	Open			Accounts Payable	AT&T MOBILITY	\$48.24		
	Invoice								
	07162019			07/19/2019					
	Paying Fund								
	110 - General Fund								
121844	07/25/2019	Open			Accounts Payable	BAY AREA BUS REPAIR INC	\$1,445.74		
	Invoice								
	46133			06/30/2019					
	46145			06/30/2019					
	46130			06/30/2019					
	46148			06/30/2019					
	Paying Fund								
	425 - Transit - Dial-A-Ride								
	426 - Transit - Fixed Route								

Payment Register

From Payment Date: 7/19/2019 - To Payment Date: 7/25/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121845	07/25/2019	Open			Accounts Payable	BAY CITY BOILER AND ENGINEERING CO., INC.	\$2,920.00		
	Invoice								
	W11092		06/30/2019		WORK PERFORMED ON BURNER Cash Account		\$2,920.00		
	Paying Fund								
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)		\$2,920.00		
121846	07/25/2019	Open			Accounts Payable	BWD CONSTRUCTION INC.	\$113,715.00		
	Invoice								
	PP2 - CP18-59		06/30/2019		18-59 Well 8 GAC System Rehabilitation and Site Work 6/1-6/30/19 Cash Account		\$113,715.00		
	Paying Fund								
	420 - WATER				420.11000 (Cash)		\$113,715.00		
121847	07/25/2019	Open			Accounts Payable	CALIF DEPT OF TRANS	\$4,108.45		
	Invoice								
	SL191005		06/30/2019		SIGNALS & LIGHTING BILLING APRIL-JUNE 2019 Cash Account		\$4,108.45		
	Paying Fund								
	216 - Streets - Local Transportation				216.11000 (Cash)		\$4,108.45		
121848	07/25/2019	Open			Accounts Payable	CALIFORNIA BANK OF COMMERCE	\$47,631.38		
	Invoice								
	PP21RET/CP15-39C		06/30/2019		ESCROW AGMT RETENTION 15-39C CLARIFIER 5 & DENITRI. - JUNE 2019 Cash Account		\$47,631.38		
	Paying Fund								
	413 - WQC-Capital Expansion Reserve				413.11000 (Cash)		\$47,631.38		
121849	07/25/2019	Open			Accounts Payable	CAROLLO ENGINEERS	\$175,196.93		
	Invoice								
	0178575		06/30/2019		15-39B RWQCF DENITRIFICATION-ENGINEERING SVS - JUNE 2019		\$1,962.88		
	0177748		06/30/2019		18-69 Surface Water Distribution Sys Imp Ph1 5/1/19- 5/31/19		\$65,257.43		
	0178136		06/30/2019		15-39D SECONDARY CLARIFIER 5 & DENITRIFIC CONST MGMT -MAY 2019		\$62,777.01		
	0178494		06/30/2019		15-39D SECONDARY CLARIFIER 5 & DENITRIFIC CONST MGMT -JUNE 2019		\$45,199.61		
	Paying Fund								
	413 - WQC-Capital Expansion Reserve				413.11000 (Cash)		\$109,939.50		
	420 - WATER				420.11000 (Cash)		\$65,257.43		
121850	07/25/2019	Open			Accounts Payable	CHARTER COMMUNICATIONS	\$70.00		
	Invoice								
	0703380071619		07/19/2019		8203 13 001 0703380 / IT Internet Cash Account		\$70.00		
	Paying Fund								
	501 - Information Technology				501.11000 (Cash)		\$70.00		
121851	07/25/2019	Open			Accounts Payable	CITY OF OAKDALE	\$2,011.78		
	Invoice								
	Admin 1 FY18-19		06/30/2019		Admin Draw 1- CITY OF OAKDALE HOME CONSORTIUM FY 2018-2019 Cash Account		\$2,011.78		
	Paying Fund								
	256 - Stanislaus Housing Consortium				256.11000 (Cash)		\$2,011.78		

Payment Register

From Payment Date: 7/19/2019 - To Payment Date: 7/25/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121852	07/25/2019 Invoice	Open			Accounts Payable	CITY OF PATTERSON	\$2,500.00		
	Admin 1-FY18-19		06/30/2019		Admin Draw 1 -CITY OF PATTERSON HOME CONSORTIUM FY 2018-2019 Cash Account		\$2,500.00		
	Paying Fund				256 - Stanislaus Housing Consortium				
	256 - Stanislaus Housing Consortium				256.11000 (Cash)		\$2,500.00		
121853	07/25/2019 Invoice	Open			Accounts Payable	Confluence Engineering Group LLC	\$22,072.80		
	11-0519TRLKWQS		06/30/2019		May 1 - 31, 2019 Cash Account		\$22,072.80		
	Paying Fund				420 - WATER				
	420 - WATER				420.11000 (Cash)		\$22,072.80		
121854	07/25/2019 Invoice	Open			Accounts Payable	COOPERATIVE PERSONNEL SERVICES dba CPS HR Consulti	\$842.00		
	SOP49351		06/30/2019		Dispatcher Testing Material Cash Account		\$842.00		
	Paying Fund				110 - General Fund				
	110 - General Fund				110.11000 (Cash)		\$842.00		
121855	07/25/2019 Invoice	Open			Accounts Payable	CUMMINS PACIFIC LLC	\$6,075.32		
	Y4-16282		06/30/2019		1061 ENGINE REPAIR Cash Account		\$6,075.32		
	Paying Fund				426 - Transit - Fixed Route				
	426 - Transit - Fixed Route				426.11000 (Cash)		\$6,075.32		
121856	07/25/2019 Invoice	Open			Accounts Payable	CUSTOM LOCKSMITH & ALARM INC	\$2,063.13		
	0000026443		07/17/2019		CITY HALL UPSTAIRS RESTROOM LOCKS Cash Account		\$2,063.13		
	Paying Fund				240 - Small Equipment Replacement				
	240 - Small Equipment Replacement				240.11000 (Cash)		\$2,063.13		
121857	07/25/2019 Invoice	Open			Accounts Payable	Discovery Benefit, Inc.	\$417.15		
	0001036021-IN		06/30/2019		FSA ADMIN CHARGES JUNE 2019 Cash Account		\$417.15		
	Paying Fund				511 - Health Care				
	511 - Health Care				511.11000 (Cash)		\$417.15		
121858	07/25/2019 Invoice	Open			Accounts Payable	ECORP CONSULTING INC	\$830.00		
	87442		06/30/2019		ECORP, SR01, 14-27 INT IMPROV AT W TAYLOR & T WALNUT - JUNE 2019 Cash Account		\$830.00		
	Paying Fund				215 - Streets - Grant Funded Projects				
	215 - Streets - Grant Funded Projects				215.11000 (Cash)		\$830.00		
121859	07/25/2019 Invoice	Open			Accounts Payable	FARIA, JAMIE	\$142.00		
	07152019FARIA		07/19/2019		7-15-19 PAYROLL ATTACHMENT Cash Account		\$142.00		
	Paying Fund				104 - Payroll Clearing Fund				
	104 - Payroll Clearing Fund				104.11000 (Cash)		\$142.00		
121860	07/25/2019 Invoice	Open			Accounts Payable	FASTENAL COMPANY INC	\$231.75		
	CATUR154964		06/30/2019		PUMP STATION #1 PUMPS AT WQC Cash Account		\$231.75		

Payment Register

From Payment Date: 7/19/2019 - To Payment Date: 7/25/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
	CATUR155352		07/17/2019		AIR FITTINGS FOR STOCK & TOOLS REPAIR				\$121.48
	CATUR155355		07/17/2019		PRESSURE PUMP FLATATOR#2 CLEANER FOR FLATATOR 2 PRESSURE PUMP REPAIR				\$23.65
	Paying Fund				Cash Account				Amount
121861	410 - WATER QUALITY CONTROL (WQC)	Open			410.11000 (Cash)	GARTON TRACTOR INC	\$617.25		\$231.75
	Invoice				Description				Amount
	RT11019		07/17/2019		MOWER FOR STORM BASINS				\$617.25
	Paying Fund				Cash Account				Amount
121862	410 - WATER QUALITY CONTROL (WQC)	Open			410.11000 (Cash)	GEOANALYTICAL LAB INC	\$4,619.75		\$617.25
	Invoice				Description				Amount
	F9F1712		06/30/2019		QUARTERLY BIOSOLIDS				\$3,039.75
	F9F1108		06/30/2019		ALGAE				\$1,580.00
	Paying Fund				Cash Account				Amount
121863	410 - WATER QUALITY CONTROL (WQC)	Open			410.11000 (Cash)	GOMES & SONS INC, JOE M	\$24,395.23		\$4,619.75
	Invoice				Description				Amount
	23064		07/23/2019		GUST #24090 - Fuel Expense for 7/01-7/15/19				\$22,864.45
	22928		07/23/2019		Fuel for Fire #3				\$1,530.78
	Paying Fund				Cash Account				Amount
	110 - General Fund				110.11000 (Cash)				\$11,193.97
	205 - Sports Facilities				205.11000 (Cash)				\$349.02
	217 - Streets - Gas Tax				217.11000 (Cash)				\$1,293.50
	246 - Landscape Assessment				246.11000 (Cash)				\$1,434.16
	405 - Building				405.11000 (Cash)				\$237.24
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)				\$3,312.41
	420 - WATER				420.11000 (Cash)				\$1,052.98
	425 - Transit - Dial-A-Ride				425.11000 (Cash)				\$1,389.46
	426 - Transit - Fixed Route				426.11000 (Cash)				\$3,788.29
	502 - Engineering				502.11000 (Cash)				\$297.00
	505 - Fleet				505.11000 (Cash)				\$47.20
	Paying Fund				Cash Account				Amount
121864	410 - WATER QUALITY CONTROL (WQC)	Open			410.11000 (Cash)	GRAINGER INC, W W	\$2,961.25		\$997.97
	Invoice				Description				Amount
	9207496655		06/30/2019		FIRE EXTINGUISHER CABINETS				\$12.36
	9183901140		06/30/2019		GLUE TRAP				\$1,105.56
	9205978274		06/30/2019		ULTRASONIC THICKNESS GAGE				\$150.60
	9218875798		06/30/2019		FOR CLEANING CL2 SYSTEM				\$592.53
	9214564230		06/30/2019		FOR CL2 SAFETY				\$81.04
	9227078210		07/17/2019		BROOM HANDLE, BROOM HEAD, EYEWEAR RETAINER				\$10.87
	9227078228		07/17/2019		PUSH BROOM HANDLE, WOOD BROOM HANDLE, BLACK EYEWEAR RETAINER				\$10.32
	9222894488		07/17/2019		LAB EQUIPMENT				Amount
	Paying Fund				Cash Account				\$2,961.25
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)				

Payment Register

From Payment Date: 7/19/2019 - To Payment Date: 7/25/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121865	07/25/2019 Invoice	Open			Accounts Payable	HILMAR LUMBER INC	\$1,440.42		
	358558		07/17/2019		Description	Amount			
	358156		07/17/2019		FLOAT LINE PROJECT ON FLOTATOR #1	\$107.75			
	358552		07/17/2019		FLOTATOR #3 WATER PROJECT	\$875.47			
					CLARIFIER #3 #2 WATER PROJECT & FLOTATOR	\$457.20			
					#1 FLOAT LINE				
	Paying Fund				Cash Account	Amount			
121866	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)	\$1,440.42			
	07/25/2019	Open			Accounts Payable	HOLT OF CALIFORNIA INC			
	Invoice				Description	Amount			
	K5079301		06/30/2019		815 CAB/AIR COMPACTOR	\$5,575.11			
	Paying Fund				Cash Account	\$5,575.11			
121867	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)	\$5,575.11			
	07/25/2019	Open			Accounts Payable	HOWARD TRAINING CENTER			
	Invoice				Description	Amount			
	Draw2-FY18-19		06/30/2019		Draw 2 dated 03-08-19. ARC - HOWARD TRAINING	\$4,968.80			
					FY 2018-2019				
	Paying Fund				Cash Account	Amount			
121868	255 - CDBG	Open			255.11000 (Cash)	\$4,968.80			
	07/25/2019	Open			Accounts Payable	INDEPENDENT ELECTRIC INC			
	Invoice				Description	Amount			
	S104335586.001		07/17/2019		REPAIR CK17 IN ALLEY BETWEEN MAIN & SIERRA	\$56.59			
					C/S COLORADO				
	Paying Fund				Cash Account	Amount			
121869	246 - Landscape Assessment	Open			246.11000 (Cash)	\$56.59			
	07/25/2019	Open			Accounts Payable	INFOR (US) INC			
	Invoice				Description	Amount			
	P-327108-US0AB		07/17/2019		MP2 Enterprise Software - MAINTENANCE RENEWAL	\$11,039.04			
	Paying Fund				Cash Account	Amount			
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)	\$5,412.04			
	420 - WATER				420.11000 (Cash)	\$3,729.00			
	505 - Fleet				505.11000 (Cash)	\$1,898.00			
121870	07/25/2019	Open			Accounts Payable	JCS PROPERTIES LLC			
	Invoice				Description	Amount			
	Aug 2019		07/18/2019		JCS-MOBILE HOME RENT SUBSIDY PROGRAM	\$1,661.06			
	Paying Fund				Cash Account	Amount			
	625 - Successor Agency - LMI				625.11000 (Cash)	\$1,661.06			
121871	07/25/2019	Open			Accounts Payable	KLEINFELDER INC			
	Invoice				Description	Amount			
	001245925		06/30/2019		SR14, 13-65 Inter Improv at Olive Ave & Wayside Dr	\$2,588.60			
					5/27-6/23/19				
	Paying Fund				Cash Account	Amount			
121872	215 - Streets - Grant Funded Projects	Open			215.11000 (Cash)	\$2,588.60			
	07/25/2019	Open			Accounts Payable	LEHIGH HANSON INC			
	Invoice				Description	Amount			
	2024643		07/17/2019		ASPHALT FOR STORMS	\$123.97			
	2025142		07/17/2019		ASPHALT FOR STREETS	\$124.73			
	2025636		07/17/2019		ASPHALT FOR STREETS & PAVERS	\$123.97			

Payment Register

From Payment Date: 7/19/2019 - To Payment Date: 7/25/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121873	2026370		07/17/2019		ASPHALT FOR STREETS			\$73.17	
	2026849		07/17/2019		ASPHALT FOR STREETS			\$127.03	
	2028294		07/17/2019		ASPHALT FOR STREETS			\$78.44	
	2027337		07/17/2019		ASPHALT FOR STREETS			\$92.25	
	Paying Fund				Cash Account			Amount	
121874	217 - Streets - Gas Tax				217.11000 (Cash)			\$631.99	
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)			\$111.57	
	07/25/2019	Open			Accounts Payable	LINCOLN EQUIPMENT INC	\$2,076.59		
	Invoice				Description			Amount	
	Q1017753		07/17/2019		SUPPLIES FOR POOL			\$2,076.59	
121875	Paying Fund				Cash Account			Amount	
	110 - General Fund				110.11000 (Cash)			\$2,076.59	
	07/25/2019	Open			Accounts Payable	MAGIC SANDS MOBILE HOME PARK	\$386.96		
	Invoice				Description			Amount	
	Aug 2019		07/18/2019		MAGIC SANDS-MOBILE HOME RENT SUBSIDY PROGRAM			\$386.96	
121876	Paying Fund				Cash Account			Amount	
	625 - Successor Agency - LMI				625.11000 (Cash)			\$386.96	
	07/25/2019	Open			Accounts Payable	MODESTO MACHINE WORKS INC	\$130.00		
	Invoice				Description			Amount	
	57106		07/17/2019		SHAFT FOR PUMP AT ACID PHASE BUILDING			\$130.00	
121877	Paying Fund				Cash Account			Amount	
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)			\$130.00	
	07/25/2019	Open			Accounts Payable	MULBERRY MOBILE PARK	\$281.12		
	Invoice				Description			Amount	
	Aug 2019		07/18/2019		MULBERRY-MOBILE HOME RENT SUBSIDY PROGRAM			\$281.12	
121878	Paying Fund				Cash Account			Amount	
	625 - Successor Agency - LMI				625.11000 (Cash)			\$281.12	
	07/25/2019	Open			Accounts Payable	NORTH STAR ENGINEERING GROUP INC	\$2,685.00		
	Invoice				Description			Amount	
	14342		06/30/2019		SR01, 18-35 CORP YARD TRANSIT PARKING EXTENSION - THRU 6/30/19			\$2,685.00	
121879	Paying Fund				Cash Account			Amount	
	426 - Transit - Fixed Route				426.11000 (Cash)			\$2,685.00	
	07/25/2019	Open			Accounts Payable	P G & E	\$8,464.10		
	Invoice				Description			Amount	
	CNG-7/14/19		07/19/2019		846606707-3 / 901 S Walnut Rd CNG			\$2,512.72	
121880	PSF-7/14/19		07/19/2019		8391988340-1 / 244 N Broadway-PSF			\$2,881.59	
	Transit-7/14/19		07/19/2019		9448303839-7 / 1418 N Golden State Blvd Ste B			\$15.63	
	WintA-7/14/19		07/19/2019		3794250242-0 / 701 S Walnut Rd Ste A			\$3,028.18	
	Fire#4-7/16/19		07/19/2019		7556584382-0 / 2820 N Walnut-Fire #4			\$25.98	
	Paying Fund				Cash Account			Amount	
121881	110 - General Fund				110.11000 (Cash)			\$2,907.57	
	426 - Transit - Fixed Route				426.11000 (Cash)			\$3,043.81	
	505 - Fleet				505.11000 (Cash)			\$2,512.72	

Payment Register

From Payment Date: 7/19/2019 - To Payment Date: 7/25/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Description	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121879	07/25/2019	Open				Accounts Payable	Platt Electric Supply	\$228.89		
	Invoice									
	V500322		06/30/2019		MOGAL TO MEDIUM LAMP HOLDERS					\$89.47
	V463659		06/30/2019		RECEPTICAL COVERS FOR DOWNTOWN MAIN ST PRE 4TH JULY PARADE					\$139.42
	Paying Fund				Cash Account					
	246 - Landscape Assessment				246.11000 (Cash)					\$228.89
121880	07/25/2019	Open				Accounts Payable	PRESORT CTR STOCKTON INC	\$9,959.79		
	Invoice									
	101055		07/23/2019		JUNE 2019 UTILITY STMT AND MAY 2019 DELINQ NOTICES					\$9,959.79
	Paying Fund				Cash Account					
	110 - General Fund				110.11000 (Cash)					\$3,289.70
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)					\$3,289.70
	420 - WATER				420.11000 (Cash)					\$3,289.70
	426 - Transit - Fixed Route				426.11000 (Cash)					\$90.69
121881	07/25/2019	Open				Accounts Payable	RANGER PIPELINES INC	\$2,087,444.50		
	Invoice									
	PP8/CP17-22A		06/30/2019		17-22A CONSTRUCTION OF NVRRWP- TURLOCK COMPONENT - JUNE 2019					\$2,087,444.50
	Paying Fund				Cash Account					
	416 - Recycled Water Sales				416.11000 (Cash)					\$2,087,444.50
121882	07/25/2019	Open				Accounts Payable	REED INC, GEORGE	\$95.18		
	Invoice									
	100183351		06/30/2019		ASPHALT FOR STREETS					\$95.18
	Paying Fund				Cash Account					
	219 - SBT Road Maint & Rehab Account				219.11000 (Cash)					\$95.18
121883	07/25/2019	Open				Accounts Payable	ROBERTSON - BRYAN INC	\$25,806.75		
	Invoice									
	13421		06/30/2019		FOR PROFESSIONAL SERVICES THROUGH JUNE 15, 2019 745-18 PERMIT					\$5,397.00
	13422		06/30/2019		FOR PROFESSIONAL SERVICES THROUGH JUNE 15, 2019 775-19 PERMIT					\$20,409.75
	Paying Fund				Cash Account					
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)					\$25,806.75
121884	07/25/2019	Open				Accounts Payable	ROEN, CW CONSTRUCTION CO	\$904,996.25		
	Invoice									
	PP21/CP15-39C		06/30/2019		15-39C RWQCF SECONDARY CLARIFIER 5 & DENITRIFICATION - JUNE 2019					\$904,996.25
	Paying Fund				Cash Account					
	413 - WQC-Capital Expansion Reserve				413.11000 (Cash)					\$904,996.25
121885	07/25/2019	Open				Accounts Payable	Sacramento Bank of Commerce, c/o	\$109,865.50		
	Invoice									
	PP8RET/CP17-22A		06/30/2019		ESCROW AGMT RETENTION 17-22A NVRRWP - JUNE 2019					\$109,865.50
	Paying Fund				Cash Account					
	416 - Recycled Water Sales				416.11000 (Cash)					\$109,865.50

Payment Register

From Payment Date: 7/19/2019 - To Payment Date: 7/25/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121886	07/25/2019 Invoice	Open			Accounts Payable	Sacramento Bank of Commerce, c/o	\$5,985.00		
	RET PP2/CP18-59		06/30/2019		Escrow Agmt- Retention for CP 18-59 w/ BWD Con				
	Paying Fund				Inc. 6/1-6/30/19				
	420 - WATER				Cash Account				
					420.11000 (Cash)				
121887	07/25/2019 Invoice	Open			Accounts Payable	SAFE-T-LITE CO INC	\$2,320.17		
	358432		07/17/2019		ULTRA COOL LIME CL VEST				
	358448		07/17/2019		TRAFFIC CONTROL FOR 4TH OF JULY				
	Paying Fund				Cash Account				
	120 - Tourism				120.11000 (Cash)				
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)				
121888	07/25/2019 Invoice	Open			Accounts Payable	SOUTHWEST SCHOOL &	\$159.28		
	PINVO590257		07/18/2019		South West School Supply 07/02/19				
	Paying Fund				Cash Account				
	110 - General Fund				110.11000 (Cash)				
121889	07/25/2019 Invoice	Open			Accounts Payable	STANISLAUS COUNTY	\$4,662.02		
	52167		06/30/2019		OES Emergency Services Support - FY 18-19				
	Paying Fund				Cash Account				
	110 - General Fund				110.11000 (Cash)				
121890	07/25/2019 Invoice	Voided	INCORRECT ENTRY		Accounts Payable	STANISLAUS CTY SHERIFF	\$205.30		
	07/19/2019		07/19/2019						
	07/152019HUBBELL								
	Paying Fund				Cash Account				
	104 - Payroll Clearing Fund				104.11000 (Cash)				
121891	07/25/2019 Invoice	Open			Accounts Payable	STANISLAUS REGIONAL TRANS	\$656.00		
	4/1/19-6/30/19		07/22/2019		APR-JUN 2019 TRANSIT SALES				
	Paying Fund				Cash Account				
	110 - General Fund				110.11000 (Cash)				
121892	07/25/2019 Invoice	Open			Accounts Payable	SUPPORT PAYMENT CLEARING	\$439.13		
	07/152019BECCHETT		07/19/2019		7-15-19 PAYROLL ATTACHMENT				
	Paying Fund				Cash Account				
	104 - Payroll Clearing Fund				104.11000 (Cash)				
121893	07/25/2019 Invoice	Open			Accounts Payable	SYAR INDUSTRIES INC	\$878.10		
	738206		07/17/2019		ASPHALT FOR STREETS				
	Paying Fund				Cash Account				
	217 - Streets - Gas Tax				217.11000 (Cash)				

Payment Register

From Payment Date: 7/19/2019 - To Payment Date: 7/25/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121894	07/25/2019	Open			Accounts Payable	TID	\$223,800.73		
	Invoice		Date	Description			Amount		
	Stmnt: 7/9/19		07/19/2019	000208-101910-0002 / Harding Darin Pump Station			\$6,783.64		
	Fire#1-7/9/19		07/19/2019	000208-030754-0004 / 540 E Marshal (Station 1)			\$1,151.37		
	Multi-07/09/19		07/19/2019	000208-000000-0014 / Multiple streetlights			\$334.08		
	Multi-7/09/19		07/19/2019	000208-000000-0018 / Multiple streetlights			\$147.99		
	Stmnt: 7/09/19		07/19/2019	000208-070607-0001 / 900 W Zeering Rd/Storm Drain Pump			\$23.55		
	AC-7/9/19		07/19/2019	000208-018927-0002 / Animal Control			\$95.54		
	PSF-7/9/19		07/19/2019	000208-022041-0003 / 244 N Broadway (PSF)			\$17,574.23		
	Pedretti-7/9/19		07/19/2019	000208-000129-0003 / 2400 Tegner Rd (Pedretti Park)			\$2,754.97		
	Fleet-7/9/19		07/19/2019	000208-002428-0003 / 701 S Walnut Rd			\$1,429.36		
	CNG-7/9/19		07/19/2019	000208-077375-0001 / 1001 S Walnut Rd -CNG			\$1,120.24		
	Pedretti-7/09/19		07/19/2019	000208-000129-0001 / 2400 Tegner Rd (Pedretti Park)			\$1,106.64		
	Transit-7/9/19		07/19/2019	000208-101449-0002 / 1418 N Golden State Blvd (Transit Center)			\$1,081.08		
	Fire#2-7/9/19		07/19/2019	000208-018926-0001 / 791 S Walnut Rd (Station 2)			\$480.41		
	Fire#3-7/9/19		07/19/2019	000208-054409-0001 / 501 E Monte Vista Ave (Station 3)			\$471.93		
	AC-7/09/19		07/19/2019	000208-070892-0003 / 801 S Walnut (Animal Control)			\$459.88		
	Senior-7/9/19		07/19/2019	000208-026235-0002 / 1191 Cahill Ave			\$366.39		
	Senior-7/09/19		07/19/2019	000208-026235-0001 / 1191 Cahill Ave			\$343.37		
	DAR-7/9/19		07/19/2019	000208-002428-0001 / 701 S Walnut (Dial-A-Ride)			\$335.42		
	Rec-7/9/19		07/19/2019	000208-030977-0005 / 144 S Broadway			\$334.73		
	PST-7/9/19		07/19/2019	000208-002428-0008 / 701 S Walnut Rd			\$294.88		
	Fire#4-7/9/19		07/19/2019	000208-003110-0002 / 2820 N Walnut Ave (Station 4)			\$282.54		
	AC-7.9.19		07/19/2019	000208-018927-0001 / S Walnut (Animal Control)			\$198.63		
	Fire#4-7/09/19		07/19/2019	000208-003110-0001 / 2820 N Walnut Ave (Station 4)			\$97.14		
	Rec-7/09/19		07/19/2019	000208-030977-0003 / 144 S Broadway			\$23.12		
	Pedretti-7.9.19		07/19/2019	000208-000129-0002 / 2400 Tegner Rd (Pedretti Park)			\$50.30		
	CityHall-7/9/19		07/19/2019	000208-024467-0007 / 156 S Broadway (City Hall)			\$6,977.13		
	TRSC-7/9/19		07/19/2019	000208-077978-0001 / Kilroy Rd (Sports Complex)			\$804.23		
	TRSC-7/09/19		07/19/2019	000208-070692-0002 / Kilroy Rd (Sports Complex)			\$369.18		
	Multi-7.9.19		07/19/2019	000208-000000-0007 / Multiple streetlights			\$655.36		
	Stmnt: 07/09/19		07/19/2019	000208-000000-0167 (Well Pump Stations)			\$121,439.75		
	Stmnt: 7.9.19		07/19/2019	000208-000000-0168 (Sewer Pump Stations)			\$4,858.55		
	Stmnt: 7.09.19		07/19/2019	000208-000000-0169 (Storm Pump Stations)			\$4,621.23		
	Stmnt: 7/15/19		07/19/2019	000208-070607-0001 / 900 W Zeering Rd/Storm Drain Pump			\$15.41		
	PO181-7/25/19		07/19/2019	Multiple COT accounts paid on PO 181			\$1,282.44		
	PO190-7/25/19		07/19/2019	Multiple COT accounts paid on PO 190			\$13,175.83		
	PO189-7/25/19		07/19/2019	Multiple COT accounts paid on PO 189			\$1,944.00		
	July 140 S 1st		07/23/2019	Electric for 140 S 1st St- Inv dated 07-09-19			\$43.92		
	July 1141 Jacque		07/23/2019	Electric for 1141 Jacquelinee Dr, Inv dated 7-9-19			\$46.60		
	July 1032 Souza		07/23/2019	Electric for 1032 Souza, Inv dated 7-9-19			\$78.93		
	July 810 S Soder		07/23/2019	Electric for 810 S Soderquist Rd, Inv dated 7-9-19			\$36.61		
	July 808 S Soder		07/23/2019	Electric for 808 S Soderquist Rd, Inv dated 7-9-19			\$39.19		
	July 900 W Canal		07/23/2019	Electric for 900 W Canal Dr #100, Inv dated 7-9-19			\$39.75		
	PO187-7/25/19		07/19/2019	Multiple COT accounts paid on PO 187			\$2,881.02		
	PO186-7/25/19		07/19/2019	Multiple COT accounts paid on PO 186			\$3,400.03		

Payment Register

From Payment Date: 7/19/2019 - To Payment Date: 7/25/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
	PO182-7/25/19		07/19/2019		Multiple COT accounts paid on PO 182			\$23,750.14	
	Paying Fund				Cash Account			Amount	
	110 - General Fund				110.11000 (Cash)			\$32,284.76	
	205 - Sports Facilities				205.11000 (Cash)			\$5,206.76	
	216 - Streets - Local Transportation				216.11000 (Cash)			\$41,193.24	
	255 - CDBG				255.11000 (Cash)			\$165.28	
	256 - Stanislaus Housing Consortium				256.11000 (Cash)			\$75.80	
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)			\$16,658.69	
	420 - WATER				420.11000 (Cash)			\$123,005.39	
	426 - Transit - Fixed Route				426.11000 (Cash)			\$1,726.71	
	505 - Fleet				505.11000 (Cash)			\$3,440.18	
	625 - Successor Agency - LMI				625.11000 (Cash)			\$43.92	
121895	07/25/2019	Open			Accounts Payable	TARGET SPECIALTY PROD INC	\$5,272.20		
	Invoice		Date	Description				Amount	
	PI0990249		06/30/2019	PESTICIDES/HERBICIDES				\$1,825.99	
	PI0997521		06/30/2019	PESTICIDES/HERBICIDES				\$1,307.15	
	PI0994313		06/30/2019	PESTICIDES/HERBICIDES				\$2,139.06	
	Paying Fund				Cash Account			Amount	
	110 - General Fund				110.11000 (Cash)			\$448.13	
	205 - Sports Facilities				205.11000 (Cash)			\$158.16	
	217 - Streets - Gas Tax				217.11000 (Cash)			\$632.67	
	246 - Landscape Assessment				246.11000 (Cash)			\$1,634.38	
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)			\$2,398.86	
121896	07/25/2019	Open			Accounts Payable	TBA AUTO PARTS	\$2,065.52		
	Invoice		Date	Description				Amount	
	MAY 2019		06/30/2019	MAY 2019				\$2,065.52	
	Paying Fund				Cash Account			Amount	
	110 - General Fund				110.11000 (Cash)			\$1,217.36	
	217 - Streets - Gas Tax				217.11000 (Cash)			\$120.40	
	246 - Landscape Assessment				246.11000 (Cash)			\$155.92	
	420 - WATER				420.11000 (Cash)			\$375.44	
	426 - Transit - Fixed Route				426.11000 (Cash)			\$196.40	
121897	07/25/2019	Open			Accounts Payable	TEICHERT CONSTRUCTION INC	\$493,695.16		
	Invoice		Date	Description				Amount	
	PP10-CP1730		06/30/2019	17-30 West Main Corridor Rehabilitation Measure L				\$493,695.16	
	Paying Fund				Cash Account			Amount	
	218 - Measure L				218.11000 (Cash)			\$493,695.16	
121898	07/25/2019	Open			Accounts Payable	TETER, LLP	\$9,452.00		
	Invoice		Date	Description				Amount	
	47063		06/30/2019	SR01, 18-46 CNG Maintenance Building Wall Addition -thru 6/25/19				\$9,452.00	
	Paying Fund				Cash Account			Amount	
	426 - Transit - Fixed Route				426.11000 (Cash)			\$9,452.00	
121899	07/25/2019	Open			Accounts Payable	THATCHER COMPANY OF CALIFORNIA INC	\$6,441.43		
	Invoice		Date	Description				Amount	
	265896		06/30/2019	LIQUID CHLORINE				\$14,441.43	

Payment Register

From Payment Date: 7/19/2019 - To Payment Date: 7/25/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121900	265898	Paying Fund	06/30/2019		LIQUID CHLORINE				
	410 - WATER QUALITY CONTROL (WQC)				Cash Account				
	07/25/2019	Open			410.11000 (Cash)	Accounts Payable			
	Invoice					TOWNSEND PUBLIC AFFAIRS INC	\$5,000.00		
121901	14880	Paying Fund	06/30/2019		CONSULTING SERVICES FOR JUNE 2019				
	410 - WATER QUALITY CONTROL (WQC)				Cash Account				
	07/25/2019	Open			410.11000 (Cash)	Accounts Payable			
	Invoice					TURLOCK SCAVENGER/SWEEPING	\$19,931.50		
121902	June 30 2019	Paying Fund	06/30/2019		STREET SWEEPING				
	246 - Landscape Assessment				Cash Account				
	410 - WATER QUALITY CONTROL (WQC)				246.11000 (Cash)				
	07/25/2019	Open			410.11000 (Cash)	Accounts Payable			
121903	Invoice					TURLOCK UMPIRE GROUP	\$3,348.00		
	June 2019	Paying Fund	06/30/2019		June '19 softball games				
	110 - General Fund				Cash Account				
	07/25/2019	Open			110.11000 (Cash)	Accounts Payable			
121904	Invoice					UTILITY TELECOMP GROUP LLC	\$1,233.47		
	Stmnt: 7/16/19	Paying Fund	07/23/2019		Acct #131803 - Transit Center telephone				
	Stmnt: 07/16/16	Paying Fund	07/23/2019		Acct #128444 - Public Safety internet service				
	110 - General Fund				Cash Account				
121905	426 - Transit - Fixed Route				110.11000 (Cash)				
	07/25/2019	Open			426.11000 (Cash)	Accounts Payable			
	Invoice					Vestra Resources, Inc.	\$5,922.45		
	24033	Paying Fund	06/30/2019		Professional Services through 05/31/19				
121906	501 - Information Technology				Cash Account				
	07/25/2019	Open			501.11000 (Cash)	Accounts Payable			
	Invoice					WESTERN VIEW MOBILE RANCH	\$1,688.80		
	Aug 2019								
121907	Paying Fund				WESTERN VIEW-MOBILE HOME RENT SUBSIDY				
	625 - Successor Agency - LMI				Cash Account				
	07/25/2019	Open			625.11000 (Cash)	Accounts Payable			
	Invoice					WESTFORK ESTATES	\$435.56		
121908	Aug 2019								
	Paying Fund				WESTFORK-MOBILE HOME RENT SUBSIDY				
	625 - Successor Agency - LMI				Cash Account				
	07/25/2019	Open			625.11000 (Cash)	Accounts Payable			
121909	Invoice					ARREOLA, ANN	\$65.00		
	REFUND# 7610072								
	Paying Fund				REFUND FOR SWIM LESSONS				
	07/25/2019	Open							

Type Check Totals:
AP - Accounts Payable

Payment Register

From Payment Date: 7/19/2019 - To Payment Date: 7/25/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source Status	Count	Payee Name	Transaction Amount	Transaction Amount	Reconciled Amount	Difference
				Checks							
					Open	84		\$5,167,664.45		\$0.00	
					Reconciled	0		\$0.00		\$0.00	
					Voided	1		\$205.30		\$0.00	
					Stopped	0		\$0.00		\$0.00	
					Total	85		\$5,167,869.75		\$0.00	
				All	Status	Count		Transaction Amount		Reconciled Amount	
					Open	84		\$5,167,664.45		\$0.00	
					Reconciled	0		\$0.00		\$0.00	
					Voided	1		\$205.30		\$0.00	
					Stopped	0		\$0.00		\$0.00	
					Total	85		\$5,167,869.75		\$0.00	
				Checks	Status	Count		Transaction Amount		Reconciled Amount	
					Open	84		\$5,167,664.45		\$0.00	
					Reconciled	0		\$0.00		\$0.00	
					Voided	1		\$205.30		\$0.00	
					Stopped	0		\$0.00		\$0.00	
					Total	85		\$5,167,869.75		\$0.00	
				All	Status	Count		Transaction Amount		Reconciled Amount	
					Open	84		\$5,167,664.45		\$0.00	
					Reconciled	0		\$0.00		\$0.00	
					Voided	1		\$205.30		\$0.00	
					Stopped	0		\$0.00		\$0.00	
					Total	85		\$5,167,869.75		\$0.00	

Grand Totals:

Payment Register

From Payment Date: 7/26/2019 - To Payment Date: 8/1/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
AP - Accountis Check 121916	07/30/2019	Open			Utility Management Refund	AMAYA, ASHLEY	\$58.55		
	<u>Account Type</u>		<u>Account Number</u>	<u>Description</u>	<u>Transaction Date</u>	<u>Transaction Type</u>	<u>Amount</u>		
	Single Family Res Metered		193119-003	MOVE OUT CREDIT	07/30/2019	Refund	\$58.55		
	Paying Fund			Cash Account					
	420 - WATER			420.11000 (Cash)					
121917	07/30/2019	Open			Utility Management Refund	COLLINS, JOSEPH	\$456.39		
	<u>Account Type</u>		<u>Account Number</u>	<u>Description</u>	<u>Transaction Date</u>	<u>Transaction Type</u>	<u>Amount</u>		
	Single Family Res Metered		257966-003	MOVE OUT CREDIT	07/30/2019	Refund	\$456.39		
	Paying Fund			Cash Account					
	420 - WATER			420.11000 (Cash)					
121918	07/30/2019	Open			Utility Management Refund	ERVIN, ROBERT, WOODROW	\$279.00		
	<u>Account Type</u>		<u>Account Number</u>	<u>Description</u>	<u>Transaction Date</u>	<u>Transaction Type</u>	<u>Amount</u>		
	Single Family Res Metered		879797-002	MOVE OUT CREDIT	07/30/2019	Refund	\$279.00		
	Paying Fund			Cash Account					
	110 - General Fund			110.11000 (Cash)			\$0.91		
	410 - WATER QUALITY CONTROL (WQC)			410.11000 (Cash)			\$1.43		
	420 - WATER			420.11000 (Cash)			\$276.66		
121919	07/30/2019	Open			Utility Management Refund	FOUTS, NICOLE	\$130.03		
	<u>Account Type</u>		<u>Account Number</u>	<u>Description</u>	<u>Transaction Date</u>	<u>Transaction Type</u>	<u>Amount</u>		
	Single Family Res Metered		716340-002	MOVE OUT CREDIT	07/30/2019	Refund	\$130.03		
	Paying Fund			Cash Account					
	420 - WATER			420.11000 (Cash)					
121920	07/30/2019	Open			Utility Management Refund	GANJE, LONELL	\$193.43		
	<u>Account Type</u>		<u>Account Number</u>	<u>Description</u>	<u>Transaction Date</u>	<u>Transaction Type</u>	<u>Amount</u>		
	Single Family Res Metered		825077-006	MOVE OUT CREDIT	07/30/2019	Refund	\$193.43		
	Paying Fund			Cash Account					
	420 - WATER			420.11000 (Cash)					
121921	07/30/2019	Open			Utility Management Refund	GONZALEZ CERVANTES, AURORA	\$199.29		
	<u>Account Type</u>		<u>Account Number</u>	<u>Description</u>	<u>Transaction Date</u>	<u>Transaction Type</u>	<u>Amount</u>		
	Single Family Res Metered		239682-009	MOVE OUT CREDIT	07/30/2019	Refund	\$199.29		
	Paying Fund			Cash Account					
	420 - WATER			420.11000 (Cash)					
121922	07/30/2019	Open			Utility Management Refund	HALL, HARRY	\$214.97		
	<u>Account Type</u>		<u>Account Number</u>	<u>Description</u>	<u>Transaction Date</u>	<u>Transaction Type</u>	<u>Amount</u>		
	Single Family Res Metered		720607-005	MOVE OUT CREDIT	07/30/2019	Refund	\$214.97		
	Paying Fund			Cash Account					
	420 - WATER			420.11000 (Cash)					

6A2

Payment Register

From Payment Date: 7/26/2019 - To Payment Date: 8/1/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121923	07/30/2019	Open			Utility Management Refund	KAW, LAY	\$273.66		
			Account Number	Description	Transaction Date	Transaction Type	Amount		
			125857-007	MOVE OUT CREDIT	07/30/2019	Refund	\$273.66		
			Paying Fund	Cash Account					
			420 - WATER	420.11000 (Cash)					
121924	07/30/2019	Open			Utility Management Refund	KUBES, CHAD	\$179.96		
			Account Number	Description	Transaction Date	Transaction Type	Amount		
			430803-007	MOVE OUT CREDIT	07/30/2019	Refund	\$179.96		
			Paying Fund	Cash Account					
			420 - WATER	420.11000 (Cash)					
121925	07/30/2019	Open			Utility Management Refund	MODESTO MABLE LLC	\$72.46		
			Account Number	Description	Transaction Date	Transaction Type	Amount		
			000865-001	MOVE OUT CREDIT	07/30/2019	Refund	\$72.46		
			Paying Fund	Cash Account					
			420 - WATER	420.11000 (Cash)					
121926	07/30/2019	Open			Utility Management Refund	MOORE, JACOB	\$118.63		
			Account Number	Description	Transaction Date	Transaction Type	Amount		
			711357-004	MOVE OUT CREDIT	07/30/2019	Refund	\$118.63		
			Paying Fund	Cash Account					
			420 - WATER	420.11000 (Cash)					
121927	07/30/2019	Open			Utility Management Refund	PRIETO, NATHANIEL	\$66.80		
			Account Number	Description	Transaction Date	Transaction Type	Amount		
			746061-004	MOVE OUT CREDIT	07/30/2019	Refund	\$66.80		
			Paying Fund	Cash Account					
			420 - WATER	420.11000 (Cash)					
121928	07/30/2019	Open			Utility Management Refund	VILLASENOR, URIEL	\$229.37		
			Account Number	Description	Transaction Date	Transaction Type	Amount		
			178322-007	MOVE OUT CREDIT	07/30/2019	Refund	\$229.37		
			Paying Fund	Cash Account					
			420 - WATER	420.11000 (Cash)					
121929	07/30/2019	Open			Utility Management Refund	WILLIAMS, ARLENE	\$99.07		
			Account Number	Description	Transaction Date	Transaction Type	Amount		
			221937-005	MOVE OUT CREDIT	07/30/2019	Refund	\$99.07		
			Paying Fund	Cash Account					
			420 - WATER	420.11000 (Cash)					
121930	08/01/2019	Open			Accounts Payable	A-Z BUS SALES INC	\$65.45		
			Invoice	Description			Amount		
			02P461545	TRA15-1040E			\$65.45		
			Paying Fund	Cash Account			Amount		
			426 - Transit - Fixed Route	426.11000 (Cash)			\$65.45		

Payment Register

From Payment Date: 7/26/2019 - To Payment Date: 8/1/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121931	08/01/2019	Open			Accounts Payable	AECOM TECHNICAL SERVICES INC	\$2,242.50		
	Invoice								
	2000241206 June		06/30/2019		Description	June 8 - June 30, 2019			
	Paying Fund				Cash Account		\$2,242.50		
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)		\$2,242.50		
121932	08/01/2019	Open			Accounts Payable	AMERICA'S AUTO GLASS			
	Invoice								
	427		07/19/2019		Description	Open purchase order for repairs and replacement of glass for	\$183.27		
	Paying Fund				Cash Account		\$183.27		
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)		\$183.27		
121933	08/01/2019	Open			Accounts Payable	AT&T / CALNET 3			
	Invoice								
	MULTI-8/1/19		07/29/2019		Description	Multiple COT accounts paid on 8/1/19 (Jun-Jul 2019)	\$4,841.25		
	000013333351		07/29/2019		BAN #9391034901 (T1 LINE - 4-way split)		\$164.69		
	000013333209		07/29/2019		BAN #9391034847 / City-wide system 2096682612957 (6/13-7/12/19)		\$689.06		
	000013333205		07/29/2019		BAN #9391034842 / PSF Phones 2096323265 (6/13-7/12/19)		\$460.21		
	Paying Fund				Cash Account				
	110 - General Fund				110.11000 (Cash)		\$4,978.84		
	205 - Sports Facilities				205.11000 (Cash)		\$50.43		
	217 - Streets - Gas Tax				217.11000 (Cash)		\$4.07		
121934	08/01/2019	Open			Accounts Payable	BACKFLOW DISTRIBUTORS, INC			
	Invoice								
	51500		07/19/2019		Description	CHECK MODULE KIT	\$58.85		
	Paying Fund				Cash Account		\$58.85		
	420 - WATER				420.11000 (Cash)		\$58.85		
	246 - Landscape Assessment				246.11000 (Cash)		\$4.07		
	255 - CDBG				255.11000 (Cash)		\$40.25		
	405 - Building				405.11000 (Cash)		\$46.84		
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)		\$407.64		
	426 - Transit - Fixed Route				426.11000 (Cash)		\$145.35		
121935	08/01/2019	Open			Accounts Payable	BARTKIEWICZ KRONICK & SHANAHAN			
	Invoice								
	6-30-2019		06/30/2019		Description	SRWA Legal Services for 2018-19 for June 2019	\$7,140.92		
	Paying Fund				Cash Account		\$7,140.92		
	950 - SRWA				950.11000 (Cash)		\$7,140.92		
121936	08/01/2019	Open			Accounts Payable	CHAMPION INDUSTRIAL			
	Invoice								
	61395		06/30/2019		Description	CITY HALL & IT SERVER ROOM - NO A/C IN THE CONFERENCE ROOM	\$461.26		
	Paying Fund				Cash Account		\$461.26		

Payment Register

From Payment Date: 7/26/2019 - To Payment Date: 8/1/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121937	110 - General Fund				110.11000 (Cash)				\$230.63
	501 - Information Technology				501.11000 (Cash)				\$230.63
	08/01/2019	Open			Accounts Payable	CHARTER COMMUNICATIONS	\$543.98		
	Invoice				Description	Amount			
	0461088071819		07/29/2019		8203 13 001 0461088 / City Hall	\$399.00			
121938	0465535072219		07/29/2019		8203 13 001 0465535 / Admin Internet	\$74.98			
	0071896072319		07/29/2019		8203 13 005 0071896 / IT Internet	\$70.00			
	Paying Fund				Cash Account	Amount			
	110 - General Fund				110.11000 (Cash)	\$74.98			
	501 - Information Technology				501.11000 (Cash)	\$469.00			
121939	08/01/2019	Open			Accounts Payable	CITY OF TURLOCK - CASH	\$136.91		
	Invoice				Description	Amount			
	07-26-19 REPLIN		07/26/2019		FIN AR-REPLENISH PETTY CASH-07/26/19	\$136.91			
	Paying Fund				Cash Account	Amount			
	110 - General Fund				110.11000 (Cash)	\$105.00			
121940	405 - Building				405.11000 (Cash)	\$20.00			
	420 - WATER				420.11000 (Cash)	\$11.91			
	08/01/2019	Open			Accounts Payable	CITY OF TURLOCK - CASH	\$158.57		
	Invoice				Description	Amount			
	06-30-19 REPLIN		06/30/2019		FIN AR-REPLENISH PETTY CASH-06-30-19	\$158.57			
121941	Paying Fund				Cash Account	Amount			
	110 - General Fund				110.11000 (Cash)	\$35.80			
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)	\$9.02			
	420 - WATER				420.11000 (Cash)	\$85.75			
	501 - Information Technology				501.11000 (Cash)	\$28.00			
121942	08/01/2019	Open			Accounts Payable	CRIMETEK SECURITY	\$7,560.00		
	Invoice				Description	Amount			
	58971		07/22/2019		PRIVATE SECURITY SERVICES FOR TRANSIT CENTER 7/1/19-7/15/19	\$7,560.00			
	Paying Fund				Cash Account	Amount			
	426 - Transit - Fixed Route				426.11000 (Cash)	\$7,560.00			
121943	08/01/2019	Open			Accounts Payable	EDGES ELECTRICAL GROUP LLC	\$135.25		
	Invoice				Description	Amount			
	S4710269.001		07/24/2019		SAFETY PPE GLOVES	\$60.22			
	S4705836.001		07/24/2019		CONDUIT FOR STORM 32 UPGRADE	\$75.03			
	Paying Fund				Cash Account	Amount			
121944	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)	\$135.25			
	08/01/2019	Open			Accounts Payable	ENTERPRISE HOLDINGS LLC	\$728.58		
	Invoice				Description	Amount			
	20983482		06/30/2019		March 2019 Hernandez Rental	\$728.58			
	Paying Fund				Cash Account	Amount			
121945	110 - General Fund				110.11000 (Cash)	\$728.58			
	08/01/2019	Open			Accounts Payable	FAST TRACK CAR WASH, MADRUGA BROS ENT INC	\$378.00		
	Invoice				Description	Amount			
	26652		06/30/2019		Car Wash Services - May 2019	\$406.00			
	26693		06/30/2019		CREDIT MEMO	(\$28.00)			

Payment Register

From Payment Date: 7/26/2019 - To Payment Date: 8/1/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121944	Paying Fund				Cash Account				
	110 - General Fund				110.11000 (Cash)			\$290.50	
	255 - CDBG				255.11000 (Cash)			\$7.00	
	405 - Building				405.11000 (Cash)			\$3.50	
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)			\$49.00	
	420 - WATER				420.11000 (Cash)			\$10.50	
121945	502 - Engineering				502.11000 (Cash)			\$17.50	
	08/01/2019	Open			Accounts Payable	FASTENAL COMPANY INC	\$868.04		
	Invoice				Description				
	CATUR155233		07/19/2019		TRA18-1058P			\$156.02	
	CATUR155570		07/24/2019		WQC SHOP SUPPLIES			\$213.96	
	CATUR155528		07/24/2019		4 HIGH RISK NITRILE EXAM CASE			\$498.06	
121946	Paying Fund				Cash Account				
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)			\$712.02	
	426 - Transit - Fixed Route				426.11000 (Cash)			\$156.02	
	08/01/2019	Open			Accounts Payable	FEDERAL EXPRESS	\$1,063.35		
	Invoice				Description				
	6-617-70204		06/30/2019		SHIPPING CHARGES - 7/19/19 STATEMENT (FY1819)			\$746.46	
121947	6-617-70204 7/19		07/29/2019		SHIPPING CHARGES - 7/19/19 STATEMENT (FY1920)			\$316.89	
	Paying Fund				Cash Account				
	110 - General Fund				110.11000 (Cash)			\$163.43	
	255 - CDBG				255.11000 (Cash)			\$35.70	
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)			\$38.20	
	420 - WATER				420.11000 (Cash)			\$799.57	
121948	502 - Engineering				502.11000 (Cash)			\$26.45	
	08/01/2019	Open			Accounts Payable	GCR TIRES & SERVICE	\$1,780.58		
	Invoice				Description				
	858-35818		07/19/2019		TRA15-1052P			\$1,044.34	
	858-35823		07/19/2019		FR17-292			\$736.24	
	Paying Fund				Cash Account				
121949	110 - General Fund				110.11000 (Cash)			\$736.24	
	425 - Transit - Dial-A-Ride				425.11000 (Cash)			\$1,044.34	
	08/01/2019	Open			Accounts Payable	GEOANALYTICAL LAB INC	\$2,370.00		
	Invoice				Description				
	F9F2501		06/30/2019		ALGAE			\$2,370.00	
	Paying Fund				Cash Account				
121950	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)			\$2,370.00	
	08/01/2019	Open			Accounts Payable	GRAINGER INC, W W	\$1,362.15		
	Invoice				Description				
	9228597812		07/24/2019		NUMBERS FOR SL HEADS			\$225.40	
	9234000512		07/24/2019		ALKALINE BATTERY, CORN BROOM			\$131.32	
	9238340203		07/24/2019		HEAD/HANDLE, SCRUB BRUSH			\$155.31	
121951	9237956769		07/24/2019		CORDLESS IMPACT DRIVER, INSERT BIT, COMBINATION WRENCH			\$47.51	
	9211569018		06/30/2019		IMPACT UNIVERSAL JOINT			\$802.61	
					ROUND SLING, MANUAL CHAIN HOIST, LADDER				

Payment Register

From Payment Date: 7/26/2019 - To Payment Date: 8/1/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121949	Paying Fund				Cash Account				
	246 - Landscape Assessment				246.11000 (Cash)			\$225.40	
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)			\$1,136.75	
	08/01/2019 Open Invoice				Accounts Payable	GROENIGER & COMPANY	\$1,294.50		
121950	1461380			07/19/2019	Description	Open purchase order for pipe & pipe fittings for Municipal		\$1,294.50	
	Paying Fund				Cash Account				
	420 - WATER				420.11000 (Cash)			\$1,294.50	
	08/01/2019 Open Invoice				Accounts Payable	HACH COMPANY	\$4,626.44		
121951	11542044			07/24/2019	Description	SC200 Universal Controllers for PRS Monitoring Stations		\$4,626.44	
	Paying Fund				Cash Account				
	420 - WATER				420.11000 (Cash)			\$4,626.44	
	08/01/2019 Open Invoice				Accounts Payable	HORIZON WATER & ENVIR LLC	\$13,078.41		
121952	3801			06/30/2019	Description	SRWA Project Environmental Phase II for 2018-19 for June 2019		\$13,078.41	
	Paying Fund				Cash Account				
	950 - SRWA				950.11000 (Cash)			\$13,078.41	
	08/01/2019 Open Invoice				Accounts Payable	HSQ INC	\$1,263.22		
121953	167537			06/30/2019	Description	Supervisory Control and Data Acquisition System		\$1,263.22	
	Paying Fund				Cash Account				
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)			\$1,263.22	
	08/01/2019 Open Invoice				Accounts Payable	IBM CORPORATION	\$999.10		
121954	Q2004NJ			07/29/2019	Description	Police Server Lease		\$999.10	
	Paying Fund				Cash Account				
	110 - General Fund				110.11000 (Cash)			\$999.10	
	08/01/2019 Open Invoice				Accounts Payable	IMMIX TECHNOLOGY, INC.	\$2,645.10		
121955	145568			07/30/2019	Description	GOLD MAINTENANCE/WEB ACCESS 6/25/2019-12/21/19		\$2,645.10	
	Paying Fund				Cash Account				
	110 - General Fund				110.11000 (Cash)			\$2,645.10	
	08/01/2019 Open Invoice				Accounts Payable	J A MOMANEY SERVICES INC	\$483.28		
121956	120397			06/30/2019	Description	12" RED AND GREEN BALLS QTY 16		\$483.28	
	Paying Fund				Cash Account				
	216 - Streets - Local Transportation				216.11000 (Cash)			\$483.28	
	08/01/2019 Open Invoice				Accounts Payable	JOAQUIN ROSE, INC, B & B FLUID POWER	\$306.42		
	00268214			07/19/2019	Description	CL13-850		\$81.42	
	00268295			07/19/2019	Description	CL13-850		\$225.00	

Payment Register

From Payment Date: 7/26/2019 - To Payment Date: 8/1/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121957	Paying Fund				Cash Account				
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)				
									\$306.42
121958	08/01/2019	Open			Accounts Payable	KEENAN & ASSOCIATES	\$95,901.00		
	Invoice								
	230089			07/25/2019	Safety National Casualty Corporation - Excess Workers' Comp				\$95,901.00
121959	Paying Fund				Cash Account				
	510 - Workers Compensation Ins				510.11000 (Cash)				
									\$95,901.00
121960	08/01/2019	Open			Accounts Payable	MC COY TRUCK TIRE SERVICE CENTER INC	\$42.63		
	Invoice								
	10056429			07/19/2019	TRA05-10320				\$42.63
121959	Paying Fund				Cash Account				
	426 - Transit - Fixed Route				426.11000 (Cash)				
									\$42.63
121959	08/01/2019	Open			Accounts Payable	MISSION LINEN SUPPLY INC	\$2,779.16		
	Invoice								
	6/30/19-212629			06/30/2019	ASSESSMENT DISTRICT - JUNE 2019				\$221.61
121959	6/30/19-154209			06/30/2019	CITY HALL - JUNE 2019				\$141.60
	6/30/19-187032			06/30/2019	FIRE STATION 1 - JUNE 2019				\$90.42
	6/30/19-187082			06/30/2019	FIRE STATION 2 - JUNE 2019				\$126.48
121959	6/30/19-187080			06/30/2019	FIRE STATION 3 - JUNE 2019				\$62.16
	6/30/19-187084			06/30/2019	FIRE STATION 4 - JUNE 2019				\$64.52
	6/30/19-153955			06/30/2019	FLEET SHOP - JUNE 2019				\$210.54
121959	6/30/19-153973			06/30/2019	PARKS DEPT - JUNE 2019				\$187.19
	6/30/19-154117			06/30/2019	PEDRETTI - JUNE 2019				\$50.96
	6/30/19-154207			06/30/2019	POLICE DEPT - JUNE 2019				\$36.72
121959	6/30/19-153979			06/30/2019	SEWER/COLLECTIONS - JUNE 2019				\$174.83
	6/30/19-212628			06/30/2019	STORMS - JUNE 2019				\$28.80
	6/30/19-153971			06/30/2019	STREETS - JUNE 2019				\$94.08
121959	6/30/19-203896			06/30/2019	SPORTS (TRSC) - JUNE 2019				\$54.73
	6/30/19-294215			06/30/2019	TRANSIT - JUNE 2019				\$19.20
	6/30/19-153948			06/30/2019	WATER - JUNE 2019				\$195.93
121959	6/30/19-154035			06/30/2019	WASTEWATER (WQC) - JUNE 2019				\$631.92
	6/30/19-227932			06/30/2019	ELECTRICAL (WQC) - JUNE 2019				\$387.47
	Paying Fund				Cash Account				
121960	110 - General Fund				110.11000 (Cash)				\$709.09
	205 - Sports Facilities				205.11000 (Cash)				\$105.69
	217 - Streets - Gas Tax				217.11000 (Cash)				\$94.08
121960	246 - Landscape Assessment				246.11000 (Cash)				\$221.61
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)				\$1,223.02
	420 - WATER				420.11000 (Cash)				\$195.93
121960	426 - Transit - Fixed Route				426.11000 (Cash)				\$19.20
	505 - Fleet				505.11000 (Cash)				\$210.54
	08/01/2019	Open			Accounts Payable	MME	\$463.28		
121960	Invoice								
	0139380-IN			07/19/2019	CL91-802				\$463.28
	Paying Fund				Cash Account				
121960	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)				\$463.28

Payment Register

From Payment Date: 7/26/2019 - To Payment Date: 8/1/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121961	08/01/2019 Invoice	Open			Accounts Payable	MOTION INDUSTRIES INC - CAB2	\$273.91		
	CA82-934273		06/30/2019		Description	Amount			
					STAINLESS STEEL DRIVE SPROCKET FOR	\$273.91			
					FLOATATOR #2 STAR WELL				
	Paying Fund				Cash Account	Amount			
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)	\$273.91			
121962	08/01/2019 Invoice	Open			Accounts Payable	NAPA AUTO PARTS	\$76.98		
	724680		06/27/2019		Description	Amount			
					AUTOMOTIVE PARTS AND SERVICES FOR CITY	\$0.00			
					VEHICLES				
	725759		07/19/2019		TRA18-1058P	\$53.83			
	725979		07/19/2019		PK04-4249	\$23.15			
	Paying Fund				Cash Account	Amount			
	110 - General Fund				110.11000 (Cash)	\$23.15			
	426 - Transit - Fixed Route				426.11000 (Cash)	\$53.83			
121963	08/01/2019 Invoice	Open			Accounts Payable	NELSON NYGAARD CONSULTING ASSOCIATES INC	\$5,434.82		
	75395		06/30/2019		Description	Amount			
					18-34 SHORT RANGE TRANSIT PLAN FY 2019-24	\$4,076.07			
					(5/25/19-6/28/19)				
	75440		06/30/2019		SR 10 17-48 FREE RIDE PROMOTION MARKETING	\$402.50			
					MATERIALS 5/25-6/30/19				
	75243		06/30/2019		SR 10 FREE RIDE PROMOTION MARKETING	\$956.25			
					MATERIALS 4/27/19-5/24/19				
	Paying Fund				Cash Account	Amount			
	426 - Transit - Fixed Route				426.11000 (Cash)	\$5,434.82			
121964	08/01/2019 Invoice	Open			Accounts Payable	NEXT LEVEL PARTS INC	\$1,289.35		
	8577-305734		07/19/2019		Description	Amount			
					NOTE 416	\$275.61			
	8577-305719		07/19/2019		POL07-1241	\$280.15			
	8577-305359		07/19/2019		PK87-433	\$106.32			
	8577-305735		07/19/2019		TRA05-1032P	\$431.73			
	8577-306055		07/19/2019		TRA18-1058P	\$86.02			
	8577-305913		07/19/2019		PK04-4249	\$56.29			
	8577-306030		07/19/2019		NOTE 1300	\$33.98			
	8577-305681		07/19/2019		AD09-0464	\$19.25			
	Paying Fund				Cash Account	Amount			
	110 - General Fund				110.11000 (Cash)	\$752.35			
	246 - Landscape Assessment				246.11000 (Cash)	\$19.25			
	426 - Transit - Fixed Route				426.11000 (Cash)	\$517.75			
121965	08/01/2019 Invoice	Open			Accounts Payable	O'DELL ENGINEERING, INC	\$31,534.65		
	3613003-FY 2019		06/30/2019		Description	Amount			
					ENG & SURV SRVS FOR 17-58 SRTS ADA PED	\$23,650.99			
					IMPROV (6/10-6/30/19)				
	3613003-FY 2020		07/22/2019		ENG & SURV SRVS FOR 17-58 SRTS ADA PED	\$7,883.66			
					IMPROV (7/1-7/7/19)				
	Paying Fund				Cash Account	Amount			
	215 - Streets - Grant Funded Projects				215.11000 (Cash)	\$31,534.65			

Payment Register

From Payment Date: 7/26/2019 - To Payment Date: 8/1/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121966	08/01/2019	Open			Accounts Payable	OREILLY AUTO PARTS	\$699.37		
	Invoice								
	2592-491049		07/19/2019	Description		Open purchase order for automotive parts and other misc items	Amount		\$43.85
	2800-277911		07/19/2019			TRA15-1050P	\$109.92		
	2800-275760		07/19/2019			POL16-1301	\$545.60		
	Paying Fund					Cash Account	Amount		
	110 - General Fund					110.11000 (Cash)	\$545.60		
	246 - Landscape Assessment					246.11000 (Cash)	\$43.85		
	425 - Transit - Dial-A-Ride					425.11000 (Cash)	\$109.92		
121967	08/01/2019	Open			Accounts Payable	P G & E	\$8.38		
	Invoice								
	Rec-7/26/19		07/29/2019	Description		2749172768-4 / 144 S Broadway	Amount		\$8.38
	Paying Fund					Cash Account	Amount		
	110 - General Fund					110.11000 (Cash)	\$8.38		
121968	08/01/2019	Open			Accounts Payable	PAXIN PACIFI EXC INC, TIM	\$65,143.78		
	Invoice								
	PP1/CP16-59		06/30/2019	Description		16-59 Intersection Improvements at W Main and West 6/1-6/30-19	Amount		\$65,143.78
	Paying Fund					Cash Account	Amount		
	215 - Streets - Grant Funded Projects					215.11000 (Cash)	\$65,143.78		
121969	08/01/2019	Open			Accounts Payable	PIRES, LIPOMI & NAVARRO ARCHITECTS	\$1,689.00		
	Invoice								
	3998		06/30/2019	Description		SR01 17-51 TURLOCK REGIONAL TRANSIT CENTER PHASE 3 THRU 6/30/19	Amount		\$1,689.00
	Paying Fund					Cash Account	Amount		
	426 - Transit - Fixed Route					426.11000 (Cash)	\$1,689.00		
121970	08/01/2019	Open			Accounts Payable	Platt Electric Supply	\$143.13		
	Invoice								
	V551115		07/24/2019	Description		REPAIR OF SKT #17 IN ALLEY BETWEEN MAIN & SIERRA C/S COLORADO	Amount		\$5.76
	V549088		07/24/2019			CONDUIT REPAIR AT SEWER 25	\$137.37		
	Paying Fund					Cash Account	Amount		\$5.76
	246 - Landscape Assessment					246.11000 (Cash)	\$137.37		
	410 - WATER QUALITY CONTROL (WQC)					410.11000 (Cash)			
121971	08/01/2019	Open			Accounts Payable	RAY MORGAN COMPANY	\$3,212.74		
	Invoice								
	2607697		06/30/2019	Description		Printer Usage & Maintenance for 6/12/19-7/11/19	Amount		\$3,212.74
	Paying Fund					Cash Account	Amount		
	110 - General Fund					110.11000 (Cash)	\$2,594.49		
	255 - CDBG					255.11000 (Cash)	\$12.23		
	405 - Building					405.11000 (Cash)	\$25.21		
	410 - WATER QUALITY CONTROL (WQC)					410.11000 (Cash)	\$242.91		
	420 - WATER					420.11000 (Cash)	\$140.90		
	501 - Information Technology					501.11000 (Cash)	\$7.20		
	502 - Engineering					502.11000 (Cash)	\$189.80		

From Payment Date: 7/26/2019 - To Payment Date: 8/1/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121972	08/01/2019	Open			Accounts Payable	REED INC, GEORGE	\$221,825.00		
	Invoice								
	PP1/CP13-65		06/30/2019	13-65 INTERSECTION IMPROV N OLIVE & WAYSIDE (10/1/18-6/30/19)			\$221,825.00		
	Paying Fund			Cash Account					
	215 - Streets - Grant Funded Projects			215.11000 (Cash)			\$221,825.00		
121973	08/01/2019	Open			Accounts Payable	RINCON CONSULTANTS, INC.	\$1,333.67		
	Invoice								
	13826		06/30/2019	SR06 TURLOCK REG SPORTS COMPLEX LIGHTING STUDY 12/1/18-6/30/19			\$753.92		
	13735		06/30/2019	SR07, CP0828 SR99/FULKERTH INTERCHANGE 6/1/19-6/30/19			\$579.75		
	Paying Fund			Cash Account					
	120 - Tourism			120.11000 (Cash)			\$753.92		
	305 - Capital Facility Fees			305.11000 (Cash)			\$579.75		
121974	08/01/2019	Open			Accounts Payable	RUSH TRUCK CENTERS OF CALIFORNIA, INC.	\$1,477.23		
	Invoice								
	3015613578		07/19/2019	POL16-1308			\$930.14		
	3015718677		07/19/2019	FR03-288			\$36.64		
	3015702207		07/19/2019	POL08-1329			\$143.89		
	3015616988		07/19/2019	EL02-676			\$249.25		
	3015660925		07/19/2019	ST19-7188			\$72.21		
	3015733752		07/19/2019	TRA15-1046P			\$45.10		
	Paying Fund			Cash Account					
	110 - General Fund			110.11000 (Cash)			\$1,110.67		
	217 - Streets - Gas Tax			217.11000 (Cash)			\$72.21		
	410 - WATER QUALITY CONTROL (WQC)			410.11000 (Cash)			\$249.25		
	426 - Transit - Fixed Route			426.11000 (Cash)			\$45.10		
121975	08/01/2019	Open			Accounts Payable	SAFE-T-LITE CO INC	\$217.35		
	Invoice								
	358536		07/24/2019	RAZORBACK SHOVEL			\$217.35		
	Paying Fund			Cash Account					
	410 - WATER QUALITY CONTROL (WQC)			410.11000 (Cash)			\$217.35		
121976	08/01/2019	Open			Accounts Payable	SUBSITE LLC dba SUBSITE ELECTRONICS	\$346.05		
	Invoice								
	92213319		07/19/2019	TRAKSTAR CAMERA DIASNOSIS			\$65.00		
	92213320		07/19/2019	TRANSTAR CAMERA REPAIR			\$281.05		
	Paying Fund			Cash Account					
	410 - WATER QUALITY CONTROL (WQC)			410.11000 (Cash)			\$346.05		
121977	08/01/2019	Open			Accounts Payable	T I D	\$2,505.31		
	Invoice								
	25788		07/29/2019	Communication cable pole fees for first half of 2019			\$1,293.60		
	PO187-8/1/19		07/29/2019	Multiple COT accounts paid on PO 187			\$1,211.71		
	Paying Fund			Cash Account					
	110 - General Fund			110.11000 (Cash)			\$1,496.77		
	216 - Streets - Local Transportation			216.11000 (Cash)			\$144.14		

Payment Register

From Payment Date: 7/26/2019 - To Payment Date: 8/1/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121978	410 - WATER QUALITY CONTROL (WQC)			410.11000 (Cash)					\$431.20
	420 - WATER			420.11000 (Cash)					\$431.20
	Invoice	Open			Accounts Payable	THERMO KING MODESTO INC	\$38.84		
121979	MI59296		07/19/2019	TRA05-1032P					Amount
	Paying Fund			Cash Account					\$38.84
	426 - Transit - Fixed Route			426.11000 (Cash)					\$38.84
121980	Invoice	Open			Accounts Payable	TRITECH SOFTWARE SYSTEMS			
	7899-06-kst		06/30/2019	10% INSTALL OF CAD/10% INSTALL OF RMS			\$181,636.50		
	Paying Fund			Cash Account					Amount
121981	240 - Small Equipment Replacement			240.11000 (Cash)			\$181,636.50		
	Invoice	Open			Accounts Payable	TURLOCK CITY TOW INC	\$255.00		
	110999		06/30/2019	Towing Services for POL13-1130 on 5/29/19					Amount
121982	109161		06/30/2019	Towing Services for POL11-1114 on 6/2/19			\$30.00		\$105.00
	109071		06/30/2019	Towing Services for POL15-1303 on 6/4/19			\$30.00		\$30.00
	108838		06/30/2019	Towing Services for PK17-4604 on 6/5/19			\$30.00		\$30.00
121983	111413		06/30/2019	PD Evidence Tow on 6/7/19			\$30.00		\$30.00
	108897		06/30/2019	Towing Services for POL16-1300 on 6/14/19			\$30.00		\$30.00
	Paying Fund			Cash Account					Amount
121984	110 - General Fund			110.11000 (Cash)			\$255.00		
	Invoice	Open			Accounts Payable	TURLOCK JOURNAL	\$155.50		
	248600		07/26/2019	Police Officer Trainee AD 7.10.19					Amount
121985	Paying Fund			Cash Account			\$155.50		\$155.50
	110 - General Fund			110.11000 (Cash)					Amount
	Invoice	Open			Accounts Payable	TURLOCK SCAVENGER CO INC	\$700,000.00		
121986	JUL 2019 PAYMENT		07/26/2019	JULY 2019 PAYMENT			\$700,000.00		
	Paying Fund			Cash Account					Amount
	110 - General Fund			110.11000 (Cash)			\$700,000.00		
121987	Invoice	Open			Accounts Payable	TURLOCK UNIFIED SCHOOL DISTRICT	\$1,057.50		
	200014		07/23/2019	PHS July Pool Use					Amount
	200013		07/23/2019	THS July Pool Use			\$480.00		\$480.00
121988	Paying Fund			Cash Account			\$577.50		\$577.50
	110 - General Fund			110.11000 (Cash)					Amount
	Invoice	Open			Accounts Payable	US BANK	\$1,057.50		
121989	5405650		06/25/2019	3rd Party Trustee Svcs - Water Revenue Bonds, 6/1/19					Amount
	Paying Fund			- 5/31/20			\$2,325.00		\$2,325.00
	420 - WATER			Cash Account					Amount
121990	Invoice	Open			Accounts Payable		\$2,325.00		
	420 - WATER			420.11000 (Cash)					Amount
							\$2,325.00		\$2,325.00

Payment Register

From Payment Date: 7/26/2019 - To Payment Date: 8/1/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121985	08/01/2019 Invoice	Open			Accounts Payable	US BANK OFFICE EQUIPMENT	\$66.44		
	390051753 Paying Fund		07/29/2019		Lease Agreement for Payroll Copier 7/9/19-8/8/19		\$66.44		
	110 - General Fund				Cash Account		\$66.44		
121986	08/01/2019 Invoice	Open			Accounts Payable	VERDEK LLC	\$1,527.63		
	84227		07/26/2019		CO-TERMINUS RENEWAL FOR COMMERCIAL CLOUD PLAN EXP. 7/3/20		\$1,527.63		
	Paying Fund				Cash Account				
	216 - Streets - Local Transportation				216.11000 (Cash)		\$511.76		
	426 - Transit - Fixed Route				426.11000 (Cash)		\$1,015.87		
121987	08/01/2019 Invoice	Open			Accounts Payable	VIRTUAL PROJECT MANAGER LLC	\$500.00		
	12-1934		07/16/2019		Project Management Software Tool for Capital Projects - July 19		\$500.00		
	Paying Fund				Cash Account				
	502 - Engineering				502.11000 (Cash)		\$500.00		
121988	08/01/2019 Invoice	Open			Accounts Payable	WALKER ASSOC INC, LARRY	\$1,375.00		
	00339.05-32 Paying Fund		06/30/2019		FOR SERVICES RENDERED THROUGH 6/30/19		\$1,375.00		
	410 - WATER QUALITY CONTROL (WQC)				Cash Account				
					410.11000 (Cash)		\$1,375.00		
121989	08/01/2019 Invoice	Open			Accounts Payable	WEST YOST ASSOCIATES	\$311,031.98		
	2038545		06/30/2019		17-22B CONSTRUCTION MGMT SERVICES FOR NVRWP - 6/1/19-6/30/19		\$130,001.67		
	2038553		06/30/2019		SRWA Program Mgmt Services for 2018-19 for June 2019		\$181,030.31		
	Paying Fund				Cash Account				
	416 - Recycled Water Sales				416.11000 (Cash)		\$130,001.67		
	950 - SRWA				950.11000 (Cash)		\$181,030.31		
121990	08/01/2019 Invoice	Open			Accounts Payable	WOOD RODGERS INC	\$1,162.50		
	127984		06/30/2019		PROFESSIONAL SERVICES RENDERED THROUGH 6/30/19		\$1,162.50		
	Paying Fund				Cash Account				
	420 - WATER				420.11000 (Cash)		\$1,162.50		
121991	08/01/2019 Invoice	Open			Accounts Payable	ZEE MEDICAL SERVICE CO	\$196.87		
	66270138		07/29/2019		Parks Medical Supplies		\$78.37		
	66270140		07/29/2019		Operations Medical Supplies		\$55.02		
	66270141		07/29/2019		Employee Break Room Medical Supplies		\$63.48		
	Paying Fund				Cash Account				
	110 - General Fund				110.11000 (Cash)		\$63.48		
	246 - Landscape Assessment				246.11000 (Cash)		\$78.37		
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)		\$55.02		

Payment Register

From Payment Date: 7/26/2019 - To Payment Date: 8/1/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
121992	08/01/2019 Invoice	Open			Accounts Payable	CERVANTES, VANESSA	\$414.14		
	0116000982		07/30/2019	Description	CERVANTES CASH REQUEST 0116000982				Amount
	Paying Fund			Cash Account					\$414.14
	110 - General Fund			110.11000 (Cash)					\$414.14
121993	08/01/2019 Invoice	Open			Accounts Payable	CHILDERS, KARYN	\$90.00		
	REFUND 7713046		06/30/2019	Description	REFUND FOR SUMMER CAMP UNUSED PUNCHES				Amount
	Paying Fund			Cash Account					\$90.00
	110 - General Fund			110.11000 (Cash)					\$90.00
121994	08/01/2019 Invoice	Open			Accounts Payable	DEHART, JUSTIN	\$324.95		
	DEHART, JFY1920		07/31/2019	Description	Reimb Wildland Boots FY 19/20				Amount
	Paying Fund			Cash Account					\$324.95
	110 - General Fund			110.11000 (Cash)					\$324.95
121995	08/01/2019 Invoice	Open			Accounts Payable	FLETCHER K, LLC	\$109,951.23		
	BP 18-1176		07/19/2019	Description	REFUND OF DEV IMPACT FEES (LIEN AGREEMENT SET THROUGH COUNCIL)				Amount
	Paying Fund			Cash Account					\$109,951.23
	305 - Capital Facility Fees			305.11000 (Cash)					Amount
	413 - WQC-Capital Expansion Reserve			413.11000 (Cash)					\$102,914.29
	414 - Sewer Line/Trunk Construction			414.11000 (Cash)					\$1,339.20
	502 - Engineering			502.11000 (Cash)					\$5,141.74
									\$556.00
121996	08/01/2019 Invoice	Open			Accounts Payable	GODINEZ, FERNANDO	\$2.26		
	REFUND 7712972		06/30/2019	Description	REFUND FOR SWIM LESSONS CANCELLATION				Amount
	Paying Fund			Cash Account					\$2.26
	110 - General Fund			110.11000 (Cash)					\$2.26
121997	08/01/2019 Invoice	Open			Accounts Payable	Inderbitzen, Paul	\$276.00		
	TR4437 PerDiem		07/16/2019	Description	Crimes Against Children 8/11/19-8/15/19				Amount
	Paying Fund			Cash Account					\$276.00
	110 - General Fund			110.11000 (Cash)					\$276.00
121998	08/01/2019 Invoice	Open			Accounts Payable	ONE HOUR AIR CONDITIONING & HEATING	\$68.61		
	BL REFUND FY1819		06/30/2019	Description	REFUND OF BUSINESS LICENSE FEES CHARGED IN ERROR				Amount
	Paying Fund			Cash Account					\$68.61
	110 - General Fund			110.11000 (Cash)					\$68.61
121999	08/01/2019 Invoice	Open			Accounts Payable	ONE HOUR AIR CONDITIONING & HEATING	\$4.63		
	BP 19-0386		07/24/2019	Description	REFUND OF BUSINESS LICENSE FEES CHARGE IN ERROR				Amount
	Paying Fund			Cash Account					\$4.63
									Amount

Payment Register

From Payment Date: 7/26/2019 - To Payment Date: 8/1/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
	110 - General Fund				110.11000 (Cash)		\$4.63		
122000	08/01/2019 Invoice TR4421PerDiem	Open		07/03/2019	Accounts Payable	Perales , Carlos	\$250.00		
					Cross-Connection Control Program Specialist 8/11-8/16/19		Amount \$250.00		
	Paying Fund 420 - WATER				Cash Account		Amount \$250.00		
122001	08/01/2019 Invoice TR4421PerDiem	Open		07/01/2019	Accounts Payable	Romero , Felix	\$250.00		
					Cross-Connection Control Program Specialist 8/11-8/16/19		Amount \$250.00		
	Paying Fund 420 - WATER				Cash Account		Amount \$250.00		
122002	08/01/2019 Invoice REFUND 7736285	Open		06/30/2019	Accounts Payable	SANTIAGO, ALEX	\$58.00		
					REFUND FOR SUMMER T-BALL		Amount \$58.00		
	Paying Fund 110 - General Fund				Cash Account		Amount \$55.50		
	301 - Capital Improvements				110.11000 (Cash)		\$2.50		
122003	08/01/2019 Invoice REFUND 7688635	Open		06/30/2019	Accounts Payable	SHAW, SAMUEL	\$45.00		
					REFUND FOR SWIM LESSONS		Amount \$45.00		
	Paying Fund 110 - General Fund				Cash Account		Amount \$42.50		
	301 - Capital Improvements				110.11000 (Cash)		\$2.50		
122004	08/01/2019 Invoice 41135	Open		06/30/2019	Accounts Payable	WARD PROMOTIONAL MARKETING SOLUTIONS, INC	\$163.08		
					PORT AUTHORITY DRY ZONE UV MICRO-MESH		Amount \$163.08		
	Paying Fund 426 - Transit - Fixed Route				Cash Account		Amount \$163.08		
					426.11000 (Cash)				
Type Check Totals:									
AP - Accounts Payable Totals							\$1,810,284.40		

89 Transactions

AP - Accounts Payable Totals

Payment Register

From Payment Date: 7/26/2019 - To Payment Date: 8/1/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source Status	Count	Payee Name	Transaction Amount	Transaction Amount	Reconciled Amount	Difference
				Checks	Open	89		\$1,810,284.40		\$0.00	
					Reconciled	0		\$0.00		\$0.00	
					Voided	0		\$0.00		\$0.00	
					Stopped	0		\$0.00		\$0.00	
					Total	89		\$1,810,284.40		\$0.00	
				All	Status	Count		Transaction Amount		Reconciled Amount	
					Open	89		\$1,810,284.40		\$0.00	
					Reconciled	0		\$0.00		\$0.00	
					Voided	0		\$0.00		\$0.00	
					Stopped	0		\$0.00		\$0.00	
					Total	89		\$1,810,284.40		\$0.00	
				Checks	Status	Count		Transaction Amount		Reconciled Amount	
					Open	89		\$1,810,284.40		\$0.00	
					Reconciled	0		\$0.00		\$0.00	
					Voided	0		\$0.00		\$0.00	
					Stopped	0		\$0.00		\$0.00	
					Total	89		\$1,810,284.40		\$0.00	
				All	Status	Count		Transaction Amount		Reconciled Amount	
					Open	89		\$1,810,284.40		\$0.00	
					Reconciled	0		\$0.00		\$0.00	
					Voided	0		\$0.00		\$0.00	
					Stopped	0		\$0.00		\$0.00	
					Total	89		\$1,810,284.40		\$0.00	

Grand Totals:

Payment Register

From Payment Date: 5/1/2019 - To Payment Date: 5/31/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
AP - Accounts Payable									
EFT									
2686	05/02/2019	Open			Accounts Payable	Authorize, Net			
	Invoice								
	MAY2019			05/02/2019		AUTHNET-MAY 2019 COMMUNITY PASS			
	Paying Fund					Cash Account		\$314.95	
	110 - General Fund					110.11000 (Cash)		\$314.95	
2687	05/03/2019	Open			Accounts Payable	GOLDEN ONE CREDIT UNION			
	Invoice								
	4/30/19PR			05/03/2019		4/30/19PR-GOLDEN 1 CU		\$10,240.22	
	Paying Fund					Cash Account		\$10,240.22	
	104 - Payroll Clearing Fund					104.11000 (Cash)		\$10,240.22	
2688	05/08/2019	Open			Accounts Payable	ICMA-RC			
	Invoice								
	4/30/19PR			05/08/2019		4/30/19PR-ICMA		\$102,383.38	
	Paying Fund					Cash Account		\$102,383.38	
	104 - Payroll Clearing Fund					104.11000 (Cash)		\$102,383.38	
2689	05/03/2019	Open			Accounts Payable	INTERNAL REVENUE SERVICE			
	Invoice								
	4/30/19PR			05/03/2019		4/30/19PR-FEDERAL TAXES		\$170,124.75	
	Paying Fund					Cash Account		\$170,124.75	
	104 - Payroll Clearing Fund					104.11000 (Cash)		\$170,124.75	
2690	05/03/2019	Open			Accounts Payable	STATE OF CALIFORNIA - PR TAXES			
	Invoice								
	4/30/19PR			05/03/2019		4/30/19PR-STATE TAXES		\$45,395.91	
	Paying Fund					Cash Account		\$45,395.91	
	104 - Payroll Clearing Fund					104.11000 (Cash)		\$45,395.91	
2691	05/03/2019	Open			Accounts Payable	T A P O			
	Invoice								
	4/30/19PR			05/03/2019		4/30/19PR-TAPO DUES		\$4,513.30	
	Paying Fund					Cash Account		\$4,513.30	
	104 - Payroll Clearing Fund					104.11000 (Cash)		\$4,513.30	
2692	05/03/2019	Open			Accounts Payable	T C E A			
	Invoice								
	4/30/19PR			05/03/2019		4/30/19PR-TCEA DUES		\$3,138.75	
	Paying Fund					Cash Account		\$3,138.75	
	104 - Payroll Clearing Fund					104.11000 (Cash)		\$3,138.75	
2693	05/08/2019	Open			Accounts Payable	TFRA			
	Invoice								
	4/30/19PR-RHS			05/08/2019		4/30/19-TFRA RHS DUES		\$9,490.09	
	Paying Fund					Cash Account		\$9,490.09	
	104 - Payroll Clearing Fund					104.11000 (Cash)		\$9,490.09	
2694	05/03/2019	Open			Accounts Payable	TMAPS			
	Invoice								
	4/30/19PR			05/03/2019		4/30/19PR-TMAPS DUES		\$225.00	
	Paying Fund					Cash Account		\$225.00	
	104 - Payroll Clearing Fund					104.11000 (Cash)		\$225.00	

6A3

Payment Register

From Payment Date: 5/1/2019 - To Payment Date: 5/31/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
2695	05/08/2019	Open			Accounts Payable	T A P O	\$12,997.16		
	Invoice								
	4/30/19PR-RHS		05/08/2019		4/30/19PR-TAPO RHS DUES				
	Paying Fund				Cash Account				Amount
	104 - Payroll Clearing Fund				104.11000 (Cash)				\$12,997.16
2696	05/03/2019	Open			Accounts Payable	T C E A	\$77.50		
	Invoice								
	4/30/19PR-BENEVO		05/03/2019		4/30/19PR-TCEA BENEVOLENCE DUES				Amount
	Paying Fund				Cash Account				\$77.50
	104 - Payroll Clearing Fund				104.11000 (Cash)				Amount
									\$77.50
2697	05/03/2019	Open			Accounts Payable	CAPITOL ADMINISTRATORS	\$163,908.88		
	Invoice								
	21474-21614		05/03/2019		CLAIMS ENDING 5/2/19				Amount
	Paying Fund				Cash Account				\$163,908.88
	511 - Health Care				511.11000 (Cash)				Amount
									\$163,908.88
2698	05/03/2019	Open			Accounts Payable	CA SDU	\$593.50		
	Invoice								
	4/30/19PR		05/03/2019		4/30/19PR-CHILD SUPPORT PAYMENT				Amount
	Paying Fund				Cash Account				\$593.50
	104 - Payroll Clearing Fund				104.11000 (Cash)				Amount
									\$593.50
2699	05/03/2019	Open			Accounts Payable	CA STATE DISBURSEMENT UNI	\$162.50		
	Invoice								
	4/30/19PR		05/03/2019		4/30/19PR-CHILD SUPPORT PAYMENT				Amount
	Paying Fund				Cash Account				\$162.50
	104 - Payroll Clearing Fund				104.11000 (Cash)				Amount
									\$162.50
2700	05/07/2019	Open			Accounts Payable	DELTA DENTAL OF CALIFORNIA	\$6,021.93		
	Invoice								
	BE003387427		05/07/2019		CLAIMS 4/26/19-5/2/19				Amount
	Paying Fund				Cash Account				\$6,021.93
	511 - Health Care				511.11000 (Cash)				Amount
									\$6,021.93
2701	05/08/2019	Open			Accounts Payable	CalPERS	\$251,558.71		
	Invoice								
	4/30/19PR		05/08/2019		4/30/19PR-CALPERS				Amount
	Paying Fund				Cash Account				\$251,558.71
	104 - Payroll Clearing Fund				104.11000 (Cash)				Amount
	110 - General Fund				110.11000 (Cash)				\$0.15
2702	05/08/2019	Open			Accounts Payable	CalPERS	\$11.39		
	Invoice								
	4/30/19PR-THIBAU		05/08/2019		4/30/19PR-CALPERS-CORR TO 4/15/19PR				Amount
	Paying Fund				Cash Account				\$11.39
	104 - Payroll Clearing Fund				104.11000 (Cash)				Amount
									\$11.39
2703	05/10/2019	Open			Accounts Payable	CAPITOL ADMINISTRATORS	\$140,653.66		
	Invoice								
	21615-21736		05/10/2019		CLAIMS ENDING 5/9/19				Amount
	Paying Fund				Cash Account				\$140,653.66
	511 - Health Care				511.11000 (Cash)				Amount
									\$140,653.66

Payment Register

From Payment Date: 5/1/2019 - To Payment Date: 5/31/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
2704	05/10/2019 Invoice 15817	Open	05/10/2019	05/10/2019	Accounts Payable	CAPITOL ADMINISTRATORS	(\$563.14)		
	Paying Fund								
	511 - Health Care								
2705	05/14/2019 Invoice BE003389843	Open	05/14/2019	05/14/2019	Accounts Payable	DELTA DENTAL OF CALIFORNIA	\$9,625.17		
	Paying Fund								
	511 - Health Care								
2706	05/15/2019 Invoice 129708	Open	05/15/2019	05/15/2019	Accounts Payable	CAPITOL ADMINISTRATORS	\$174,533.12		
	Paying Fund								
	511 - Health Care								
2707	05/17/2019 Invoice 21737-21989	Open	05/17/2019	05/17/2019	Accounts Payable	CLAIMS ENDING 5/16/19	\$79,552.11		
	Paying Fund								
	511 - Health Care								
2708	05/17/2019 Invoice 15841	Open	05/17/2019	05/17/2019	Accounts Payable	CAPITOL ADMINISTRATORS	(\$180.00)		
	Paying Fund								
	511 - Health Care								
2709	05/17/2019 Invoice 17866	Open	05/17/2019	05/17/2019	Accounts Payable	CAPITOL ADMINISTRATORS	(\$1,161.00)		
	Paying Fund								
	511 - Health Care								
2710	05/17/2019 Invoice 17868	Open	05/17/2019	05/17/2019	Accounts Payable	CAPITOL ADMINISTRATORS	(\$1,129.00)		
	Paying Fund								
	511 - Health Care								
2711	05/17/2019 Invoice JUNE2019	Open	05/17/2019	05/17/2019	Accounts Payable	UNUM LIFE INSURANCE COMPANY OF AMERICA	\$17,515.31		
	Paying Fund								
	104 - Payroll Clearing Fund								

Payment Register

From Payment Date: 5/1/2019 - To Payment Date: 5/31/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
2712	05/20/2019 Invoice	Open	Date	Description	Accounts Payable	GOLDEN ONE CREDIT UNION	\$10,240.22		
	5/15/19PR Paying Fund		05/20/2019	5/15/19PR-GOLDEN 1 CU Cash Account					\$10,240.22
	104 - Payroll Clearing Fund			104.11000 (Cash)					\$10,240.22
2713	05/20/2019 Invoice	Open	Date	Description	Accounts Payable	INTERNAL REVENUE SERVICE	\$181,658.66		
	5/15/19PR Paying Fund		05/20/2019	5/15/19PR-FEDERAL TAXES Cash Account					\$181,658.66
	104 - Payroll Clearing Fund			104.11000 (Cash)					\$181,658.66
2714	05/20/2019 Invoice	Open	Date	Description	Accounts Payable	STATE OF CALIFORNIA - PR TAXES	\$51,906.29		
	5/15/19PR Paying Fund		05/20/2019	5/15/19PR-STATE TAXES Cash Account					\$51,906.29
	104 - Payroll Clearing Fund			104.11000 (Cash)					\$51,906.29
2715	05/20/2019 Invoice	Open	Date	Description	Accounts Payable	T A P O	\$4,443.30		
	5/15/19PR Paying Fund		05/20/2019	5/15/19PR-TAPO DUES Cash Account					\$4,443.30
	104 - Payroll Clearing Fund			104.11000 (Cash)					\$4,443.30
2716	05/20/2019 Invoice	Open	Date	Description	Accounts Payable	T C E A	\$3,138.75		
	5/15/19PR Paying Fund		05/20/2019	5/15/19PR-TCEA DUES Cash Account					\$3,138.75
	104 - Payroll Clearing Fund			104.11000 (Cash)					\$3,138.75
2717	05/20/2019 Invoice	Open	Date	Description	Accounts Payable	TFRA	\$5,746.92		
	5/15/19PR Paying Fund		05/20/2019	5/15/19PR-TFRA DUES Cash Account					\$5,746.92
	104 - Payroll Clearing Fund			104.11000 (Cash)					\$5,746.92
2718	05/20/2019 Invoice	Open	Date	Description	Accounts Payable	TURLOCK CITY FIRE INC	\$450.00		
	5/15/19PR Paying Fund		05/20/2019	5/15/19PR-FIRE INC DUES Cash Account					\$450.00
	104 - Payroll Clearing Fund			104.11000 (Cash)					\$450.00
2719	05/21/2019 Invoice	Open	Date	Description	Accounts Payable	ICMA-RC	\$101,829.61		
	5/15/19PR Paying Fund		05/21/2019	5/15/19PR-ICMA Cash Account					\$101,829.61
	104 - Payroll Clearing Fund			104.11000 (Cash)					\$101,829.61
2720	05/23/2019 Invoice	Open	Date	Description	Accounts Payable	T A P O	\$12,982.56		
	5/15/19PR-RHS Paying Fund		05/23/2019	5/15/19PR-TAPO RHS DUES Cash Account					\$12,982.56
	104 - Payroll Clearing Fund			104.11000 (Cash)					\$12,982.56

Payment Register

From Payment Date: 5/1/2019 - To Payment Date: 5/31/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
2721	05/20/2019	Open			Accounts Payable	T C E A	\$77.50		
	Invoice								
	5/15/19PR-BENEVO	05/20/2019							
	Paying Fund								
	104 - Payroll Clearing Fund								
	104.11000 (Cash)								
	Amount								
	\$77.50								
2722	05/23/2019	Open			Accounts Payable	TFRA	\$9,590.92		
	Invoice								
	5/15/19PR-RHS	05/23/2019							
	Paying Fund								
	104 - Payroll Clearing Fund								
	104.11000 (Cash)								
	Amount								
	\$9,590.92								
2723	05/20/2019	Open			Accounts Payable	TURLOCK HEALTH & FITNESS CENTER, INC, DBA BRENDA ATHLETIC	\$143.96		
	Invoice								
	MAY2019	05/20/2019							
	Paying Fund								
	104 - Payroll Clearing Fund								
	104.11000 (Cash)								
	Amount								
	\$143.96								
2724	05/20/2019	Open			Accounts Payable	CA SDU	\$593.50		
	Invoice								
	5/15/19PR	05/20/2019							
	Paying Fund								
	104 - Payroll Clearing Fund								
	104.11000 (Cash)								
	Amount								
	\$593.50								
2725	05/20/2019	Open			Accounts Payable	CA STATE DISBURSEMENT UNI	\$162.50		
	Invoice								
	5/15/19PR	05/20/2019							
	Paying Fund								
	104 - Payroll Clearing Fund								
	104.11000 (Cash)								
	Amount								
	\$162.50								
2726	05/21/2019	Open			Accounts Payable	DELTA DENTAL OF CALIFORNIA	\$6,065.42		
	Invoice								
	BE003393867	05/21/2019							
	Paying Fund								
	511 - Health Care								
	511.11000 (Cash)								
	Amount								
	\$6,065.42								
2727	05/22/2019	Open			Accounts Payable	CalPERS	\$265,648.26		
	Invoice								
	5/15/19PR	05/22/2019							
	Paying Fund								
	104 - Payroll Clearing Fund								
	104.11000 (Cash)								
	Amount								
	\$265,648.26								
2728	05/22/2019	Open			Accounts Payable	CalPERS	(\$42.88)		
	Invoice								
	5/15/19PR-MANN	05/22/2019							
	Paying Fund								
	104 - Payroll Clearing Fund								
	104.11000 (Cash)								
	Amount								
	(\$42.88)								
2729	05/24/2019	Open			Accounts Payable	CAPITOL ADMINISTRATORS	\$263,196.43		
	Invoice								
	21900-22150	05/24/2019							
	Paying Fund								
	511 - Health Care								
	511.11000 (Cash)								
	Amount								
	\$263,196.43								

Payment Register

From Payment Date: 5/1/2019 - To Payment Date: 5/31/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
2730	05/29/2019	Open	Invoice		Accounts Payable	DELTA DENTAL OF CALIFORNIA	\$5,841.81		
	BE003427501			05/29/2019	CLAIMS 5/17/19-5/23/19				
	Paying Fund				Cash Account		\$5,841.81		
	511 - Health Care				511.11000 (Cash)		\$5,841.81		
2731	05/31/2019	Open	Invoice		Accounts Payable	CAPITOL ADMINISTRATORS	\$20,689.28		
	22151-22302			05/31/2019	CLAIMS ENDING 5/30/19				
	Paying Fund				Cash Account		\$20,689.28		
	511 - Health Care				511.11000 (Cash)		\$20,689.28		
2732	05/22/2019	Open	Invoice		Accounts Payable	CALPERS	(\$527.74)		
	5/6/19PR			05/22/2019	5/6/19PR-CALPERS FOR WATKINS, KATHLEEN-NOT PERSABLE				
	Paying Fund				Cash Account		(\$527.74)		
	110 - General Fund				110.11000 (Cash)		(\$527.74)		
Type EFT Totals:							\$2,143,839.42		
AP - Accounts Payable Totals									

EFTs	Status	Count	Transaction Amount	Reconciled Amount
	Open	47	\$2,143,839.42	\$0.00
	Reconciled	0	\$0.00	\$0.00
	Voided	0	\$0.00	\$0.00
	Total	47	\$2,143,839.42	\$0.00

All	Status	Count	Transaction Amount	Reconciled Amount
	Open	47	\$2,143,839.42	\$0.00
	Reconciled	0	\$0.00	\$0.00
	Voided	0	\$0.00	\$0.00
	Stopped	0	\$0.00	\$0.00
	Total	47	\$2,143,839.42	\$0.00

Grand Totals:

EFTs	Status	Count	Transaction Amount	Reconciled Amount
	Open	47	\$2,143,839.42	\$0.00
	Reconciled	0	\$0.00	\$0.00
	Voided	0	\$0.00	\$0.00
	Total	47	\$2,143,839.42	\$0.00
All	Status	Count	Transaction Amount	Reconciled Amount
	Open	47	\$2,143,839.42	\$0.00
	Reconciled	0	\$0.00	\$0.00
	Voided	0	\$0.00	\$0.00
	Stopped	0	\$0.00	\$0.00
	Total	47	\$2,143,839.42	\$0.00

Payment Register

From Payment Date: 6/1/2019 - To Payment Date: 6/30/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
2733	06/04/2019	Open			Accounts Payable	DELTA DENTAL OF CALIFORNIA	\$5,287.95		
AP - Accounts Payable	Invoice								
EFT	BE003430002				CLAIMS 5/24/19-5/30/19	Amount			
	Paying Fund				Cash Account	\$5,287.95			
	511 - Health Care				511.11000 (Cash)	Amount			
						\$5,287.95			
2734	06/04/2019	Open			Accounts Payable	INTERNAL REVENUE SERVICE	\$599.24		
	Invoice								
	5/31/19PR-TOSTA				5/31/19PR-FEDERAL TAXES FOR JASON TOSTA	Amount			
	Paying Fund				Cash Account	\$599.24			
	104 - Payroll Clearing Fund				104.11000 (Cash)	Amount			
						\$599.24			
2735	06/05/2019	Open			Accounts Payable	STATE OF CALIFORNIA - PR TAXES	\$195.76		
	Invoice								
	5/31/19PR-TOSTA				5/31/19PR-STATE TAXES FOR JASON TOSTA	Amount			
	Paying Fund				Cash Account	\$195.76			
	104 - Payroll Clearing Fund				104.11000 (Cash)	Amount			
						\$195.76			
2736	06/05/2019	Open			Accounts Payable	T C E A	\$77.50		
	Invoice								
	5/31/19PR-BENEVO				5/31/19PR-TCEA BENEVOLENCE DUES	Amount			
	Paying Fund				Cash Account	\$77.50			
	104 - Payroll Clearing Fund				104.11000 (Cash)	Amount			
						\$77.50			
2737	06/05/2019	Open			Accounts Payable	GOLDEN ONE CREDIT UNION	\$10,240.22		
	Invoice								
	5/31/19PR				5/31/19PR-GOLDEN 1 CU	Amount			
	Paying Fund				Cash Account	\$10,240.22			
	104 - Payroll Clearing Fund				104.11000 (Cash)	Amount			
						\$10,240.22			
2738	06/14/2019	Open			Accounts Payable	ICMA-RC	\$101,559.80		
	Invoice								
	5/31/19PR				5/31/19PR-ICMA	Amount			
	Paying Fund				Cash Account	\$101,559.80			
	104 - Payroll Clearing Fund				104.11000 (Cash)	Amount			
						\$101,559.80			
2739	06/05/2019	Open			Accounts Payable	INTERNAL REVENUE SERVICE	\$170,798.71		
	Invoice								
	5/31/19PR				5/31/19PR-FEDERAL TAXES	Amount			
	Paying Fund				Cash Account	\$170,798.71			
	104 - Payroll Clearing Fund				104.11000 (Cash)	Amount			
						\$170,798.71			
2740	06/05/2019	Open			Accounts Payable	STATE OF CALIFORNIA - PR TAXES	\$45,779.79		
	Invoice								
	5/31/19PR				5/31/19PR-STATE TAXES	Amount			
	Paying Fund				Cash Account	\$45,779.79			
	104 - Payroll Clearing Fund				104.11000 (Cash)	Amount			
						\$45,779.79			
2741	06/17/2019	Open			Accounts Payable	T A P O	\$12,887.72		
	Invoice								
	5/31/19PR-RHS				5/31/19PR-TAPO RHS DUES	Amount			
	Paying Fund				Cash Account	\$12,887.72			
	104 - Payroll Clearing Fund				104.11000 (Cash)	Amount			
						\$12,887.72			

674

Payment Register

From Payment Date: 6/1/2019 - To Payment Date: 6/30/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
2742	06/17/2019 Invoice	Open			Accounts Payable	TFRA	\$9,495.12		
	5/31/19PR-RHS Paying Fund		06/17/2019	Description	5/31/19PR-TFRA RHS DUES	Amount			\$9,495.12
	104 - Payroll Clearing Fund			Cash Account	104.11000 (Cash)	Amount			\$9,495.12
2743	06/05/2019 Invoice	Open			Accounts Payable	TMAPS	\$225.00		
	5/31/19PR Paying Fund		06/05/2019	Description	5/31/19PR-TMAPS DUES	Amount			\$225.00
	104 - Payroll Clearing Fund			Cash Account	104.11000 (Cash)	Amount			\$225.00
2744	06/05/2019 Invoice	Open			Accounts Payable	T A P O	\$4,463.93		
	5/31/19PR Paying Fund		06/05/2019	Description	5/31/19PR-TAPO DUES	Amount			\$4,463.93
	104 - Payroll Clearing Fund			Cash Account	104.11000 (Cash)	Amount			\$4,463.93
2745	06/05/2019 Invoice	Open			Accounts Payable	T C E A	\$3,138.75		
	5/31/19PR Paying Fund		06/05/2019	Description	5/31/19PR-TCEA DUES	Amount			\$3,138.75
	104 - Payroll Clearing Fund			Cash Account	104.11000 (Cash)	Amount			\$3,138.75
2746	06/04/2019 Invoice	Open			Accounts Payable	Authorize.Net	\$387.85		
	JUNE2019 Paying Fund		06/04/2019	Description	AUTHNET-JUNE 2019 COMMUNITY PASS	Amount			\$387.85
	110 - General Fund			Cash Account	110.11000 (Cash)	Amount			\$387.85
2747	06/05/2019 Invoice	Open			Accounts Payable	CA SDU	\$593.50		
	5/31/19PR Paying Fund		06/05/2019	Description	5/31/19PR-CHILD SUPPORT PAYMENT	Amount			\$593.50
	104 - Payroll Clearing Fund			Cash Account	104.11000 (Cash)	Amount			\$593.50
2748	06/05/2019 Invoice	Open			Accounts Payable	CA STATE DISBURSEMENT UNI	\$162.50		
	5/31/19PR Paying Fund		06/05/2019	Description	5/31/19PR-CHILD SUPPORT PAYMENT	Amount			\$162.50
	104 - Payroll Clearing Fund			Cash Account	104.11000 (Cash)	Amount			\$162.50
2749	06/12/2019 Invoice	Open			Accounts Payable	CAPITOL ADMINISTRATORS	\$61,953.50		
	22303-22450 Paying Fund		06/12/2019	Description	CLAIMS ENDING 6/6/19	Amount			\$61,953.50
	511 - Health Care			Cash Account	511.11000 (Cash)	Amount			\$61,953.50
2750	06/14/2019 Invoice	Open			Accounts Payable	CAPITOL ADMINISTRATORS	\$426,822.26		
	22451-22615 Paying Fund		06/14/2019	Description	CLAIMS ENDING 6/13/19	Amount			\$426,822.26
	511 - Health Care			Cash Account	511.11000 (Cash)	Amount			\$426,822.26

Payment Register

From Payment Date: 6/1/2019 - To Payment Date: 6/30/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
2751	06/14/2019 Invoice	Open			Accounts Payable	DELTA DENTAL OF CALIFORNIA	\$5,862.91		
	BE003435615 Paying Fund		06/14/2019	Description CLAIMS 5/31/19-6/6/19					Amount \$5,862.91
	511 - Health Care			Cash Account					Amount \$5,862.91
2752	06/17/2019 Invoice	Open			Accounts Payable	CALPERS	\$250,465.76		
	5/31/19PR Paying Fund		06/17/2019	Description 5/31/19PR-CALPERS					Amount \$250,465.76
	104 - Payroll Clearing Fund			Cash Account					Amount \$250,465.59
	110 - General Fund			104.11000 (Cash)					\$0.17
2753	06/20/2019 Invoice	Open			Accounts Payable	GOLDEN ONE CREDIT UNION	\$10,240.22		
	6/15/19PR Paying Fund		06/20/2019	Description 6/15/19PR-GOLDEN 1 CU					Amount \$10,240.22
	104 - Payroll Clearing Fund			Cash Account					Amount \$10,240.22
2754	06/20/2019 Invoice	Open			Accounts Payable	T A P O	\$4,393.93		
	6/15/19PR Paying Fund		06/20/2019	Description 6/15/19PR-TAPO DUES					Amount \$4,393.93
	104 - Payroll Clearing Fund			Cash Account					Amount \$4,393.93
2755	06/20/2019 Invoice	Open			Accounts Payable	T C E A	\$3,138.75		
	6/15/19PR Paying Fund		06/20/2019	Description 6/15/19PR-TCEA DUES					Amount \$3,138.75
	104 - Payroll Clearing Fund			Cash Account					Amount \$3,138.75
2756	06/20/2019 Invoice	Open			Accounts Payable	TFRA	\$5,629.38		
	6/15/19PR Paying Fund		06/20/2019	Description 6/15/19PR-TFRA DUES					Amount \$5,629.38
	104 - Payroll Clearing Fund			Cash Account					Amount \$5,629.38
2757	06/20/2019 Invoice	Open			Accounts Payable	TURLOCK CITY FIRE INC	\$465.00		
	6/15/19PR Paying Fund		06/20/2019	Description 6/15/19PR-FIRE INC DUES					Amount \$465.00
	104 - Payroll Clearing Fund			Cash Account					Amount \$465.00
2758	06/20/2019 Invoice	Open			Accounts Payable	TURLOCK HEALTH & FITNESS CENTER, INC, DBA BRENDA ATHLETIC	\$143.96		
	6/15/19PR Paying Fund		06/20/2019	Description JUNE 2019-TURLOCK HEALTH CLUB					Amount \$143.96
	104 - Payroll Clearing Fund			Cash Account					Amount \$143.96
2759	06/20/2019 Invoice	Open			Accounts Payable	CA SDU	\$593.50		
	6/15/19PR Paying Fund		06/20/2019	Description 6/15/19PR-CHILD SUPPORT PAYMENT					Amount \$593.50
				Cash Account					Amount

Payment Register

From Payment Date: 6/1/2019 - To Payment Date: 6/30/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
2760	104 - Payroll Clearing Fund	Open		104.11000 (Cash)					
	06/20/2019	Open			Accounts Payable	CA STATE DISBURSEMENT UNI	\$162.50		
	Invoice			Description		Amount			
	6/15/19PR		06/20/2019	6/15/19PR-CHILD SUPPORT PAYMENT		\$162.50			
	Paying Fund			Cash Account		Amount			
	104 - Payroll Clearing Fund			104.11000 (Cash)		\$162.50			
2761	06/24/2019	Open			Accounts Payable	ICMA-RC	\$103,268.21		
	Invoice			Description		Amount			
	6/15/19PR		06/24/2019	6/15/19PR-ICMA		\$103,268.21			
	Paying Fund			Cash Account		Amount			
	104 - Payroll Clearing Fund			104.11000 (Cash)		\$103,268.21			
2762	06/20/2019	Open			Accounts Payable	INTERNAL REVENUE SERVICE	\$179,594.22		
	Invoice			Description		Amount			
	6/15/19PR		06/20/2019	6/15/19PR-FEDERAL TAXES		\$179,594.22			
	Paying Fund			Cash Account		Amount			
	104 - Payroll Clearing Fund			104.11000 (Cash)		\$179,594.22			
2763	06/24/2019	Open			Accounts Payable	T A P O	\$12,894.69		
	Invoice			Description		Amount			
	6/15/19PR-RHS		06/24/2019	6/15/19PR-TAPO RHS DUES		\$12,894.69			
	Paying Fund			Cash Account		Amount			
	104 - Payroll Clearing Fund			104.11000 (Cash)		\$12,894.69			
2764	06/20/2019	Open			Accounts Payable	T C E A	\$77.50		
	Invoice			Description		Amount			
	6/15/19PR-BENEVO		06/20/2019	6/15/19PR-TCEA BENEVOLENCE DUES		\$77.50			
	Paying Fund			Cash Account		Amount			
	104 - Payroll Clearing Fund			104.11000 (Cash)		\$77.50			
2765	06/24/2019	Open			Accounts Payable	TFRA	\$9,430.29		
	Invoice			Description		Amount			
	6/15/19PR-RHS		06/24/2019	6/15/19PR-TFRA RHS DUES		\$9,430.29			
	Paying Fund			Cash Account		Amount			
	104 - Payroll Clearing Fund			104.11000 (Cash)		\$9,430.29			
2766	06/20/2019	Open			Accounts Payable	STATE OF CALIFORNIA - PR TAXES	\$46,485.39		
	Invoice			Description		Amount			
	6/15/19PR		06/20/2019	6/15/19PR-STATE TAXES		\$46,485.39			
	Paying Fund			Cash Account		Amount			
	104 - Payroll Clearing Fund			104.11000 (Cash)		\$46,485.39			
2767	06/20/2019	Open			Accounts Payable	DELTA DENTAL OF CALIFORNIA	\$7,754.76		
	Invoice			Description		Amount			
	BE003439656		06/20/2019	CLAIMS 6/7/19-6/13/19		\$7,754.76			
	Paying Fund			Cash Account		Amount			
	511 - Health Care			511.11000 (Cash)		\$7,754.76			
2768	06/21/2019	Open			Accounts Payable	CAPITOL ADMINISTRATORS	\$92,017.81		
	Invoice			Description		Amount			
	22616-22724		06/21/2019	CLAIMS ENDING 6/20/19		\$92,017.81			
	Paying Fund			Cash Account		Amount			
	511 - Health Care			511.11000 (Cash)		\$92,017.81			

Payment Register

From Payment Date: 6/1/2019 - To Payment Date: 6/30/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
2769	06/21/2019	Open			Accounts Payable	CAPITOL ADMINISTRATORS			
	Invoice								
	22610		06/21/2019		VOID CHECK# 22610 ON 6/18/19 CLAIM	Amount			
	Paying Fund				Cash Account	(\$4,500.00)			
	511 - Health Care				511.11000 (Cash)	Amount			
						(\$4,500.00)			
2770	06/21/2019	Open			Accounts Payable	CAPITOL ADMINISTRATORS			
	Invoice								
	22611		06/21/2019		VOID CHECK# 22611 ON 6/18/19 CLAIM	Amount			
	Paying Fund				Cash Account	(\$4,500.00)			
	511 - Health Care				511.11000 (Cash)	Amount			
						(\$4,500.00)			
2771	06/24/2019	Open			Accounts Payable	UNUM LIFE INSURANCE COMPANY OF AMERICA	\$18,663.22		
	Invoice								
	JULY2019		06/24/2019		LTD & LIFE INSURANCE FOR JULY 2019	Amount			
	Paying Fund				Cash Account	\$18,663.22			
	104 - Payroll Clearing Fund				104.11000 (Cash)	Amount			
						\$18,663.22			
2772	06/25/2019	Open			Accounts Payable	CalPERS	\$242,824.05		
	Invoice								
	6/15/19PR		06/25/2019		6/15/19PR-CALPERS	Amount			
	Paying Fund				Cash Account	\$242,824.05			
	104 - Payroll Clearing Fund				104.11000 (Cash)	Amount			
	110 - General Fund				110.11000 (Cash)	\$242,824.04			
						\$0.01			
2773	06/25/2019	Open			Accounts Payable	UMR	\$25,000.00		
	Invoice								
	DEPOSIT		06/25/2019		UMR-CUSTODIAL ACCOUNT SECURITY DEPOSIT	Amount			
	Paying Fund				Cash Account	\$25,000.00			
	104 - Payroll Clearing Fund				104.11000 (Cash)	Amount			
						\$25,000.00			
2774	06/25/2019	Open			Accounts Payable	DELTA DENTAL OF CALIFORNIA	\$7,604.15		
	Invoice								
	BE003465587		06/25/2019		CLAIMS 6/14/19-6/20/19	Amount			
	Paying Fund				Cash Account	\$7,604.15			
	511 - Health Care				511.11000 (Cash)	Amount			
						\$7,604.15			
2775	06/27/2019	Open			Accounts Payable	CalPERS	\$7,195.70		
	Invoice								
	SURVIVORS18/19		06/27/2019		1959 SURVIVOR BENEFIT 7/1/18-6/30/19	Amount			
	Paying Fund				Cash Account	\$7,195.70			
	110 - General Fund				110.11000 (Cash)	Amount			
						\$7,195.70			
2776	06/28/2019	Open			Accounts Payable	CAPITOL ADMINISTRATORS	\$265,575.69		
	Invoice								
	22725-22888		06/28/2019		CLAIMS ENDING 6/27/19	Amount			
	Paying Fund				Cash Account	\$265,575.69			
	511 - Health Care				511.11000 (Cash)	Amount			
						\$265,575.69			
2777	06/28/2019	Open			Accounts Payable	INTERNAL REVENUE SERVICE	\$2,196.41		
	Invoice								
	270957961526182		06/28/2019		720 FEDERAL EXCISE TAX RETURN ENDING 2ND QTR JUNE 2019	Amount			
	Paying Fund				Cash Account	\$2,196.41			

Payment Register

From Payment Date: 6/1/2019 - To Payment Date: 6/30/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
	511 - Health Care			511.11000 (Cash)			\$2,196.41		
2778	06/28/2019	Open			Accounts Payable	INTERNAL REVENUE SERVICE			
	Invoice		06/28/2019						
	6/30/19PR				6/30/19PR-FEDERAL TAXES		\$167,815.70		
	Paying Fund				Cash Account		Amount		
	104 - Payroll Clearing Fund				104.11000 (Cash)		\$167,815.70		
2779	06/28/2019	Open			Accounts Payable	STATE OF CALIFORNIA - PR TAXES			
	Invoice		06/28/2019						
	6/30/19PR				6/30/19PR-STATE TAXES		\$46,708.21		
	Paying Fund				Cash Account		Amount		
	104 - Payroll Clearing Fund				104.11000 (Cash)		\$46,708.21		
2780	06/17/2019	Open			Accounts Payable	CalPERS			
	Invoice		06/17/2019				\$5.06		
	5/31/2019-THIBAU				5/31/19PR-CALPERS-FIRE PEPRA ER-				
					OVERCOLLECTED-EMP TERM		Amount		
	Paying Fund				Cash Account		Amount		
	110 - General Fund				110.11000 (Cash)		\$5.06		
2781	06/17/2019	Open			Accounts Payable	CalPERS			
	Invoice		06/17/2019				(\$1.16)		
	5/31/19PR-GUTIER				5/31/19PR-CALPERS MISC ER-GUTIERREZ, RUDY				
	Paying Fund				Cash Account		Amount		
	104 - Payroll Clearing Fund				104.11000 (Cash)		(\$1.16)		
Type EFT Totals:							\$2,361,874.91		
AP - Accounts Payable Totals									

EFTs	Status	Count	Transaction Amount	Reconciled Amount
	Open	49	\$2,361,874.91	\$0.00
	Reconciled	0	\$0.00	\$0.00
	Voided	0	\$0.00	\$0.00
	Total	49	\$2,361,874.91	\$0.00
All	Status	Count	Transaction Amount	Reconciled Amount
	Open	49	\$2,361,874.91	\$0.00
	Reconciled	0	\$0.00	\$0.00
	Voided	0	\$0.00	\$0.00
	Stopped	0	\$0.00	\$0.00

Payment Register

From Payment Date: 6/1/2019 - To Payment Date: 6/30/2019

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
Grand Totals:					Total	49	\$2,361,874.91	\$0.00	
EFTs					Status	Count	Transaction Amount	Reconciled Amount	
					Open	49	\$2,361,874.91	\$0.00	
					Reconciled	0	\$0.00	\$0.00	
					Voided	0	\$0.00	\$0.00	
					Total	49	\$2,361,874.91	\$0.00	
All					Status	Count	Transaction Amount	Reconciled Amount	
					Open	49	\$2,361,874.91	\$0.00	
					Reconciled	0	\$0.00	\$0.00	
					Voided	0	\$0.00	\$0.00	
					Stopped	0	\$0.00	\$0.00	
					Total	49	\$2,361,874.91	\$0.00	



DRAFT

6B1

JULY 9, 2019
5:00 p.m.
City of Turlock Yosemite Room
156 S. Broadway, Turlock, California

MINUTES
Special Meeting
Joint Meeting of the Turlock City Council
and the Parks, Arts & Commission

0. A. **CALL TO ORDER** – Mayor Bublak called the City Council meeting to order at 5:00 p.m.

Chair Bohlender called the Parks, Arts & Recreation Commission meeting to order at 5:00 p.m.

- B. **SALUTE TO THE FLAG**

- C. **CITY COUNCIL ROLL CALL:**

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

PRESENT: Councilmembers Becky Arellano, Nicole Larson, Andrew Nosrati, Gil Esquer, and Mayor Amy Bublak.

ABSENT: None

PARKS, ARTS & RECREATION COMMISSION ROLL CALL:

Commissioner Icelow	Commissioner Snoke	Commissioner Seryani	Commissioner Frank	Commissioner Dhallin	Commissioner Holly	Chair Bohlender
Yes	Yes	Yes	Yes	Yes	Yes	Yes

PRESENT: Commissioners Randy Icelow, John Snoke, Keristofer Seryani, Jeremy Frank, Marlene Dhallin, Robert Holly, and Chair Brent Bohlender.

ABSENT: None

- D. **DECLARATION OF CONFLICTS:** None

1. **WELCOME AND INTRODUCTIONS**

Councilmembers, Commissioners, and staff introduced themselves.

2. **APPROVAL OF AGENDA AS POSTED OR AMENDED**

This is the time for the City Council to remove items from the agenda or to change the order of the agenda. Matters may be taken up out of order of the established agenda by a four-fifths vote of the City Council.

Council Action: Motion by Councilmember Nosrati, seconded by Councilmember Larson, Approving the agenda as posted. Motion carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes



DRAFT

MINUTES
Special Meeting
July 9, 2019
Page 2

Commission Action: Motion by Commissioner Dhallin, seconded by Commissioner Holly, Approving the agenda as posted. Motion carried 7/0 by the following vote:

Commissioner Icelow	Commissioner Snoke	Commissioner Seryani	Commissioner Frank	Commissioner Dhallin	Commissioner Holly	Chair Bohlender
Yes	Yes	Yes	Yes	Yes	Yes	Yes

3. PROCLAMATIONS, RECOGNITIONS, APPOINTMENTS, ANNOUNCEMENTS, PRESENTATIONS, AND BRIEFINGS:

- A. Proclamation: Parks & Recreation Month, July 2019, accepted by Parks, Arts & Recreation Commission Chair Brent Bohlender

Mayor Bublak issued a Proclamation to Parks, Arts & Recreation Commission Chair Brent Bohlender in recognition of Parks & Recreation Month, July 2019.

- B. Presentation: Carnegie Arts Center 2018 Annual Report, presented by Carnegie Arts Center Director Lisa McDermott

Carnegie Arts Center Director Lisa McDermott presented information regarding the Carnegie Arts Center 2018 Annual Report.

Council and Commissioners acknowledged and expressed thanks to Director Mc Dermott for the Carnegie Arts Center's programs and efforts.

4. PUBLIC PARTICIPATION: None

5. PARKS, ARTS & RECREATION COMMISSION STAFF UPDATES:

- A. Proposed Amendments to the Turlock Municipal Code

Parks, Recreation and Public Facilities Director Allison Van Guilder presented the staff report regarding proposed amendments to the Turlock Municipal Code for general language clean up, to update language related to current functions and services of the Parks, Recreation & Public Facilities Department, and to add a new chapter regarding filming activities within the City.

Council and staff discussed this item.

- B. Montana Park

Parks, Recreation and Public Facilities Staff Services Analyst Juan Vargas presented information regarding Montana Park including completion of Phase 1, a grant opportunity for Phase 2, and options for development of the Phase 2 park area.

Council, Commissioners, and staff discussed this item.



DRAFT

MINUTES
Special Meeting
July 9, 2019
Page 3

6. COUNCILMEMBER AND COMMISSIONER QUESTIONS, COMMENTS, & ANNOUNCEMENTS

Chair Bohlender spoke regarding the Parks, Arts & Recreation Commission being the oldest commission within the City of Turlock, their accomplishments over the years, and noted they may take on future tasks of which funding may not be available; however, they will still research/explore in the event money becomes available.

Councilmember Arellano expressed thanks to the Parks, Arts & Commission for their time and service to the community and spoke regarding the opportunities for Council and Commission to work together.

Councilmember Nosrati spoke about the arts component of the Parks, Arts & Recreation Commission and encouraged future focus on arts to create/promote a thriving culture.

Councilmember Larson spoke regarding her previous experience on the Parks, Arts & Recreation Commission and expressed thanks to the Commission for their community involvement and time.

Councilmember Esquer expressed thanks and appreciation to the Parks, Arts & Recreation Commission for their efforts, advisement, and future planning.

Mayor Bublak spoke regarding her previous experience on the Arts Commission, provided information regarding expressed interest she has received from various churches within the community to adopt parks, and encouraged the Commission to explore the possibilities.

7. ADJOURNMENT:

Motion by Chair Bohlender, seconded by Commissioner Seryani, to adjourn the special meeting of the Parks, Arts & Recreation Commission at 5:52 p.m. Motion carried unanimously.

Motion by Councilmember Esquer, seconded by Councilmember Larson, to adjourn the special meeting of the City Council at 5:52 p.m. Motion carried unanimously.

RESPECTFULLY SUBMITTED

Jennifer Land
City Clerk

JULY 9, 2019
 6:00 p.m.
 City of Turlock Yosemite Room
 156 S. Broadway, Turlock, California

DRAFT

MINUTES
 Regular Meeting
 Turlock City Council

0. A. **CALL TO ORDER** – Mayor Bublak called the meeting to order at 6:04 p.m.
- B. **SALUTE TO THE FLAG**
- C. **ROLL CALL:**

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

PRESENT: Councilmembers Becky Arellano, Nicole Larson, Andrew Nosrati, Gil Esquer, and Mayor Amy Bublak.

ABSENT: None

- D. **DECLARATION OF CONFLICTS:** None

1. **CLOSED SESSION:**

The Closed Session items for this meeting were heard toward the latter part of the meeting.

2. **APPROVAL OF AGENDA AS POSTED OR AMENDED**

This is the time for the City Council to remove items from the agenda or to change the order of the agenda. Matters may be taken up out of order of the established agenda by a four-fifths vote of the City Council.

City Manager Robert C. Lawton requested the City Manager Reports/Updates section of the agenda, including a staff update from the Fire Department, be added to the agenda and heard out of order (after proclamations and before public comment).

Action: Motion by Councilmember Arellano, seconded by Councilmember Nosrati, Approving the agenda as amended. Motion carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

3. **PROCLAMATIONS, RECOGNITIONS, APPOINTMENTS, ANNOUNCEMENTS, PRESENTATIONS, AND BRIEFINGS:**

- A. Recognition: Employee of the Month, June 2019, Secretary Dominique Sanchez

Mayor Bublak issued a Certificate of Recognition to Secretary Dominique Sanchez as the Employee of the Month award winner for June 2019.

- B. Presentation: Revenue Generating Options, presented by City Manager Robert C. Lawton

City Manager Robert C. Lawton presented information regarding the City's current budgetary status, revenue generating options including the differences between fees and taxes,

DRAFT

MINUTES
Turlock City Council
July 9, 2019
Page 2

different types of taxes and associated revenue, and the estimated timeline for placing a local tax measure on the ballot. City Manager Lawton also spoke regarding cannabis development agreements and his recommendation to apply any cannabis revenue received within the first two years to the General Fund reserves.

Council and staff discussed this item.

A majority of the Council provided direction to the City Manager to start investing staff resources for further exploration of revenue generating measures/options.

CITY MANAGER REPORTS/UPDATES:

1. Fire Department

Interim Fire Chief Gary Carlson provided an update regarding the current budgetary and staffing patterns for the Fire Department including response times, budget reductions, new staffing patterns, brown-out vs. diminished staffing, constant evaluation of budget and operations, and goal of keeping all four stations open and response times to a minimum.

Council and staff discussed this item.

2. Development Services Department Update

Interim Development Services Director Nathan Bray provided an update regarding the construction status of ongoing capital projects, transit operations, and the trenching ordinance.

Council and staff discussed this item.

4. PUBLIC PARTICIPATION:

The following members of the public spoke:

Stanislaus County Turlock Public Library Supervising Librarian Diane Bartlett

Councilmember Esquer stepped down from the dais at 7:53 p.m.

Councilmember Esquer returned to the dais at 7:56 p.m.

Milt Triewailer

Briana Gonzalez, District Representative for Congressman Josh Harder

Staff provided brief comment in response to public comment.

Mayor Bublak recessed the City Council meeting at 8:00 p.m.

Mayor Bublak reconvened the City Council meeting at approximately 8:06 p.m.

DRAFT

MINUTES
Turlock City Council
July 9, 2019
Page 3

5. MOTION WAIVING READING OF ALL ORDINANCES ON THE AGENDA, EXCEPT BY TITLE:

Action: Motion by Councilmember Nosrati, seconded by Councilmember Larson, Waiving reading of all Ordinances on the agenda, except by title. Motion carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

Councilmember Nosrati introduced a motion requesting Public Hearing Items 8D and 8E be heard following the Consent Calendar. Councilmember Larson seconded the motion. Motion carried unanimously.

6. CONSENT CALENDAR:

Councilmember Esquer requested Consent Calendar Item 6K be removed for separate consideration. Councilmember Nosrati requested Consent Calendar 6L be removed for separate consideration.

Action: Motion by Councilmember Nosrati, seconded by Councilmember Esquer, adopting the amended consent calendar. Motion carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

- A. **Resolution No. 2019-130:** Accepting Weekly Demands of 5/30/19 in the amount of \$1,104,630.48; Weekly Demands of 6/6/19 in the amount of \$1,591,604.32; Weekly Demands of 6/13/19 in the amount of \$580,265.89; Monthly Demands of 4/30/19 in the amount of \$1,585,535.37
- B. **Motion:** Accepting Minutes of the Special Meeting of June 4, 2019
- C. **Motion:** Approving Amendment No. 1 to an Agreement with Kleinfelder, Inc., of Modesto, CA, for City Project No. 15-20 "RFQ for Materials Testing and Inspection Retainer Agreement" to extend the agreement through June 30, 2020
- D. **Motion:** Approving Amendment No. 1 to an Agreement with Wallace-Kuhl and Associates, Inc., of West Sacramento, CA, for City Project No. 15-20 "RFQ for Materials Testing and Inspection Retainer Agreement" to extend the agreement through June 30, 2020
- E. **Motion:** Approving Amendment No. 1 to an Agreement between the City of Turlock and Omni-Means, Ltd., of Roseville, CA, for City Project No. 15-22 "RFQ for Traffic Engineering Retainer Agreement" the City of Turlock's approval of the assignment and assumption of the Agreement dated May 26, 2015, by and between the City of Turlock and Omni-Means, Ltd. to GHD, Inc., and to extend the term of agreement through June 30, 2020
- F. **Motion:** Approving Amendment No. 1 to an Agreement with Associated Right of Way Services, Inc., of Pleasant Hill, CA, for City Project No. 16-44 "RFQ for Right-of-Way and Property Appraisal Services Retainer Agreement" to extend the agreement through June 30, 2020
- G. **Motion:** Approving Contract Change Order No. 6, in the amount of \$21,052.16, for City Project No. 17-30 "West Main Corridor Rehabilitation" bringing the contract total to \$7,849,303.47

DRAFT

MINUTES
Turlock City Council
July 9, 2019
Page 4

- H. **Resolution No. 2019-131:** Approving the purchase of one (1) bucket truck for the Municipal Services Department Electrical Mechanical Maintenance Division from Altec Industries, Inc. through the Sourcewell Contract No. 012418-ALT, in an amount not to exceed \$129,435, including a 5% contingency, without compliance to the formal bid procedure pursuant to Turlock Municipal Code Section 2-7-08(b)(5)
- I. **Resolution No. 2019-132:** Accepting an allocation of funds and appropriating funds for the 2019 Animal Homelessness and Cruelty Fund (AHCF) award from the California Department of Food and Agriculture (CDFA) in the amount of \$7,500 to be appropriated into revenue account number 266-20-255-348.35069 "Animal Services - Spay & Neuter Grant" and expenditure account number 266-20-255.348.47153 "Animal Services - Spay & Neuter Grant" in Fund 266 "Police Grants" Program 348 "Animal Services"
- J. **Resolution No. 2019-133:** Accepting donations made to the City of Turlock Police Department from various donors during the third quarter of Fiscal Year 2018-19 in the amount of \$121.00 (monetary donations) and \$4,173.05 (non-monetary donations) utilized in support of the City's Animal Services, Blue Santa, General Donations, K9, and Open House
- K. *Removed for separate consideration.*
- L. *Removed for separate consideration.*
- M. **Motion:** Approving a Memorandum of Understanding with Stanislaus County for the contract and development of a Regional Analysis of Impediments to Fair Housing as well as a Consortium Consolidated Plan for 2021-2025 and 2021 Annual Action Plan and authorizing the City Manager to execute all related documents to this cooperative project
- 6K. **Motion:** Rejecting all bids received for RFB No. 19-023 for Aggregate, Asphaltic Concrete and Related Materials and re-advertise for bid proposals for Aggregate, Asphaltic Concrete and Related Materials pursuant to Turlock Municipal Code Section 2-7-09(4)

Council and staff discussed this item.

Mayor Bublak opened public participation.

The following members of the public spoke:

Robert Puffer

Mayor Bublak closed public participation.

Staff provided brief comment in response to public comment.

Action: Motion by Councilmember Esquer, seconded by Councilmember Arellano, Rejecting all bids received for RFB No. 19-023 for Aggregate, Asphaltic Concrete and Related Materials and re-advertise for bid proposals for Aggregate, Asphaltic Concrete and Related Materials pursuant to Turlock Municipal Code Section 2-7-09(4). Motion carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

- 6L. Motion: Approving Amendment No. 2 to an Agreement between the City of Turlock and California CAD Solutions, Inc., for conversion of existing platform layers to a new version of GIS platform; renewal of licensing and regular GIS Service updates for FY 2019-20, to increase the total compensation amount from \$35,000 to \$91,500, and to extend the contract term through June 30, 2020
Council and staff discussed this item.

Council and staff discussed this item.

Mayor Bublak opened public participation. No one spoke. Mayor Bublak closed public participation.

Action: Motion by Councilmember Nosrati, seconded by Councilmember Larson, Approving Amendment No. 2 to an Agreement between the City of Turlock and California CAD Solutions, Inc., for conversion of existing platform layers to a new version of GIS platform; renewal of licensing and regular GIS Service updates for FY 2019-20, to increase the total compensation amount from \$35,000 to \$91,500, and to extend the contract term through June 30, 2020. Motion carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

7. FINAL READINGS: None

8. PUBLIC HEARINGS

Public Hearing Items 8D and 8E were heard out of order.

Mayor Bublak noted the green sheet for Public Hearing Item 8D.

- D. Principal Planner Katie Quintero presented the staff report on the request to adopt the Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program for the Turlock Dental Care project (General Plan Amendment 2019-01, Rezone 2019-01 and Planned Development 277 [PD 277]) AND amend the Land Use Diagram of the Turlock General Plan [GPA 2019-01 (Turlock Dental Care)] AND introduce an Ordinance Amending the Zoning Map of the City of Turlock, attached to Title 9 of the Turlock Municipal Code [Rezone 2019-01 (Turlock Dental Care)] AND establish Conditions of Approval for Planned Development 277 (Turlock Dental Care)

Principal Planner Quintero also spoke regarding the green sheet for this item concerning the Resolution to establish conditions of approval and a letter received from a resident expressing concerns with the development.

Mayor Bublak opened the public hearing.

Dr. Lawrence Giventer
Scott Dorius

Dr. Robert McCulla

Mayor Bublak closed the public hearing.

Council and staff discussed this item.

Action: **Resolution No. 2019-134:** Adopting the Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program for the Turlock Dental Care project (General Plan Amendment 2019-01, Rezone 2019-01 and Planned Development 277 [PD 277]) as introduced by Councilmember Esquer, seconded by Councilmember Arellano, and carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

Resolution No. 2019-135: Amending the Land Use Diagram of the Turlock General Plan [GPA 2019-01 (Turlock Dental Care)] as introduced by Councilmember Esquer, seconded by Councilmember Arellano, and carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

Motion by Councilmember Esquer, seconded by Councilmember Arellano, Introducing an Ordinance Amending the Zoning Map of the City of Turlock, attached to Title 9 of the Turlock Municipal Code [Rezone 2019-01 (Turlock Dental Care)]. Motion carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

To be considered at the July 23, City Council Meeting:

Resolution: Establishing Conditions of Approval for Planned Development 277 (Turlock Dental Care)

- E. Associate Planner Adrienne Werner presented the staff report on the request to adopt the Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program for the Warrior Crossing project (General Plan Amendment 2019-02, Rezone 2019-02 and Planned Development 276 [PD 276]) AND amend the Land Use Diagram of the Turlock General Plan [GPA 2019-02 (Warrior Crossing)] AND introduce an Ordinance Amending the Zoning Map of the City of Turlock, attached to Title 9 of the Turlock Municipal Code [Rezone 2019-02 (Warrior Crossing)] AND establish Conditions of Approval for Planned Development 276 (Warrior Crossing)

Mayor Bublak opened the public hearing.

The following members of the public spoke:

DRAFT

MINUTES
Turlock City Council
July 9, 2019
Page 7

John Glikbarg
Jeff Acuff

Mayor Bublak closed the public hearing.

Council and staff discussed this item.

Action: **Resolution No. 2019-136:** Adopting the Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program for the Warrior Crossing project (General Plan Amendment 2019-02, Rezone 2019-02 and Planned Development 276 [PD 276]) as introduced by Councilmember Larson, seconded by Councilmember Nosrati, and carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

Resolution No. 2019-137: Amending the Land Use Diagram of the Turlock General Plan [GPA 2019-02 (Warrior Crossing)] as introduced by Councilmember Larson, seconded by Councilmember Nosrati, and carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

Motion by Councilmember Larson, seconded by Councilmember Nosrati, Introducing an Ordinance Amending the Zoning Map of the City of Turlock, attached to Title 9 of the Turlock Municipal Code [Rezone 2019-02 (Warrior Crossing)] and setting the final reading date for July 23, 2019. Motion carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

To be considered at the July 23, City Council Meeting:

Resolution: Establishing Conditions of Approval for Planned Development 276 (Warrior Crossing)

Mayor Bublak took Action Item 9A out of order.

9. ACTION ITEMS:

- A. Parks, Recreation and Public Facilities Event Coordinator Amber Traini presented the staff report on the request to authorize the City Manager, or his/her designee, to make the necessary California Environmental Quality Act (CEQA) determination and approve the temporary closure of public streets, alleys, or other public rights-of-way to those who have completed the Special Event Application process, as set forth by the City of Turlock City Council, including Special Event Committee event approval, the provision of general liability insurance and coverage acceptable to the City, and adherence to an approved temporary

DRAFT

traffic control plan, along with other standard conditions and requirements as determined by the City Manager or his/her designee

Mayor Bublak opened public participation.

The following members of the public spoke:

Milt Trieweller

Mayor Bublak closed public participation.

Staff provided brief comment in response to public comment.

Council and staff discussed this item.

Action: **Resolution No. 2019-138:** Authorizing the City Manager, or his/her designee, to make the necessary California Environmental Quality Act (CEQA) determination and approve the temporary closure of public streets, alleys, or other public rights-of-way to those who have completed the Special Event Application process, as set forth by the City of Turlock City Council, including Special Event Committee event approval, the provision of general liability insurance and coverage acceptable to the City, and adherence to an approved temporary traffic control plan, along with other standard conditions and requirements as determined by the City Manager or his/her designee as introduced by Councilmember Nosrati, seconded by Councilmember Esquer, and carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

PUBLIC HEARINGS (*continued*):

- A. Interim Development Services Director Nathan Bray presented the staff report on the request to order the improvements and formation of the Fairbanks Ranch subdivision (Development Project No. 14-73) Landscaping and Lighting Benefit Assessment District and the Street Maintenance Benefit Assessment Area, and confirm the diagram and benefit assessments as set forth in the annual report of the Engineer of Work and the levying and collection of assessments set forth therein for fiscal year 2019-2020 for the Fairbanks Ranch subdivision (Development Project No. 14-73) Landscaping and Lighting Benefit Assessment District and the Street Maintenance Benefit Assessment Area, Pursuant to Resolution No. 97-128

Mayor Bublak opened the public hearing.

The following members of the public spoke:

Robert Puffer

Mayor Bublak closed the public hearing.

Staff provided brief comment in response to public comment.

Council and staff discussed this item.

City Clerk Jennifer Land reported the only ballot received for this item is in favor of the district, no ballots were received in opposition of; therefore, no majority protest exists and the Council may form the district.

Action: **Resolution No. 2019-139:** Ordering the improvements and formation of the Fairbanks Ranch subdivision (Development Project No. 14-73) Landscaping and Lighting Benefit Assessment District and the Street Maintenance Benefit Assessment Area, and confirming the diagram and benefit assessments as set forth in the annual report of the Engineer of Work and the levying and collection of assessments set forth therein for fiscal year 2019-2020 for the Fairbanks Ranch subdivision (Development Project No. 14-73) Landscaping and Lighting Benefit Assessment District and the Street Maintenance Benefit Assessment Area, Pursuant to Resolution No. 97-128 as introduced by Councilmember Esquer, seconded by Councilmember Arellano, and carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

- B. Interim Development Services Director Nathan Bray presented the staff report on the request to order the improvements and formation of the Les Chateaux subdivision (Development Project No. 14-76) Landscaping and Lighting Benefit Assessment District and the Street Maintenance Benefit Assessment Area, and confirm the diagram and benefit assessments as set forth in the annual report of the Engineer of Work and the levying and collection of assessments set forth therein for fiscal year 2019-2020 for the Les Chateaux subdivision (Development Project No. 14-76) Landscaping and Lighting Benefit Assessment District and the Street Maintenance Benefit Assessment Area, Pursuant to Resolution No. 97-128

Mayor Bublak opened the public hearing.

The following members of the public spoke:

Milt Triewailer

Mayor Bublak closed the public hearing.

Staff provided brief comment in response to public comment.

Council and staff discussed this item.

City Clerk Jennifer Land reported the only ballot received for this item is in favor of the district, no ballots were received in opposition of; therefore, no majority protest exists and the Council may form the district.

Action: **Resolution No. 2019-140:** Ordering the improvements and formation of the Les Chateaux subdivision (Development Project No. 14-76) Landscaping and Lighting Benefit Assessment District and the Street Maintenance Benefit Assessment Area, and confirming the diagram and benefit assessments as set forth in the annual report of the Engineer of Work and the levying and collection of assessments set forth therein for fiscal year 2019-2020 for the Les Chateaux subdivision (Development Project No. 14-76) Landscaping and Lighting Benefit Assessment District and the Street Maintenance Benefit Assessment Area, Pursuant to Resolution No. 97-128 as introduced by Councilmember Nosrati, seconded by Councilmember Larson, and carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

- C. Interim Development Services Director Nathan Bray presented the staff report on the request to order the improvements and formation of the "Superstore" (Development Project No. 19-25) Landscaping and Lighting Benefit Assessment District and the Street Maintenance Benefit Assessment Area, and confirm the diagram and benefit assessments as set forth in the annual report of the Engineer of Work and the levying and collection of assessments set forth therein for fiscal year 2019-2020 for the "Superstore" (Development Project No. 19-25) Landscaping and Lighting Benefit Assessment District and the Street Maintenance Benefit Assessment Area, Pursuant to Resolution No. 97-128 Council and staff discussed this item.

Mayor Bublak opened the public hearing. No one spoke. Mayor Bublak closed the public hearing.

City Clerk Jennifer Land reported the only ballot received for this item is in favor of the district, no ballots were received in opposition of; therefore, no majority protest exists and the Council may form the district.

Action: **Resolution No. 2019-141:** Ordering the improvements and formation of the "Superstore" (Development Project No. 19-25) Landscaping and Lighting Benefit Assessment District and the Street Maintenance Benefit Assessment Area, and confirming the diagram and benefit assessments as set forth in the annual report of the Engineer of Work and the levying and collection of assessments set forth therein for fiscal year 2019-2020 for the "Superstore" (Development Project No. 19-25) Landscaping and Lighting Benefit Assessment District and the Street Maintenance Benefit Assessment Area, Pursuant to Resolution No. 97-128 as introduced by Councilmember Esquer, seconded by Councilmember Larson, and carried 5/0 by the following vote:

Councilmember Arellano	Councilmember Nosrati	Councilmember Larson	Councilmember Esquer	Mayor Bublak
Yes	Yes	Yes	Yes	Yes

11. COUNCIL ITEMS FOR FUTURE CONSIDERATION:

Councilmember Nosrati requested an evaluation of the General Plan as it relates to high density, medium density, and commercial land uses.

Councilmember Nosrati requested to revisit illegal firework citations and prevention strategies.

Councilmember Nosrati requested exploration of fundraising efforts for community events such as the fireworks show.

Councilmember Nosrati requested to move forward with the \$100,000 budgeted for economic development.

Councilmember Nosrati spoke regarding a recent fatal accident that occurred and inquired about methods to help promote safer pedestrian and driver activity and railroad safety throughout the community.

12. COUNCILMEMBER QUESTIONS, COMMENTS, AND ANNOUNCEMENTS:

Councilmember Arellano spoke regarding her and Councilmember Nosrati's recent (joint) homelessness workgroup meeting and noted they will be bringing back comments and suggestions to the Council on July 23, 2019. Councilmember Arellano also encouraged attendance at the upcoming Stanislaus County Fair.

Councilmember Larson spoke regarding her and Councilmember Esquer's upcoming (joint) homelessness workgroup meeting to be held on July 11, 2019.

Councilmember Esquer spoke regarding his recent meeting with California State University, Stanislaus regarding preparation of the City of Turlock community fact sheet.

13. CLOSED SESSION:

City Attorney Douglas L. White introduced the Closed Session Items.

- A. Conference with Labor Negotiators, Cal. Gov't Code §54957.6(a)
"Notwithstanding any other provision of law, a legislative body of a local agency may hold closed sessions with the local agency's designated representatives regarding the salaries, salary schedules, or compensation paid in the form of fringe benefits of its represented and unrepresented employees, and, for represented employees, any other matter within the statutorily provided scope of representation."
Agency Designated Representative: City Manager Robert C. Lawton
Employee Organization: Turlock Associated Police Officers
Employee Organization: Turlock City Employees Association
Employee Organization: Turlock Firefighters Association-Local 2434
Employee Organization: Turlock Management Association-Public Safety
Unrepresented Employees: Accountant, Sr., Administrative Analyst, Administrative Services Director, Assistant to the City Manager for Economic Development/Community Housing, Chief Building Official, City Clerk, Community Housing Program Supervisor, Deputy Director Development Services/Planning, Development Services Director, Development Services Supervisor/City Surveyor,

DRAFT

MINUTES
Turlock City Council
July 9, 2019
Page 12

Executive Administrative Assistant/Deputy City Clerk, Executive Administrative Assistant/Municipal Services, Executive Administrative Assistant/Public Safety, Fire Chief, Human Resources Analyst, Sr., Human Resources Manager, Human Resources Technician, Information Technology Manager, Legal Assistant, Municipal Services Deputy Director, Municipal Services Director, Office Assistant I, Parks, Recreation and Public Facilities Director, Parks, Recreation and Public Facilities Manager, Payroll Coordinator, Police Business Unit Supervisor, Police Chief, Principal Civil Engineer, Regulatory Affairs Manager, Transit Manager, Utilities Manager, and Water Quality Control Division Manager.

B. Liability Claims, Cal. Gov't Code §54956.95

"For the purposes of [Section 54956.9], 'existing facts and circumstances' shall consist only of one of the following: The receipt of a claim pursuant to the Government Claims Act (Division 3.6 (commencing with Section 810) of Title 1 of the Government Code) or some other written communication from a potential plaintiff threatening litigation, which claim or communication shall be available for public inspection pursuant to Section 54957.5."

Claimant: Brandi Speckens

Agency Claimed Against: City of Turlock

14. REPORTS FROM CLOSED SESSION:

City Attorney Douglas L. White reported for Closed Session Item 13A that Council provided direction to staff, but no reportable action was taken.

City Attorney Douglas L. White reported for Closed Session Item 13B Claim Filed Against the City by Brandi Speckens the City Council by a 5/0 vote rejected this claim for damages.

15. ADJOURNMENT

Mayor Bublak adjourned the regular meeting at approximately 10:35 p.m. Motion carried unanimously.

RESPECTFULLY SUBMITTED

Jennifer Land
City Clerk

City Council Staff Report

August 27, 2019



From: Nathan Bray, P. E.
Interim Director of Development Services / City Engineer

Prepared by: Anthony Orosco, P.E., Principal Civil Engineer

Agendized by: Robert C. Lawton, City Manager

1. ACTION RECOMMENDED:

Resolution: Adopting a Resolution of Intent to vacate the 400 block of Third Street right-of-way between "C" Street and "D" Street and notice of the public hearing

2. SYNOPSIS:

Adopting a resolution to initiate a proceeding to vacate a section of right-of-way and notice of hearing.

3. DISCUSSION OF ISSUE:

In March 8, 2018, the City of Turlock received a request from Turlock Walnut Company of Turlock to abandon the portion of 3rd Street between C Street and D Street in the City of Turlock. The abandonment process is managed by the Development Services Department, Engineering Division, and requires approval by the City Council to declare the "Intention to Vacate" with an order to post the site and then hold a public hearing prior to making a determination to vacate or not vacate the existing City right-of-way. The abandonment is being requested to allow Turlock Walnut Company to consolidate parcels on either side of 3rd Street and utilize the right-of-way as part of their development. This will allow the company more site design flexibility for circulation within the development and perimeter security.

State Law requires that the City Council of the City of Turlock authorize the abandonment of City-owned property, including street right-of-way. In making its decision, the City Council considers the report of the Planning Commission as to the conformity of the proposed abandonment with the Turlock General Plan. On July 18, 2019, the Planning Commission passed Resolution No. 2019-15 finding the proposed abandonment in conformance with the General Plan with a unanimous vote of the five (5) Commissioners in attendance. Two (2) were absent.

Staff finds that there is no clear benefit nor detriment to the proposed vacation of the right-of-way request. The action tonight to declare the intention to vacate sets in motion the following actions:

1. Directs the City Engineer to have notices posted along the line of the street proposed to be vacated at least 10 days before the date set for a public hearing. Said notices shall not be spaced more than 300 feet apart and shall be posted in no less than 3 locations within the proposed vacation;
2. Sets the date and time of the public hearing to September 24, 2019, at 6 pm at City Hall for all persons interested, for or objecting to said vacation to be heard, which said date is not less than 15 days from the passage of this resolution.

4. BASIS FOR RECOMMENDATION:

- A. Per the Streets and Highway Code, the City Council must approve all abandonments of public right-of-way.

5. FISCAL IMPACT / BUDGET AMENDMENT:

Fiscal Impact: None

6. CITY MANAGER'S COMMENTS:

Recommend Approval.

7. ENVIRONMENTAL DETERMINATION:

The proposed action is not expected to result in any physical change to the environment. The applicant is not proposing to build any new buildings or structures that would impact the physical environment; therefore, the proposed action is not subject to the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15060(c)(2) of the CEQA Guidelines.

8. ALTERNATIVES:

- A. Council could deny the abandonment request. Staff does not recommend this alternative as the subject section of road is not needed for circulation and utilities and this action would help with surrounding development.

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF ADOPTING A }
RESOLUTION OF INTENT TO VACATE THE }
400 BLOCK OF THIRD STREET RIGHT-OF- }
WAY BETWEEN "C" STREET AND "D" }
STREET AND NOTICE OF THE }
PUBLIC HEARING }

RESOLUTION NO. 2019-

WHEREAS, pursuant to Section 8312 of the California Streets and Highways Code, a city legislative body may vacate all or part of a public street, highway, or service easement within the City; and

WHEREAS, the vacation proceeding is being conducted under Part 3, Public Streets, Highways, and Service Easements Vacation Law, Chapter 3, General Vacation Procedure, Streets and Highways Code §§8320 *et seq*; and

WHEREAS, on July 18, 2019, the Planning Commission passed Resolution No. 2019-15 finding the proposed abandonment in conformance with the General Plan with a unanimous vote of the five (5) Commissioners in attendance. Two (2) were absent; and

WHEREAS, the proposed action is not expected to result in any physical change to the environment. The applicant is not proposing to build any new buildings or structures that would impact the physical environment; therefore, the proposed action is not subject to the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15060(c)(2) of the CEQA Guidelines; and

WHEREAS, the City Council of the City of Turlock hereby proposes to vacate upon a petition of Hackler Anderson Properties, an interested party, a segment of street right-of-way. The street proposed to be vacated is described as follows: the 400 block of Third Street right-of-way between "C" Street and "D" Street and is set forth on the attached plan.

NOW, THEREFORE, BE IT RESOLVED that on September 24, 2019, at the hour of 6:00 p.m. or as soon thereafter as the matter may be heard, at the City Council Meeting held in the Council Chambers, City Hall, 156 S. Broadway, Turlock, California, is hereby set as the date, time and place for all persons interested, for or objecting to said vacation to be heard, which said date is not less than 15 days from the passage of this resolution.

BE IT FURTHER RESOLVED that notice of the hearing on the proposed vacation shall be published for at least two successive weeks prior to the hearing in a daily, semiweekly, or weekly newspaper published and circulated in the local agency conducting the proceeding and which is selected by the legislative body for that purpose or by the clerk or other officer responsible for the publication where the legislative body has not selected any newspaper for that purpose.

BE IT FURTHER RESOLVED that the City Engineer is hereby directed to have notices of vacation posted along the line of the public street/highway/service easement proposed to be vacated at least two weeks before the date set for a public hearing. Said

notices shall not be spaced more than 300 feet apart and shall be posted in no less than three (3) locations within the proposed vacation. Each posted notice shall state the passage of the Intent to Vacate resolution and the date, time, and place of the public hearing.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Turlock this 27th day of August, 2019, by the following vote:

AYES:

NOES:

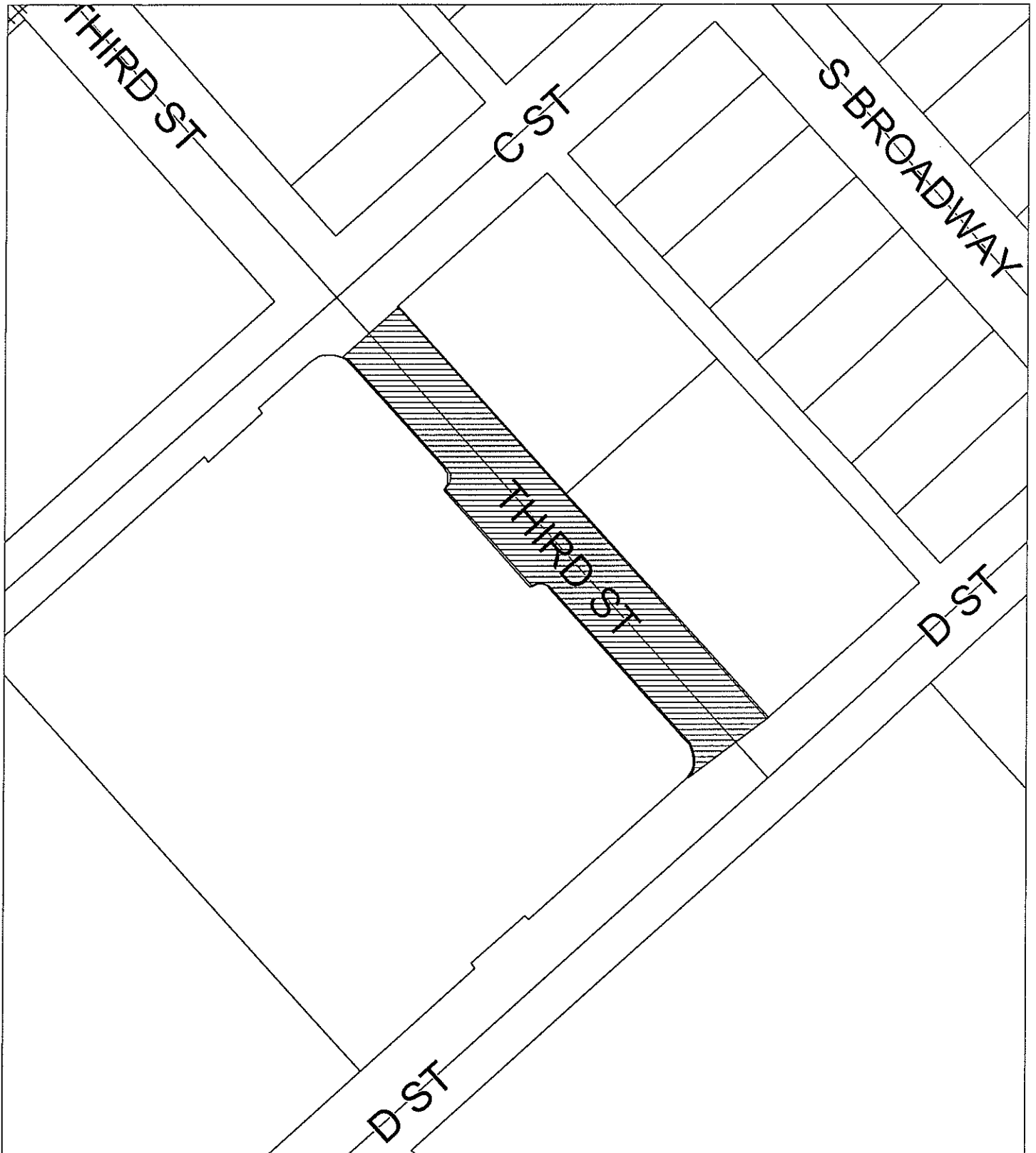
NOT PARTICIPATING:

ABSENT:

ATTEST:

Jennifer Land, City Clerk,
City of Turlock, County of Stanislaus,
State of California

ABANDONMENT 18-01
400 BLOCK OF THIRD STREET BETWEEN "C" STREET AND "D" STREET



RESOLUTION NO. 2019-15

**A RESOLUTION OF THE PLANNING COMMISSION
OF THE CITY OF TURLOCK
DETERMINING THAT THE ABANDONMENT OF A PORTION OF 3rd Street
BETWEEN C AND D STREET
IS CONSISTENT WITH THE TURLOCK GENERAL PLAN**

WHEREAS, Nick Hackler of Turlock Walnut Company has applied for the abandonment of a portion of a public street, the 400 block of Third Street, between C and D streets in Turlock; and

WHEREAS, Government Code Section 65402(a) states that no street shall be abandoned or vacated until the Planning Commission has rendered its report as to the conformity of the proposed abandonment or vacation with the adopted general plan; and

WHEREAS, the Turlock Planning Commission has evaluated the proposal in light of the policies contained within the Turlock General Plan; and

WHEREAS, notification of the Planning Commission meeting set for July 18, 2019 was mailed to property owners within 500 feet of the proposed abandonment area; and

WHEREAS, in making its findings and determinations, the Turlock Planning Commission considered the staff report and testimony presented at their regular meeting of July 18, 2019.

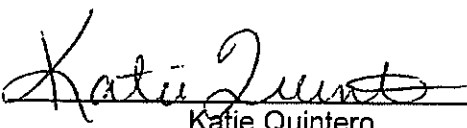
NOW THEREFORE, BE IT RESOLVED that the Planning Commission of the City of Turlock does hereby find and determine as follows:

Section 1. The determination is "Exempt" from the provisions of the California Environmental Quality Act (CEQA) under the CEQA Guidelines Section 15061(b) (3) [Review for Exemption] as this determination does not have the potential to generate a significant effect on the environment.

Section 2. That said abandonment is in conformance with the adopted General plan of the City of Turlock.

I HEREBY CERTIFY that the foregoing Resolution was duly and regularly adopted by the Planning Commission of the City of Turlock at a regular meeting of said Planning Commission held on the 18th day of July, 2019, by the following vote:

AYES: REAPE, DIAS, VARANI, SOUZA, AND POWERS
NOES: NONE
ABSTAINED: NONE
ABSENT: ANDERSON AND DAVIS

ATTEST: 
Katie Quintero
Deputy Director of Development Services, Planning
Secretary of the Turlock Planning Commission
City of Turlock

City Council Staff Report
August 27, 2019



From: Michael I. Cooke, Municipal Services Director
Prepared by: Fallon Martin, Staff Services Analyst
Agendized by: Robert C. Lawton, City Manager

1. ACTION RECOMMENDED:

Motion: Awarding RFP No. 19-026 and approving an Agreement with Provost & Pritchard Engineering Group for Design, Engineering Services during Construction, and Construction Management for Wellhead Treatment, for a period of (3) years, with an option to extend the Agreement for (3) additional one-year terms, in a total amount not to exceed \$988,800 over the 6-year term of the Agreement, if all renewal periods are exercised

Resolution: Appropriating \$248,800 to account number 420-52-551.51393 "Wellhead Treatment" from Fund 420 "Water Enterprise" unallocated reserves to fund RFP No. 19-026 for Design, Engineering Services during Construction, and Construction Management for Wellhead Treatment

2. SYNOPSIS:

Awarding RFP No. 19-026 and approving an Agreement with Provost & Pritchard Engineering Group for Design, Engineering Services during Construction, and Construction Management for Wellhead Treatment and appropriating funds.

3. DISCUSSION OF ISSUE:

On May 30, 2019, Request for Proposal (RFP) No. 19-026 for Design, Engineering Services during Construction, and Construction Management for Wellhead Treatment was advertised.

The City is currently under a Compliance Order issued by the State Water Resources Control Board's Division of Drinking Water (DDW). The Order states that three well sites with levels of 1,2,3-Trichloropropane (TCP) above the maximum contaminant level (MCL) must have wellhead treatment installed or be shut off and removed from service by June 30, 2021. If these wells are removed

from service and a supplemental supply is not brought online to offset the loss of supply, the City will lack an adequate water supply to meet customer demands.

Staff's recommendation is to install wellhead treatment at Well 38, which is offline due to levels above the MCL for Arsenic. Well 38 is not a well that is included in the TCP Compliance Order; however, it is historically a high-producing well and will assist in compensating for the loss of supply that will occur when the wells listed in the TCP Compliance Order are removed from service in June 2021.

The design of wellhead treatment is specialized work which requires the assistance of a specialized civil engineering firm. The City's RFP stipulated a timeline for the completion of design and construction to ensure the City meets the Compliance Order deadline of June 30, 2021. In addition, staff analyzed the water system to ensure well sites were selected that would be most effective and efficient in meeting the supply that will be removed from service.

The submittal deadline for the RFP was July 1, 2019. There were three proposals submitted in response to the RFP.

Proposer	Cost
Wood Rodgers, Inc.	\$616,524
Provost & Pritchard Engineering Group	\$835,000
Carollo Engineers	\$990,120

Staff is recommending the authorization to award Contract No. 2020-23 to Provost & Pritchard Engineering Group, as the most responsive and responsible bidder meeting all specifications and requirements of the RFP.

4. BASIS FOR RECOMMENDATION:

- A. It is necessary to install wellhead treatment in order to continue meeting the demand of water customers as the City is facing the loss of water supply due to a Compliance Order from the Division of Drinking Water related to TCP in three of the City's active wells.

5. FISCAL IMPACT / BUDGET AMENDMENT:

Funding for this project was included in the fiscal year 2019-20 budget for Fund 420 "Water Enterprise." The exact dollar amount was unknown at the time of budgeting. At this time, staff is requesting the appropriation of \$248,800 to account number 420-52-551.51393 "Wellhead Treatment." There are sufficient unappropriated reserves in Fund 420 "Water Enterprise" to fund this appropriation.

6. CITY MANAGER'S COMMENTS

Recommend Approval.

7. ENVIRONMENTAL DETERMINATION:

The selected consultant is prepared to conduct an initial study and submit a mitigated negative declaration, if required by DDW, for the construction of this project.

8. ALTERNATIVES:

A. Council could choose to not approve this Agreement. Staff does not recommend this alternative because it will affect the ability the City has in providing high quality, safe, and reliable drinking water to its customers.

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF APPROPRIATING	}	RESOLUTION NO. 2019-
\$248,800 TO ACCOUNT NUMBER	}	
420-52-551.51393 "WELLHEAD TREATMENT"	}	
FROM FUND 420 "WATER ENTERPRISE"	}	
UNALLOCATED RESERVES TO FUND	}	
RFP NO. 19-026 FOR DESIGN, ENGINEERING	}	
SERVICES DURING CONSUTRUCTION, AND	}	
CONSTRUCTION MANAGEMENT FOR	}	
WELLHEAD TREATMENT	}	

WHEREAS, the Municipal Services Department is seeking approval to enter into an agreement with Provost & Pritchard Engineering Group for design, engineering services during construction, and construction management for wellhead treatment installation; and

WHEREAS, project costs were unknown at the time the Fiscal Year 2019-20 budget was prepared; therefore, an approximate cost was included in the Fiscal Year 2019-20 budget; and

WHEREAS, there are sufficient unallocated reserves in Fund 420 "Water Enterprise" to fully fund the projected cost of this project.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Turlock does hereby appropriate \$248,800 to account number 420-52-551.51393 "Wellhead Treatment" from Fund 420 "Water Enterprise" unallocated reserves to fund RFP No. 19-026 for Design, Engineering Services during Construction, and Construction Management for Wellhead Treatment.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Turlock this 27th day of August, 2019, by the following vote.

AYES:
NOES:
NOT PARTICIPATING:
ABSENT:

ATTEST:

Jennifer Land, City Clerk,
City of Turlock, County of Stanislaus,
State of California



**AGREEMENT BETWEEN THE CITY OF TURLOCK
and
PROVOST & PRITCHARD ENGINEERING GROUP
for
DESIGN, ENGINEERING SERVICES DURING CONSTRUCTION, &
CONSTRUCTION MANAGEMENT FOR WELLHEAD TREATMENT
INSTALLATION**

City Project No. 2020-23

THIS SERVICE AGREEMENT (the "Agreement") is entered into by and between the CITY OF TURLOCK, a California municipal corporation ("City"), and PROVOST & PRITCHARD ENGINEERING GROUP ("Professional"), on this 27th day of August 2019 (the "Effective Date"). City and Professional may be collectively referred to herein as the "Parties" or individually as "Party." There are no other parties to this Agreement.

RECITALS

A. City seeks to hire an independent contractor to perform professional services to assist City with the Design, Engineering Services during Construction, & Construction Management for Wellhead Treatment Installation (the "Project").

B. Professional has made a proposal to City to provide such professional services. A description of the services Professional proposes to provide is included in the Scope of Services in **Exhibit A** attached hereto and incorporated herein by reference ("Services"). City desires to retain Professional to perform the Services, subject to the terms and conditions set forth in this Agreement.

C. The Parties have outlined the schedule or timeline for providing the Services ("Completion Schedule"), which shall be included in the Scope of Services in **Exhibit A**.

D. The Parties have outlined the rates and method of payment to Professional for its performance of the Services under this Agreement ("Compensation Schedule"), which shall be included in the Scope of Services in **Exhibit A**.

NOW, THEREFORE, in consideration of the promises and covenants set forth below, the Parties agree as follows:

AGREEMENT

1. Recitals. The recitals set forth above (“Recitals”) are true and correct and are hereby incorporated into and made part of this Agreement by this reference. In the event of any inconsistency between the Recitals and Section 1 through 51 of this Agreement, Sections 1 through 51 shall prevail.

2. Term. The term of this Agreement shall be three (3) years and will commence on the Effective Date and terminate on the 26th day of August 2022 (“Term”) unless the Parties mutually agree in writing to terminate the Agreement earlier or extend the Term pursuant to this Agreement.

3. Extension of Agreement. City may elect to extend this Agreement for three (3) additional one (1) year terms, on the same terms and conditions, upon issuing an “Election to Extend Agreement” letter executed by the City Manager to Professional thirty (30) days prior to the expiration of this Agreement.

4. Effective Date. This Agreement shall only become effective once all of the Parties have executed the Agreement (the “Effective Date”).

5. Work.

5.1. Services. Subject to the terms and conditions set forth in this Agreement, Professional shall provide City the Services described in **Exhibit A**. Any request for Services not included in **Exhibit A** will be considered a request for additional or modified Services (“Modification” or “Modifications”). Professional shall not receive additional compensation for any Modification of the Services unless the Parties agree otherwise in a writing executed by both Parties.

5.2. City Requested Modification of Services. City may, by written order, authorize Modifications to the Services described in **Exhibit A**. If such Modifications cause an increase in the cost or time required for performance of Professional’s Services, the Parties shall enter into a written amendment to this Agreement to adjust the Services and the compensation to be paid to Professional and, if necessary, amend the Completion Schedule or Compensation Schedule. The Services, Completion Schedule, or Compensation Schedule shall not be revised unless City and Professional mutually agree to a written amendment to this Agreement reflecting such revisions, additional compensation, time for performance or such other terms or conditions mutually agreed upon by the Parties.

5.3. Professional Requested Modification in Services. Professional shall not be compensated for work outside the Services described in this Agreement, unless, prior to the commencement of the Services:

(a) Professional provides City with written notice that specific work requested by City or required to complete the Project is outside the agreed upon Services. Such notice shall: (1) be supported by substantial evidence that the work is outside the Services; (2) set forth the Professional's proposed course of action for completing the work and a specific request for City to approve the Modification to the Services; (3) set forth the Professional's proposed revisions, if any, to the Completion Schedule; and (4) set forth the Professional's proposed revisions, if any, to the Compensation Schedule; and

(b) City agrees that the work requires a Modification;

(c) City approves all adjustments, if any, to the Completion Schedule and Compensation Schedule; and

6. Compensation.

6.1. Amount, Time and Manner of Payment for Professional Services. City shall pay Professional according to the rates and timing set forth in the Compensation Schedule. On each anniversary date of the Effective Date, Professional will be allowed to increase prices with thirty (30) days' written notice to City. Increases may not exceed increases in the San Francisco-Oakland Consumer Price Index for all urban consumers or percentage increases in Professional's published prices, whichever is lower. In all cases, City may cancel this Agreement if a requested price increase is not acceptable. City's total compensation to Professional shall not exceed Nine Hundred Eighty-Eight Thousand Eight Hundred Dollars (\$988,800) ("Maximum Payment"), unless the Parties mutually agree in writing otherwise.

6.2. Subsequent Payments. City shall make monthly payments in the amount invoiced by Professional within thirty (30) calendar days of receiving such invoice. In the event that an amount of an invoice is in dispute, City shall inform Professional of the amount and basis for the dispute and may withhold the amount which is in dispute until the dispute has been resolved.

6.3. Invoices. Professional shall provide City with monthly invoices sufficiently evidencing Professional's expenses and completion of the Services. All invoices furnished to City by Professional shall be in a form approved by City. The payments specified shall be the only payments made to Professional for performance of the Services, including compensation for any Modification. Professional shall submit all billings for Services to City within forty-five (45) days of the performance of such Services. City shall issue payment according to City's customary procedures and practices for issuing payments to independent contractors.

7. Time of Performance. Professional warrants that it will commence performance of the Services within thirty (30) calendar days of the date the agreement was executed and shall conform to the Completion Schedule. The time of performance is a material term of this Agreement relied on by City in entering into this Agreement.

8. Time and Personnel Devoted to Services. Professional shall devote such time and personnel to the performance of this Agreement, as is necessary to perform the Services in compliance with the Completion Schedule, Compensation Schedule, and this Agreement.

9. Performance by Qualified Personnel; No Subcontracting. Services under this Agreement shall be performed only by competent personnel under the supervision and direct employment of Professional. Professional will conform with City's reasonable requests regarding assignment of personnel, but all personnel, including those assigned at City's request, shall be supervised by Professional. Professional is prohibited from subcontracting this Agreement or any part of it unless such subcontracting is expressly approved by City in writing. Neither Party shall, on the basis of this Agreement, contract on behalf of, or in the name of the other Party. An agreement made in violation of this provision shall confer no rights on any Party and shall be null and void.

10. Representations of Professional. City relies upon the following representations by Professional in entering into this Agreement:

10.1. Qualifications. Professional represents that it is qualified to perform the Services provided in **Exhibit A** and that it possesses the necessary licenses and permits required to perform the Services or will obtain such licenses or permits prior to the time such licenses or permits are required. Professional shall also ensure that all subcontractors are similarly licensed and qualified. Professional and all subcontractors shall also obtain a business license from City before they commence performance of the Services. Professional represents and warrants to City that Professional shall, at Professional's sole cost and expense, keep in effect or obtain at all times during the Term of this Agreement, any licenses, permits, and approvals which are legally required for Professional to practice Professional's profession at the time the Services are rendered.

10.2. Professional Performance. In providing services under this Agreement, Professional shall perform in a manner consistent with that degree of care and skill ordinarily exercised by members of the same profession currently practicing under similar circumstances at the same time and in the same or similar locality. Upon notice to Professional and by mutual agreement between the parties, Professional will, without additional compensation, correct those services not meeting such a standard. Professional makes no warranty, express or implied, as to its professional services rendered under this Agreement.

10.3. No Waiver of Claims. The granting of any progress payment by City, or the receipt thereof by Professional, or any inspection, review, approval or oral statement by any representative of City, or state certification shall not, in any way, waive, limit, or replace any certification or approval procedures normally required or lessen the liability of Professional to re-perform or replace unsatisfactory Service, including, but not limited to, cases where the unsatisfactory character of such Service may not have been apparent or detected at the time of such payment, inspection, review or approval.

10.4. City's Remedies are Cumulative. Nothing in this Section shall constitute a waiver or limitation of any right or remedy, whether in equity or at law, which City or Professional may have under this Agreement or any applicable law. All rights and remedies of City, whether under this Agreement or applicable law, shall be cumulative.

10.5. No Conflict of Interest. Professional represents that no conflict of interest will be created under state or federal law by entering into or in carrying out this Agreement.

11. Conformity with Law and Safety. Professional shall observe and comply with all applicable laws, ordinances, codes and regulations of governmental agencies, including federal, state, municipal and local governing bodies having jurisdiction over any or all of the scope of Services, including all provisions of the Occupational Safety and Health Act of 1979 as amended, all California Occupational Safety and Health Regulations, the California Building Code, the Americans with Disabilities Act, any copyright, patent, or trademark law, and all other applicable federal, state, municipal and local safety regulations, appropriate trade association safety standards, and appropriate equipment manufacturer instructions. All Services performed by Professional must be in accordance with these laws, ordinances, codes and regulations. Professional's failure to comply with any laws, ordinances, codes, or regulations applicable to the performance of the Services hereunder shall constitute a breach of contract. In cases where standards conflict, the standard providing the highest degree of protection shall prevail.

If a death, serious personal injury or substantial property damage occurs in connection with the performance of this Agreement, Professional shall immediately notify City's risk manager by telephone. If any accident occurs in connection with this Agreement, Professional shall promptly submit a written report to City, in such form as City may require. This report shall include the following information: (a) name and address of the injured or deceased person(s); (b) name and address of Professional's subcontractor, if any; (c) name and address of Professional's liability insurance carrier; and (d) a detailed description of the accident, including whether any of City's equipment, tools or materials were involved.

If a release of a hazardous material, substance, or waste occurs in connection with the performance of this Agreement, Professional shall immediately notify City. Professional shall not store hazardous materials or hazardous waste within City limits without a proper permit from City.

12. Contact by Professional with Project Owner or Project Applicant. Unless otherwise set forth in the Services, neither Professional nor Professional's subcontractors shall directly contact the owner of the property involved in the Project or any party who is the applicant for the Project ("Interested Party"), or an employee or contractor of an Interested Party, on any matter relating to the Project without the prior consent of the City Manager. In no event shall Professional take any instructions or directions from an Interested Party on any matter pertaining to the Professional's Services to be performed for City under this Agreement.

13. Confidentiality. Professional understands and agrees that, in the performance of Services under this Agreement or in the contemplation thereof, Professional may have access to private or confidential information that may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to City ("Confidential Information").

Professional shall not, either during or after the Term, disclose to any third party any Confidential Information without the prior written consent of City. If City gives Professional written authorization to make any such disclosure, Professional shall do so only within the limits and to the extent of that authorization. Professional may be directed or advised by the City Attorney on various matters relating to the performance of the Services on the Project or on other matters pertaining to the Project and, in such event, Professional agrees that it will treat all

communications between itself, its employees and its subcontractors as being communications which are within the attorney-client privilege.

Notwithstanding the foregoing, Professional may disclose Confidential Information required to be disclosed under law, provided that, prior to disclosure, the Professional shall first give notice to City and make a reasonable effort to obtain a protective order requiring that City's Confidential Information not be disclosed. This exception is limited to the extent disclosure is required under law."

14. Excusable Delays; Notice to Other Party of Delay. Professional shall not be in breach of this Agreement in the event that performance of Services is temporarily interrupted or discontinued due to a "Force Majeure" event which is defined as: riots, wars, sabotage, civil disturbances, insurrections, explosion, natural disasters such as floods, earthquakes, landslides, fires, strikes, lockouts and other labor disturbances or other catastrophic events, which are beyond the reasonable control of Professional. Force Majeure does not include: (a) Professional's financial inability to perform; (b) Professional's failure to obtain any necessary permits or licenses from other governmental agencies; or (c) Professional's failure to obtain the right to use the facilities of any public utility where such failure is due solely to the acts or omissions of the Professional.

15. Assignment Prohibited. No Party to this Agreement may assign any right or obligation pursuant to this Agreement. Any attempt or purported assignment of any right or obligation pursuant to this Agreement shall be void and of no effect.

16. Suspension of Services by City. City reserves the right to suspend Professional's Services under this Agreement when City determines that it is necessary to do so. When possible, City shall give Professional notice of such suspension and Professional shall, upon receipt of said notice, suspend all Services except any Services, the completion of which is authorized by the notice given by City. If the Services are suspended by City for more than sixty (60) consecutive days, for reasons other than the fault of the Professional, the Professional shall be compensated for Services performed prior to notice of such suspension. When the Project is resumed, the Professional's compensation shall be equitably adjusted by City to provide for expenses incurred by the interruption of the Services. In this regard, Professional shall furnish to City such financial information that, in the judgment of the City Manager, is necessary to determine the reasonable value of the Services rendered by Professional during the period when Services were suspended.

If the Parties are unable to agree upon the amount of extra compensation which is due to Professional within thirty (30) days of Professional resuming Services, the amount of such additional compensation, if any, that is required to appropriately compensate the Professional for its expenses incurred by the interruption of Services may, upon the request of either Party, be determined by arbitration conducted in accordance with Section 26. Such arbitration shall be commenced by the Professional no later than sixty (60) calendar days following the event which entitles the Parties to pursue arbitration unless the Parties agree in writing to an extended time period for commencement of arbitration. Unless otherwise agreed in writing, all Parties shall carry on the Services and perform their duties during any arbitration proceedings, and City shall continue to make payments for the Services in progress as required by this Agreement.

17. Ownership of Work Product. Any and all work, artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, designs, specifications, drawings, diagrams, surveys, source codes, professional or technical information or data, photographs, notes, letters, emails or any original works of authorship created by Professional or its subcontractors or subcontractors in connection with Services performed under this Agreement ("Products") shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works are the property of City. In the event it is ever determined that any Product created by Professional or its subcontractors, or subcontractors under this Agreement, are not works for hire under U.S. law, Professional hereby assigns all copyrights to such Products to City. With the prior written approval of City's point of contact for the Project, Professional may retain and use copies of such Products for reference and as documentation of its experience and capabilities.

All Products shall become the property of City irrespective of where located or stored, and Professional agrees to deliver all such documents and information to City, without charge and in whatever form it exists, on the completion of the Professional's Services hereunder. Professional shall have no ownership interest in such Products.

All work product of Professional under this Agreement, including written information which City will cause to be distributed for either internal or public circulation, including both preliminary and final drafts, shall be delivered to City in both printed and electronic form, or as may be specified in **Exhibit A**.

When this Agreement is terminated, Professional agrees to return to City all documents, drawings, photographs and other written or graphic material, however produced, that it received from City, its contractors or agents, in connection with the performance of its Services under this Agreement. All materials shall be returned in the same condition as received.

18. Termination of Work by City for Its Convenience. City shall have the right to terminate this Agreement at any time for its convenience by giving notice of such termination to Professional. In the event City shall give such notice of termination, Professional shall cease rendering Services upon receipt of said notice given as required in this Agreement. If City terminates this Agreement:

(a) Professional shall deliver copies of all Products prepared by it pursuant to this Agreement.

(b) If City terminates this Agreement for convenience before City issues the Notice to Proceed to Professional or before Professional commences any Services hereunder, whichever last occurs, City shall not be obligated to make any payment to Professional. If City terminates this Agreement after City has issued the Notice to Proceed to Professional and after Professional has commenced performance under this Agreement, City shall pay Professional the reasonable value of the Services rendered by Professional pursuant to this Agreement prior to termination of this Agreement. City shall not in any manner be liable for Professional's actual or projected lost profits had Professional completed the Services. Professional shall furnish to City such financial information that, in the judgment of the City Manager, is necessary to determine the reasonable value of the Services rendered by Professional prior to termination. In the event of a dispute as to

the reasonable value of the Services rendered by Professional prior to termination and the Parties are unable to agree upon said amount within sixty (60) calendar days following the date of the notice of termination by City, such dispute may, upon the request of either Party, be resolved by arbitration conducted in accordance with Section 26.

(c) Except as provided in this Agreement, in no event shall City be liable for costs incurred by or on behalf of Professional after the date of the notice of termination.

19. Assurance of Performance. If, at any time, City believes Professional may not be adequately performing its obligations under this Agreement or may fail to complete the Services as required by this Agreement, City may submit a written request to Professional for written assurances of performance and a plan to correct observed deficiencies in Professional's performance. Failure to provide written assurances subsequent to such written request, constitutes grounds to declare a breach under this Agreement.

20. Cancellation for Breach by Either Party. Should either Party fail to substantially perform its obligations in accordance with the provisions of this Agreement, the other Party shall thereupon have the right to cancel the Agreement by giving written notice and specifying the effective date of such cancellation. If City cancels this Agreement for breach and it is subsequently determined that Professional did not fail to substantially perform its obligations in accordance with this Agreement, then cancellation for breach by City shall be deemed, and treated, as termination for convenience.

Neither Party waives the right to recover damages against the other for breach of this Agreement, including any amount necessary to compensate City for all detriment proximately caused by Professional's failure to perform its obligations hereunder or which in the ordinary course of things would be likely to result therefrom. City reserves the right to offset such damages against any payments owed to Professional.

City shall not in any manner be liable for Professional's actual or projected lost profits had Professional completed the Services required by this Agreement.

21. Non-Discrimination. In its performance of the Services, Professional shall adhere to City's EEO Policy which states, "The City is committed to ensuring that all qualified individuals have a full and fair opportunity to compete in all phase of the hiring process and promotion, and to enjoy the benefits of employment with the City. All employees and applicants shall receive equal consideration and treatment in employment without regard to race, color, religion, gender, sexual orientation, national origin, age, disability, genetic information, marital status, amnesty, or status as a covered veteran in accordance with applicable federal or state statutes, the City's ordinances, resolutions, rules or regulations."

In addition, all agreements with sub-contractors will include language as required by the Office of Federal Contract Compliance Programs (OFCCP) that requires sub-contractors to maintain equal employment opportunity policies, and, as necessary, affirmative action policies.

22. Arbitration of Disputes. All claims, disputes, and other matters in question between City and Professional arising out of or relating to this Agreement or the breach thereof, including claims of Professional for extra compensation for Services related to the Project, shall be decided by arbitration before a single arbitrator in accordance with the provisions of Sections 1281 to 1284.2 of the California Code of Civil Procedure (the "Arbitration Laws") unless the Parties mutually agree otherwise. The provisions of Section 1283.05 of the Arbitration Laws apply to any arbitration proceeding except as otherwise provided in this Agreement. The arbitrator shall have authority to decide all issues between the Parties including, but not limited to, claims for extras, delay and liquidated damages, if any, provided for in this Agreement, matters involving defects in the work product of the Professional, rights to payment, and whether the necessary procedures for arbitration have been followed. The award rendered by the arbitrator shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

Notice of the demand for arbitration shall be filed in writing with the other Party. The demand for arbitration shall be made within a reasonable time after the claim, dispute, or other matter in question has arisen, and in no event shall it be made after the date when institution of legal or equitable proceedings based on such claim, dispute, or other matter in question would be barred by the applicable statute of limitation.

The Parties shall jointly appoint an arbitrator within fifteen (15) calendar days of the date of giving of the notice of the demand for arbitration. If the Parties are unable to jointly agree upon the appointment of an arbitrator within said fifteen (15) calendar day period, and do not agree in writing to extend said period for a fixed period, then either Party may seek to have the arbitrator appointed by the Superior Court of Stanislaus County in accordance with the Arbitration Laws.

If any proceeding is brought to contest the right to arbitrate and it is determined that such right exists, the losing Party shall pay all costs and attorneys' fees incurred by the prevailing party.

In addition to the other rules of law which may be applicable to any arbitration hereunder, the following shall apply:

(a) Promptly upon the filing of the arbitration, each Party shall be required to set forth in writing and to serve upon each other Party a detailed statement of its contentions of fact and law.

(b) All parties to the arbitration shall be entitled to the discovery procedures as provided in Section 1283.05 of the California Code of Civil Procedure.

(c) The arbitration shall be commenced and conducted as expeditiously as possible consistent with affording reasonable discovery as provided herein.

(d) These additional rules shall be implemented and applied by the arbitrator.

The costs of arbitration shall be borne by the Parties as determined by the arbitrator, but each Party shall bear its own attorney's fees associated with the dispute with the other Party and to the arbitration.

23. Insurance Coverage. During the Term, the Professional shall maintain in full force and effect policies of insurance set forth herein, which shall be placed with insurers with a current A M Best's rating of no less than A VII and will provide City with written proof of said insurance. Professional shall maintain coverage as follows:

23.1 General Liability. Professional shall carry general liability insurance in the amount of Two Million Dollars (\$2,000,000.00) per occurrence for bodily injury, personal injury, and property damage. If commercial general liability insurance or another form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this Project or the general aggregate shall be Two Million Dollars (\$2,000,000.00).

23.2 Workers' Compensation Insurance and Employer's Liability. Professional shall carry workers' compensation insurance as required by the State of California under the Labor Code. Professional shall also carry employer's liability insurance in the amount of One Million Dollars (\$1,000,000.00) per accident, with a One Million Dollar (\$1,000,000.00) policy limit for bodily injury by disease, and a One Million Dollar (\$1,000,000.00) limit for each employee's bodily injury by disease.

23.3 Errors and Omissions Liability. Professional shall carry errors and omissions liability insurance in the amount of no less than Two Million Dollars (\$2,000,000.00) per claim or greater if appropriate for the Professional's profession. Any deductibles or self-insured retentions must be declared to and approved by City. At the option of City, either the insurer shall reduce or eliminate such deductibles or self-insured retentions with respect to City, its elected and appointed councils, commissions, directors, officers, employees, agents, and representatives ("City's Agents"); or the Professional shall provide a financial guarantee satisfactory to City guaranteeing payment of losses and related investigations, claims administration and defense expenses.

23.4 Commercial Automobile Liability. Professional shall carry commercial automobile liability insurance in the amount of One Million Dollars (\$1,000,000) or greater per occurrence for owned, leased, hired, and borrowed automobiles.

24. Additional Insurance Requirements. Within five (5) days of the Effective Date, Professional shall provide City with certificates of insurance for all of the policies required under this Agreement ("Certificates"), excluding the required workers' compensation insurance. Such Certificates shall be kept current for the Term of the Agreement and Professional shall be responsible for providing updated copies and notifying City if a policy is cancelled, suspended, reduced, or voided. With the exception of the workers' compensation insurance, all of the insurance policies required in this Agreement shall: (a) provide that the policy will not be cancelled, allowed to expire, or materially reduced in coverage without at least thirty (30) days' prior written notice to City of such cancellation, expiration, or reduction and each policy shall be endorsed to state such; (b) name City, and City's Agents as additional insured with respect to liability arising out of Services, work or operations performed by or on behalf of Professional; (c) cover products and completed operations of Professional, premises owned, occupied, or used by the Professional, or automobiles owned, leased, or hired or borrowed by the Professional; contain no special limitations on the scope of protection afforded to City; (d) be primary with respect to any insurance or self-insurance programs covering City or City's Agents and any insurance or self-

insurance maintained by City or City's Agents shall be in excess of Professional's insurance and shall not contribute to it; (e) contain standard separation of insured provisions; and (f) state that any failure to comply with reporting or other provisions of the policy including breaches of warranties shall not affect the coverage provided to City.

25. Indemnification by Professional. To the fullest extent permitted by law (including, without limitation, California Civil Code sections 2782 and 2782.8), Professional shall defend with legal counsel reasonably acceptable to City, indemnify and hold harmless City and its elective and appointive boards, officers, agents, employees, and volunteers from and against any and all claim, demand, cost, or liability that arises out of, pertains to, or relates to, the negligence, recklessness, or willful misconduct of Professional and its employees or agents in the performance of services under this Agreement (collectively "Liabilities"). Such obligations to defend, hold harmless, and indemnify City and City's Agents shall not apply to the extent that such Liabilities are caused in whole by the sole negligence, active negligence, or willful misconduct of City or City's Agents, but shall apply to all other Liabilities. With respect to third party claims against the Professional, the Professional waives any and all rights of any type of express or implied indemnity against City and City's Agents.

26. Liability of City. Notwithstanding any other provision of this Agreement, in no event shall City be liable, regardless of whether any claim is based on contract or tort, for any special, consequential, indirect or incidental damages, including, but not limited to, lost profits or revenue, arising out of or in connection with this Agreement or the Services performed in connection with this Agreement.

27. Independent Contractor. At all times during the Term, Professional shall be deemed to be an independent contractor and shall be wholly responsible for the manner in which Professional performs the Services required under this Agreement. Professional shall be liable for its acts and omissions and those of its employees, contractors, subcontractors, representatives, volunteers, and its agents. Nothing contained herein shall be construed as creating an employment, agency or partnership relationship between City and Professional. City shall have the right to control Professional only insofar as the result of Professional's Services rendered pursuant to this Agreement; however, City shall not have the right to control the means by which Professional accomplishes Services rendered pursuant to this Agreement.

28. Professional Not Agent. Except as City may specify in writing, Professional shall have no authority, express or implied, to act on behalf of City in any capacity whatsoever as an agent. Professional shall have no authority, express or implied, pursuant to this Agreement to bind City to any obligation whatsoever.

29. Payment of Taxes and Other Expenses. Payment of any taxes, including California sales and use taxes, levied upon this Agreement, the transaction, or the Services or goods delivered pursuant hereto, shall be the obligation of Professional.

30. Notices. All notices shall be in writing and delivered in person or transmitted by certified mail, postage prepaid. Any Party hereto may at any time, by giving ten (10) days' written notice to the other Party hereto, designate any other address in substitution of the address to which such

notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below.

If to City: **City of Turlock**
Attn: Municipal Services Director
156 S. Broadway, Suite 270
Turlock, CA 95380-5461

With courtesy copies to: **Churchwell White LLP**
Attn: Douglas L. White, City Attorney
1414 K St., 3rd Floor
Sacramento, CA 95814

If to Professional: **Provost & Pritchard Engineering Group**
Attn: Keith Mortensen
286 W. Cromwell Ave.
Fresno, CA 93711

31. City Contract Administrator. City's contract administrator and contact person for this Agreement is:

Fallon Martin
Municipal Services Department
156 S. Broadway, Suite 270
Turlock, California 95380-5456
Telephone: (209) 668-5590
E-mail: famartin@turlock.ca.us

32. Interpretation. As used herein, any gender includes each other gender, the singular includes the plural and vice versa.

33. Use of City Project Number. Professional or its subcontractors agree to use the aforementioned City project number on all maps, drawings, submittals, billing, and written correspondence that involve City staff or contracted consultants. Nothing in this Section shall preclude Professional or its subcontractors from using their own project numbers for their own internal use.

34. Modification. No alteration, amendment, modification, or termination of this Agreement shall be valid unless made in writing and executed by all of the Parties to this Agreement.

35. Waiver. No covenant, term, or condition or the breach thereof shall be deemed waived, except by written consent of the Party against whom the waiver is claimed, and any waiver of the breach of any covenant, term, or condition shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant, term, or condition.

36. Assignment. No Party to this Agreement shall assign, transfer, or otherwise dispose of this Agreement, in whole or in part, to any individual, firm, or corporation without the prior written

consent of the other Party. Subject to the forgoing provisions, this Agreement shall be binding upon, and inure to the benefit of, the respective successors and assigns of the Parties hereto.

37. Authority. All Parties to this Agreement warrant and represent that they have the power and authority to enter into this Agreement and the names, titles, and capacities herein stated on behalf of any entities, persons, states, or firms represented or purported to be represented by such entities, persons, states or firms and that all former requirements necessary or required by the state or federal law in order to enter into the Agreement have been fully complied with. Further, by entering into this Agreement, neither Party hereto shall have breached the terms nor conditions of any other contract or agreement to which such Party is obligated, which such breach would have a material effect hereon.

38. Drafting and Ambiguities. Each Party acknowledges that it has reviewed this Agreement with its own legal counsel, and based upon the advice of that counsel, freely entered into this Agreement. Each Party has participated fully in the review and revision of this Agreement. Any rule of construction that ambiguities are to be resolved against the drafting Party does not apply in interpreting this Agreement.

39. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of California.

40. Venue. Venue for all legal proceedings shall be in the Superior Court of the State of California, in and for the County of Stanislaus.

41. Severability. If this Agreement in its entirety is determined by a court to be invalid or unenforceable, this Agreement shall automatically terminate as of the date of final entry of judgment. If any provision of this Agreement shall be determined by a court to be invalid and unenforceable, or if any provision of this Agreement is rendered invalid or unenforceable according to the terms of any federal or state statute, which becomes effective after the Effective Date of this Agreement, the remaining provisions shall continue in full force and effect and shall be construed to give effect to the intent of this Agreement.

42. Counterparts. This Agreement may be executed simultaneously, and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

43. Audit. City shall have access at all reasonable times to all reports, contract records, contract documents, contract files, and personnel necessary to audit and verify Professional's charges to City under this Agreement.

44. Entire Agreement. This Agreement, together with its specific references, attachments, and exhibits, constitutes the entire agreement of the Parties with respect to the subject matters hereof and supersedes any and all prior negotiations, understanding, and agreements with respect hereto, whether oral or written.

45. Supersedes Prior Agreement. It is the intention of the Parties hereto that this Agreement shall supersede any prior agreements, discussions, commitments, or representations, whether written, electronic or oral, between the Parties with respect to the subject matter of this Agreement.

46. Mandatory and Permissive. “Shall” and “will” and “agrees” are mandatory. “May” and “can” are permissive.

47. Successors and Assigns. All representations, covenants, and warranties specifically set forth in this Agreement, by or on behalf of, or for the benefit of, any or all of the Parties hereto, shall be binding upon and inure to the benefit of such Party, its successors and assigns.

48. Headings. Headings used in this Agreement are for reference purposes only and shall not be considered in construing this Agreement.

49. Attorney’s Fees and Costs. If any action at law or in equity not resolved pursuant to Section 22, including action for declaratory relief, is brought to enforce or interpret provisions of this Agreement, the prevailing Party shall be entitled to reasonable attorney's fees and costs, which may be set by the court in the same action or in a separate action brought for that purpose, in addition to any other relief to which such Party may be entitled.

50. Necessary Acts and Further Assurances. The Parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.

51. Time is of the Essence. Time is of the essence in this Agreement for each covenant and term of a condition herein.

[Signatures on Following Page]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by and through their respective officers thereunto duly authorized.

PROFESSIONAL

Provost & Pritchard Engineering Group

By: _____

Print Name: _____

Title: _____

Date: _____

CITY

**City of Turlock, a California
municipal corporation**

By: _____

Robert C. Lawton, City Manager

Date: _____

APPROVED AS TO SUFFICIENCY:

By: _____

Douglas L. White, City Attorney

ATTEST:

By: _____

Jennifer Land, City Clerk



286 W. Cromwell Avenue
Fresno, CA 93711-6162
Tel: (559) 449-2700
Fax: (559) 449-2715
www.ppeng.com

July 30, 2019

Fallon Martin
Municipal Services Department
City of Turlock
156 South Broadway, Suite 270
Turlock, CA 95380

Re: Request for Proposal – Design & Engineering Services During Construction & Construction Management Services for Wellhead Treatment Installation

Dear Ms. Martin:

Provost & Pritchard thanks you for the opportunity to clarify and adjust the Scope of Services and fee estimate included in our July 1, 2019 proposal for Design & Engineering Services During Construction & Construction Management Services for Wellhead Treatment Installation. You will find that we have made the following changes and clarifications:

- For the pilot study, we have included the cost of retaining a vendor to complete the iron-assisted coagulation filtration pilot study (ICF) at Well 38. We have also included the cost for renting and installing a temporary pump in the well for the duration of the study. It is our understanding that the City will contract for laboratory analytical services directly. We have provided a list of analytes and quantity of samples to assist you in budgeting for these services.
- We have added environmental documentation (CEQA) services to our Scope of Services.
- We have clarified that our Schematic Design services will include evaluation of the impacts of the proposed treatment plant on the existing well pump and motor. This evaluation will consider the loss in well production capacity due to pressure loss across the filters and the potential benefits of converting the well to variable speed operation. A new pump and motor will be specified if necessary.
- We have clarified that our Scope of Services includes structural evaluation and design associated with potential pipe penetrations through the walls of the existing masonry well building.
- We clarify that our Scope of Services includes startup-assistance during the Construction Contract Administration phase of the project.

In addition to the Scope of Services clarifications noted above, Provost & Pritchard would like to emphasize our willingness to further negotiate our time and materials fee estimate and corresponding Scope of Services with the City. However, given the City's desire to avoid needing to amend the design contract at Council in the future, we believe that our current time

and materials estimate should be maintained, at least until the project design has proceeded far enough that the project features and challenges are better defined.

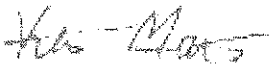
If you have any questions or need any additional information, please feel free to contact:

Keith Mortensen, PE, Project Manager
Mailing Address: 286 W. Cromwell Ave., Fresno, CA 93711
Telephone: (559) 449-2700
Fax: (559) 449-2715
Email: kmortensen@ppeng.com

Provost & Pritchard's project team is committed to providing quality services that meet the needs and requirements of the City's project. Thank you for considering us to be a part of your team.

Respectfully,


Kevin Berryhill, PE
Principal-In-Charge


Keith Mortensen, PE
Project Manager, Vice President

Enclosures: Attachment 1: Scope of Services
Attachment 2: Proposed Fee

Proposed Scope of Services

Our scope of work for this proposal is separated into following phases:

PHASE PS: PILOT STUDY

A. Project management

1. Project management and administration
2. Prepare and maintain workplan and project schedule
3. Coordinate progress reports and information needs to Qty
4. Coordinate Treatment Vendor Selection
5. Participate in kickoff conference call with Qty and Treatment Vendor
6. Prepare and submit monthly billing
7. Conduct QA/QC program

B. Pilot Study Protocol

1. Participate in a conference call with the Qty and DDW to establish regulatory goals and requirements for the study
2. Prepare a draft pilot study protocol for review by Qty
3. Submit protocol to DDW for review and comment
4. Prepare final protocol incorporating revisions in response to DDW comments

C. Pilot Study Contracting

1. Provost & Pritchard will retain a qualified treatment equipment supplier or independent third-party testing company to provide the necessary equipment; to conduct a one-week pilot study at Well 38; and to prepare a pilot study report.
2. Provost & Pritchard will rent a small-capacity (approximately 5 gpm) pump and have it installed in the well for the duration of the pilot study. It is assumed that the Qty will arrange for 240V or 480V power to be provided to the temporary pump.

D. Field Support

1. Provost & Pritchard will provide the following support services during the assumed 1-week duration of the study
2. Visiting the pilot unit once per day, with approximately 3 hours on-site required per visit. During each site visit Provost & Pritchard will:
 - Collect laboratory grab samples
 - Review that general testing procedures are in accordance with the approved pilot protocol.
3. Laboratory coordination:
 - Coordinate receipt of empty sample bottles from the laboratory
 - Fill out laboratory chain of custody forms
 - Transport grab samples to the laboratory

E. Summary Memorandum

1. Participate in a conference call with Qty and DDW to discuss results of pilot study
2. Prepare a draft summary memorandum of pilot results for review by Qty

3. Submit summary to DDW for review and comment
4. Prepare final summary memorandum incorporating revisions in response to DDW comments

Deliverables

1. Draft and Final Pilot Testing Protocol (electronic PDF)
2. Draft and Final Pilot Testing Summary Memorandum (electronic PDF)

Assumptions

1. Provost & Pritchard will contract and pay for pilot testing treatment vendor and Qty will contract and pay for laboratory analytical testing. Provost & Pritchard anticipates that the following analytical tests will need to be performed during the pilot study:
 - a. Arsenic speciation – pentavalent vs trivalent (1 sample)
 - b. Arsenic - total (15 samples with expedited analysis)
 - c. Iron (8 samples)
 - d. Laboratory pH (2 samples)
 - e. Manganese (1 sample)
 - f. Ammonia nitrogen (1 sample)
 - g. Sulfide – low level (1 sample)
 - h. Phosphate – low level (1 sample)
 - i. Total organic carbon (1 sample)
 - j. TTHM formation potential (1 sample)
 - k. HAA5 formation potential (1 sample)
 - l. BOD of backwash water (1 sample)
 - m. TSS of backwash water (1 sample)
 - n. TDS of backwash water (1 sample)
 - o. Any additional testing of backwash water required by the Qty's wastewater division
 - p. 1,2,3-trichloropropane per 524M (2 samples)
2. Provost & Pritchard will contract with a company to install a temporary low-flow well pump for use during the pilot study.
3. The Qty will provide power for the temporary pump used during the pilot study and will provide a means of disposing of the waste water produced during the study.
4. Pilot Study duration is 1 week
5. Fee is based on travel between the cities of Fresno and Turlock
6. Laboratory grab sample drop-off location is in Fresno or Turlock
7. No field (i.e. bench-top) analysis will be performed by Provost & Pritchard staff
8. Extra site visits, if required, will be considered additional services and will be invoiced on a time and materials basis

PHASE SD: SCHEMATIC DESIGN

- A. Project management
 1. Project management and administration
 2. Prepare and maintain workplan and project schedule
 3. Coordinate progress reports and information needs to Qty
 4. Participate in kickoff meeting with Qty
 5. Prepare and submit monthly billing
 6. Conduct QA/QC program

B. Geotechnical Services

1. Hire geotechnical subconsultant to conduct exploratory borings, laboratory testing and provide geotechnical engineering report containing findings, conclusions, and recommendations for use in design and preparation of construction specifications.

C. Surveying

1. Conduct right-of-way and boundary research for well and treatment site
2. Conduct field survey to locate sufficient monumentation to re-establish the right-of-way and property lines within the project limits.
3. Conduct topographic ground surveys of the project limits.

D. Agency and Utility Coordination

1. Utility Notifications – Send utility request letters to utility companies to obtain utility information within the project limits
2. Review Record Information and complete utility base mapping

E. Prepare Preliminary Engineering Report

1. Review of available information and data provided by the City including:
 - Previous Studies
 - Water system inspection reports
 - Water quality data
 - Water production data
 - Record drawings
2. Establish water treatment goals
3. Provide an evaluation of water treatment alternatives
 - Assumed that iron-assisted coagulation filtration is preferred approach
4. Evaluate water treatment plant site layout
5. Develop preliminary sizing for chemical storage tanks, chemical metering pumps, pumping stations, and process piping
6. Develop preliminary list of process instrumentation
7. Establish equipment redundancy and standby power requirements
 - Develop schematic drawings of the water treatment plant including:
 - Process Flow Diagram
 - Hydraulic Profile
 - Site Plan
8. Evaluate the impact of the proposed treatment plant on the capacity and operation of the existing well pump and motor and make recommendations for modifications if necessary
9. Identify and research permitting requirements for the new water treatment plant
10. Prepare a preliminary opinion of probable construction and O&M costs

Deliverables

1. Draft and Final Preliminary Engineering Report (electronic PDF)

Assumptions

1. Sufficient monumentation will be locatable to determine right-of-way and property limits.

2. The treatment plants is being constructed on property previously acquired by the City.
3. Sufficient well pump information (e.g. pump curves) is available to analyze the effect of the treatment plant on the well pump.

PHASE CEQA: ENVIRONMENTAL DOCUMENTS

A. Administrative Draft Initial Study/Mitigated Negative Declaration

1. Coordinate and attend one (1) kick-off meeting via conference call with City to finalize work product expectations, communication protocol, and project schedule, and to receive copies of any previously-prepared technical reports and any other project background information.
2. Prepare an Administrative Draft Initial Study/Mitigated Negative Declaration (IS/MND) pursuant to the CEQA Guidelines updated 2019 Appendix G Environmental Checklist.
3. Complete the following desktop studies and exhibits to provide analysis within the IS/MND within the first 30 days:
 - A CalEEMod air model for determining air quality pollutants and greenhouse gases potentially generated by the project.
 - Provost & Pritchard will run a United States Department of Agriculture Natural Resource Conservation Service Custom Soil Resource Report for the proposed Project site to determine soil types and associated risks and impacts.
 - Prepare GIS maps and information for the following: Regional Vicinity, Topographical Quadrangle, Area of Potential Effect, Zoning, General Plan, National Wetlands Inventory, FEMA Flood, Sensitive receptors, Soils and Farmlands.
 - Prepare Caltrans Designated Scenic Highways Map
 - Prepare Department of Toxic Substances Control (DTSC) EnviroStor Map
 - Prepare Waterboard Geotracker Map
4. Complete a Biological Resources Evaluation within the first 60 days, including the following:
 - Utilizing our staff biologist, perform a reconnaissance-level field survey of the Project site and immediately surrounding areas. Goals of the biological field survey include identification of existing biological resources within the Project areas, including land uses and biotic habitats, constituent plants and animals, and suitable habitat for special status species.
 - Prepare a summary report suitable for CEQA analysis.
5. Provost & Pritchard will utilize Culturescape as our sub-consultant for the Cultural Study. Work will include the following:
 - Record Search, Background Research, and Native American Consultation
 - Archaeological and Built Environment Fieldwork

B. Public Review Draft IS/MND and Notice of Intent to Adopt

1. Coordinate and attend one (1) project team meeting with City via conference call to discuss any comments on the Administrative Draft IS/MND.
2. Upon receipt of one (1) set of consolidated review comments from City, Provost & Pritchard will prepare the Draft IS/MND, Notice of Intent to Adopt (NOI), and Notice of Completion (NOC).
3. Publish the NOI pursuant to CEQA Guidelines and distribute 15 electronic copies of the IS/MND and NOC to the State Clearinghouse (SCH) and other interested agencies and individuals identified for the 30-day public review/comment period.

G. Prepare Final IS/MND and Notice of Determination

1. Prepare the Final IS/MND.
2. CEQA Guidelines §15075 requires that the lead agency file a Notice of Determination (NOD) within five (5) working days of the agency's decision to approve the project (Public Resources Code §21083).
3. Prepare a draft NOD for review by Qty.
4. File with the County Clerk's office and SCH. The NOD shall be posted for public review for a period of 30 days.

Deliverables

1. Electronic copy of the Administrative Draft IS/MND in MSWord
2. Electronic copy of Exhibits
3. Electronic copy of the cultural study
4. Electronic copy of biological evaluation report
5. Electronic copy and 15 CDs of the Draft IS/MND for the SCH, NOI and NOC for publication and distribution, in MSWord
6. One (1) electronic copy of the NOD

Assumptions

1. A Mitigated Negative Declaration (MND) will be the appropriate level of environmental document and NEPA is not included in the scope of work.
2. A single round of review of any draft documents will be performed by Qty. A single consolidated set of review comments from each entity will be provided to Provost & Pritchard using MSWord Track Changes mode.
3. Provost & Pritchard is not responsible for payment of permit, notification, filing, and processing fees to other applicable agencies and those will be the direct responsibility of Qty. For city budgeting purposes, CDFW Filing fees are currently \$2,354.75 plus a \$50 filing fee.
4. This scope of work does not include responding to any comments received during the public review/comment period; however, those services can be added through contract amendment, if requested. It is not anticipated any comments will be received.
5. This proposal does not include focused surveys, handling of special status species, technical studies, or documentation beyond those discussed in this scope of work.

PHASE CD: CONSTRUCTION DOCUMENTS

A. Project management

1. Project management and administration
2. Prepare and maintain workplan and project schedule
3. Coordinate progress reports and information needs to Qty
4. Prepare and submit monthly billing
5. Conduct QA/QC program

B. Preliminary Plans, Specifications, and Opinion of Probable Cost

1. Address any remaining comments on the preliminary site plan from SD phase
2. Prepare (60%) plans for the wellhead treatment construction project, including the following sheets:
 - Cover and index (1 sheet)
 - General notes (1 sheet)

- Legend and abbreviations (1 sheet)
 - Design Criteria (1 sheet)
 - Process Flow Diagram (1 sheet)
 - Hydraulic profile (1 sheet)
 - Horizontal control plan (1 sheet)
 - Demolition plan (1 sheet)
 - Site plan (1 sheet)
 - Grading plan (1 sheet)
 - Site piping plan (1 sheet)
 - Chemical and Sample Piping Plan (1 sheet)
 - Plan and profile for offsite piping (1 sheet)
 - Process details (2 sheets)
 - Civil Details (2 sheets)
 - Structural details (2 sheets)
 - Residuals management details (2 sheets)
 - Landscape sheets prepared by hired landscape architect subconsultant
 - Electrical sheets prepared by hired electrical engineering subconsultant
3. Prepare preliminary technical specifications in CSI format
 4. Prepare itemized estimate of quantities and cost
 5. Submit preliminary (60%) plans, specifications and estimate (PS&E)

C. Permitting Assistance

1. Coordinate with the State Water Resources Control Board – Division of Drinking Water (DDW) regarding the project
2. Prepare and submit Operations Plan to DDW for approval

D. Draft Final (90%) Design

1. 60% submittal review meeting with City
2. Address 60% review comments
3. Prepare draft final plans, including the same sheets listed in the previous phase
4. Prepare draft final technical specifications
5. Incorporate City up-front contract documents
6. Prepare draft final cost opinions
7. Submit draft final plans, specifications and estimate (electronic pdf)

E. Final (100%) Plans, Specifications, and Estimates

1. 90% submittal review meeting with City
2. Address draft final review comments
3. Prepare final plans
4. Prepare final technical specifications
5. Prepare final opinion of probable construction costs
6. Submit final plans, specifications and estimate
7. Submit 1 bid-ready documents submittal (electronic pdf)

F. BUILDING DIVISION PLAN REVIEW

1. Submit two full-size plan sets and one set of structural calculations for Building Division plan check

2. Complete backcheck process to obtain Building Division approval

Deliverables

1. 60% Design Submittal: plans, specifications and estimate (electronic pdf)
2. 90% Design Submittal: plans, specifications and estimate (electronic pdf)
3. Final Design Submittal: plans, specifications and estimate (electronic pdf)
4. Operations Plan (electronic pdf)

Assumptions

1. Qty boiler plate front-end specifications will be used (if available)
2. Backwash residuals can be sent to the sewer connection in one of the site frontage streets
3. A storm drain is located in one of the site frontage streets
4. Contractor will prepare and implement Storm Water Pollution Prevention Plan and Dust Control Plan if required
5. Qty will pay for all permit fees directly
6. No permits will be required other than those specifically identified above
7. The Qty will handle coordination with property owners adjacent to the new treatment site regarding aesthetic impacts, and construction activities.
8. Existing electrical service is adequate for addition of treatment equipment power and instrumentation
9. A Conditional Use Permit (CUP) will not be required.
10. No flood plain surveys will be required
11. Structural design includes design of pipe penetrations through the existing masonry building wall for conveying water to and from the proposed treatment plant
12. The Qty will pay all agency review, permit, and/or utility service application fees
13. The Qty's existing SCADA system can support the addition of the instrumentation and controls associated with the arsenic treatment plant

PHASE BD: BIDDING ASSISTANCE

A. Bidding Services

1. Attend pre-bid conference
2. Assist with the preparation of addenda and clarifications as necessary during the bid period (assumed 4 RFI responses)
3. Review bid proposals and provide recommendation for award

Deliverables:

1. RFI Responses (electronic PDF)

Assumptions:

1. Qty will advertise and facilitate the bidding process and Provost & Pritchard will assist

PHASE CA: CONSTRUCTION CONTRACT ADMINISTRATION

A. Construction Phase Services

1. Attend pre-construction kickoff meeting
2. Review contractor submittals prior to the start of construction

3. Make periodic site visits while construction is active to observe the progress of work; including a site visit for substantial completing and a final walk-through. A total of four (4) construction administration site visits are included in the scope of services.
4. Assist in response to RFIs (assumed 4 RFI responses)
5. Review the contractor's completion documents. Prepare record drawings based on "as-built" information furnished by the Contractor and City. Provide one copy of reproducible record drawings to City for permanent records.
6. Startup assistance and staff training over a two-week startup period.

Deliverables:

1. RFI Responses (electronic PDF)
2. Record drawings (electronic PDF)

PHASE CM: CONSTRUCTION MANAGEMENT

This phase consists of management of the construction process by the Resident Project Representative. The following services will be performed:

1. Act as the City's primary point of contact with Contractor. Coordinate efforts of the City, design engineer, contractor, and subcontractors. Respond to contractor RFI's during construction. Assist with preparing contract change orders.
2. Review and process monthly progress payment summary for signature and issuance by the City.
3. Provide day-to-day construction observation by a qualified construction field representative during construction; including daily report and photos. It is assumed that the construction contract duration will be 10 months. Our fee estimate includes daily visits to the project site during the construction period. Our fee estimate includes 5 days per week at 8 hours per day (including travel time, mileage and Per Diem)
4. Submit final punch list and project closeout checklist to the contractor.

Deliverables

1. Daily Observation Reports (electronic pdf)
2. Final Punch List (electronic pdf)

Proposed Fee			
Design Services			
Pilot Study	PS		\$63,000
Schematic Design	SD		\$65,000
Construction Documents	CD		\$250,000
Subtotal Design Services			\$378,000
Bidding and Construction Services			
Bidding Assistance	BD		\$19,000
Construction Administration	CA		\$73,000
Construction Management	CM		\$398,000
Subtotal Bid and Construction Services			\$490,000
Environmental Documentation			
Environmental Documentation	CEQA		\$40,000
Subtotal Bid and Construction Services			\$40,000
Total Fee			\$908,000

Preliminary Project Schedule

Preliminary Project Schedule					
Milestone	Deliverables	Agency Review	Calendar Days Duration	Start	End
City Council Approval			0	8/13/19	8/13/19
Notice to Proceed			0	8/13/19	8/13/19
Pilot Study				8/16/19	11/8/19
	<i>Draft Protocol</i>		14	8/16/19	8/30/19
		<i>Review</i>	7	8/30/19	9/6/19
	<i>Final Protocol</i>		7	9/6/19	9/13/19
	<i>Pilot Study Coordination and Startup</i>		28	9/13/19	10/11/19
	<i>Draft Summary Memorandum</i>		14	10/11/19	10/25/19
		<i>Review</i>	7	10/25/19	11/1/19
	<i>Final Summary Memorandum</i>		7	11/1/19	11/8/19
Schematic Design				8/16/19	9/30/19
	<i>Draft Preliminary Engineering Report</i>		31	8/16/19	9/16/19
		<i>Review</i>	7	9/16/19	9/23/19
	<i>Final Preliminary Engineering Report</i>		7	9/23/19	9/30/19
Construction Documents				9/23/19	12/30/19
	<i>60% Design Submittal</i>		45	9/23/19	11/7/19
		<i>Review</i>	7	11/7/19	11/14/19
	<i>90% Design Submittal</i>		29	11/14/19	12/13/19
		<i>Review</i>	7	12/13/19	12/20/19
	<i>Final Design Submittal</i>		10	12/20/19	12/30/19
Bid, Advertise and Award			65	12/30/19	3/4/20
Construction			300	3/4/20	12/29/20

City Council Staff Report

August 27, 2019



From: Maryn Pitt, Assistant to the City Manager for Economic Development and Housing

Prepared by: Maryn Pitt, Assistant to the City Manager for Economic Development and Housing

Agendized by: Robert C. Lawton, City Manager

1. ACTION RECOMMENDED:

Motion: Approving a Memorandum of Understanding (MOU) with Stanislaus Business Alliance (Opportunity Stanislaus) for Economic Development and Workforce strategies for Fiscal Years 2019-2020 and 2020-2021

2. SYNOPSIS:

Approve a two year Memorandum of Understanding with Opportunity Stanislaus for economic development and training services as outlined in the MOU.

3. DISCUSSION OF ISSUE:

The Stanislaus Business Alliance, also known as Opportunity Stanislaus is a private-public organization. It is the unique blend of economic development activities, workforce development, and training assistance that provides for professional one-stop services for existing and prospective companies in Stanislaus County. Within the Alliance are the following key departments:

- Corporate Relocation
- Business Assistance
- Small Business Development Center
- Business Resource Center
- Education Foundation
- VOLT Institute

The mission of the Opportunity Stanislaus is about improving the economic vitality of Stanislaus County by helping local employers grow, by attracting innovative companies to the county, and by helping entrepreneurs grow their businesses. The Organization helps companies by assisting them in their workforce readiness

needs, by helping them to navigate through the regulatory process, by introducing them to financial incentives and financing programs, and by helping them locate appropriate sites and buildings to meet their needs.

Opportunity Stanislaus facilitates economic development and workforce training activities throughout the County and supports the efforts of the nine cities. Under its leadership, Opportunity Stanislaus is committed to creating a blueprint for success, which can make Stanislaus the strategic business choice for existing and expanding businesses by focusing on job creation, business assistance, and workforce preparation activities.

Having a Memorandum of Understanding to clearly articulate expectations of the relationship is a new process. The City of Turlock has been a member of the Stanislaus Business Alliance since 1994. Over the last year, the Alliance has sought to strengthen its relationship with each City within the County and to find additional avenues for collaboration. Specifically to Turlock, the Alliance has agreed to the scope of services and initiatives as outlined in the Memorandum of Understanding.

Over the last two years, the City of Turlock and the Stanislaus Business Alliance have partnered to engage in several economic development activities with great success. Some of those activities have included business retention surveys and strategies as well as outreach and engagement with manufacturers for future VOLT Institute training cadres.

4. BASIS FOR RECOMMENDATION:

- A. The purpose of the Memorandum of Understanding is to express collaboration between the City of Turlock and Opportunity Stanislaus with regard to the joint implementation of the County-wide economic development and marketing strategy and to clarify roles and responsibilities.

5. FISCAL IMPACT / BUDGET AMENDMENT:

Fiscal Impact – None at this time. Funds in the amount of \$30,000 have already been budgeted in account number 110-10-112.47243 for Fiscal Year 2019-20.

6. CITY MANAGER'S COMMENTS

Recommend Approval.

7. ENVIRONMENTAL DETERMINATION:

No environmental determination is required.

8. ALTERNATIVES:

- A. The Council could reject the scope of work contained in the Memorandum of Understanding with Opportunity Stanislaus. This alternative is not recommended as the attached scope of work has been developed over time based on the City's economic development priorities and strategies.
- B. The Council could direct staff to implement a different set of expectations or scope of work with Opportunity Stanislaus. This option is not recommended as the attached scope of work has been developed based on the needs of staff and the ability of Opportunity Stanislaus to deliver on the objectives.



**MEMORANDUM OF UNDERSTANDING #3
BETWEEN
STANISLAUS BUSINESS ALLIANCE (OPPORTUNITY STANISLAUS) AND THE CITY OF
TURLOCK
FOR FISCAL YEARS 2019-2020 AND 2020-2021
FOR ECONOMIC DEVELOPMENT
AND WORKFORCE STRATEGIES**

The Stanislaus Business Alliance, hereafter referred to as Opportunity Stanislaus (OS) and the City of Turlock, (CITY) will work together on the City's proactive economic development efforts to create and preserve jobs, strengthen the City's economic base and enhance the City of Turlock's revenue base.

This Memorandum of Understanding (MOU) # 3 is to facilitate (OS) and the City of Turlock's desire to effectively communicate strategies and information with local and regional partners that will maximize their contribution toward the achievement of Turlock's economic development goals. Further, this Memorandum of Understanding #3 establishes the parameters for a successful partnership between OS and the City of Turlock and outlines the general responsibilities to be carried out by both parties.

This MOU #3 is intended to establish the basic tenets of a collaborative and successful working relationship between the City of Turlock and OS to create more jobs for Turlock and the region but does not impose a legal obligation on either party. Together, the City of Turlock and OS will:

1. Work together to identify target sectors for joint initiatives including, but not limited to, biotechnology, agribusiness, manufacturing, clean energy, environmental sciences, and information and communication technologies;
2. Work together to identify opportunities for strategic partnerships and alliances between private sector companies in Turlock and the Stanislaus County Region;
3. Explore opportunities for joint trade promotion and joint promotional activities related to the tourism, cultural and sports sectors;
4. Examine options for co-operative activity to facilitate development of strategic partnerships/collaborations between the jurisdictions' respective inland ports, particularly as they relate to value-added and complementary services supporting their respective business communities;
5. Examine options for co-operative activity in existing and emerging knowledge/innovation economy partnerships; and

6. Leverage collaborative efforts amongst members throughout Stanislaus County and the Region with a particular focus on trade and business development, knowledge/innovation, economy development, life sciences, biotechnology, and information technology development.

The City of Turlock and Opportunity Stanislaus recognize the benefits of ongoing, regular contact between their respective organizations to promote economic development and job creation and identify areas in which there are opportunities for joint co-operation.

The following are general actions and activities to be undertaken by Opportunity Stanislaus and by the City of Turlock in the implementation of the Countywide Economic Development Plan and Marketing Strategy first adopted on August 12, 2003 and the Alliance 2008-2013 Strategic Plan approved on November 19, 2007. Opportunity Stanislaus in conjunction with Stanislaus County and all of the cities are completing work on a 2020-2024 Strategic Plan. In addition, the City will be moving ahead to apply for United States Economic Development Administration (EDA) funds for a project contained in the Countywide Economic Development Plan and Marketing Strategy (CEDS) plan.

Specifically, the Opportunity Stanislaus:

1. Will conduct economic development activities to encourage the development of new business opportunities, the attraction of new businesses and the retention and expansion of existing business within the City of Turlock;
2. Will continue with the Local Industry Program for the base sector employers in Turlock and will include a representative of the City on those interactive visits.
3. Will provide the City of Turlock with on-going market and economic analyses through the Opportunity Stanislaus Business Resource Center on a variety of important business sector topics based on the City of Turlock's priorities and goals. Information will be used at the City's discretion (annual budget document, Comprehensive Economic Development Strategy, as well as other reports).
4. Will coordinate collaborative visits, recruitment trips and trade show participation for attracting target businesses, primarily from the Bay Area and Silicon Valley.
5. Will support and coordinate with the City of Turlock on workforce support efforts to help Turlock employers find the workforce resources they need from the county and state.
6. Will partner with Turlock on potential industry visits by continuing to involve the City of Turlock in prospect meetings as well as participating in Trade show exhibits.
7. Will support the City of Turlock in its applications for Economic Development Administration (EDA) grant funds as well as actively participate on the Economic Development Action Committee (EDAC) and assigned responsibilities and coordination of the update to the Comprehensive Economic Development Strategy (CEDS) and other economic planning documents such as the San Joaquin Valley Economic Development District plan and others.

8. Will facilitate, in a transparent manner, all potential development and prospect leads as well as provide an update or status on previous leads that were circulated and responded to by the City of Turlock.
9. Will advocate for the establishment of an effective Entrepreneurial Program at CSU Stanislaus as well as explore the feasibility of having a full time Small Business Development Center (SBDC) staff person located in Turlock to serve the Turlock business community.
10. Alliance quarterly progress reports shall be submitted four times a year, as set forth below, and will describe activities in business attraction, business assistance/expansion and business advocacy efforts provided by the Opportunity Stanislaus Business Resource Center, the Business Services Unit and the Small Business Development Center. These Quarterly Reports will be submitted on or before the following due dates during each year as follows:
 - o Quarter #1: March
 - o Quarter #2: June
 - o Quarter #3: September
 - o Quarter #4: January

These reports will provide ongoing, updated information to the City of Turlock relative to the progress of the aforementioned Marketing Strategy as well as the adopted OS Program of Work for Year 2019-2021. These reports will include the current focus of the campaign as well as the number and type of responses received.

Specifically, the City of Turlock:

11. Will assist in providing the necessary staff support based on the availability of staff resources and the City of Turlock's specific priorities in response to stated business needs. Further, the City will respond and actively participate in programs with existing companies or new firms interested in relocation or expansion to the Turlock area.
12. Will facilitate ease of access and assistance to all businesses with regard to zoning and permitting in compliance with the City of Turlock's adopted land use regulations and building codes and consistent with Turlock's adopted growth and land use policies and objectives.
13. Will provide current data as it relates to changes in land use issues, infrastructure upgrades, zoning, fee structures or any other jurisdictional actions which assist in meeting the stated objectives of this MOU and that impact the ability of OS to respond to stated business issues and concerns.
14. Will interact with the OS Marketing Team subject to staffing, time and monetary constraints. Participation will be at a level deemed appropriate based on any restraints as defined.
15. Will encourage elected officials to actively support business park creation, job creation opportunities, job retention and new business development.

Either party may withdraw or terminate its participation in this MOU at any time or for no reason, by providing the other party with written notice of its intent to do so.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by and through their respective officers' thereunto duly authorized. Further, this MOU #3 is consistent with the original intent of the Countywide Economic Development Plan and Marketing Strategy and the responsibilities as outlined, meets with the approval of both parties to this Memorandum of Understanding #3.

Opportunity Stanislaus

City of Turlock

Signature: _____

Signature: _____

David White, Chief Executive Officer

Robert C. Lawton, City Manager

Date _____

Date _____

City Council Staff Report

Date August 27, 2019



6F

From: Douglas L. White, City Attorney
Prepared by: Douglas L. White, City Attorney
Agendized by: Robert C. Lawton, City Manager

1. ACTION RECOMMENDED:

Resolution: Appropriating amounts received through the Cannabis Business Pilot Program to recover all costs incurred by the City of Turlock or its vendors for time, materials, and expenses associated with the Cannabis Business Pilot Program

2. SYNOPSIS:

At its June 11, 2019 meeting, the Turlock City Council ("City Council") adopted a commercial cannabis pilot program ("Cannabis Business Pilot Program") which, consistent with state law, established a framework and regulations for cannabis business activity within the City of Turlock ("City"). Following adoption of the Cannabis Business Pilot Program, the City issued and circulated a Request for Qualifications ("RFQ"). The purpose of the RFQ was to form the basis for a selection process of qualified cannabis operators for participation in the Cannabis Business Pilot Program. Over forty (40) applicants responded to the RFQ. To date, four (4) operators have been selected to move forward in the RFQ process.

3. DISCUSSION OF ISSUE:

In the first phase of the RFQ process, in close collaboration with the City Attorney's office, City staff evaluated the proposals submitted in response to the RFQ and selected qualified proposed cannabis operators for consideration to participate in the Cannabis Business Pilot Program. Four (4) operators have moved on to the second phase, which includes background checks, credit checks, and further examination of the proposed business formation, organization, and financial viability.

Funds have been deposited with the City by each applicant seeking to operate a commercial cannabis business within the City (the "Cannabis Deposit Funds"). The funds deposited are to be used to pay or reimburse the City for all expenses, including consultant, attorney, and staff time, associated with establishing the

Cannabis Business Pilot Program and RFQ process. Additionally, the funds will be used to pay for processing development agreements and conditional use permits for individual applicants, and all related fees, costs, and expenses associated with the Cannabis Business Pilot Program.

City staff recommends the Cannabis Deposit Funds be appropriated to cover the associated costs with establishing and implementing the Cannabis Business Pilot Program and the RFQ process.

4. BASIS FOR RECOMMENDATION:

It is necessary to appropriate funds from the Cannabis Deposit Funds to recover the costs and expenses associated with the Cannabis Business Pilot Program to avoid a significant impact to the General Fund.

5. FISCAL IMPACT:

Funds have been deposited by each applicant seeking to operate a cannabis business within the City into Cannabis Deposit Funds. Appropriating those existing, unappropriated funds to pay or reimburse expenditures and costs resulting from the Cannabis Business Pilot Program will not have a fiscal impact.

6. CITY MANAGER'S COMMENTS:

Recommend Approval.

7. ENVIRONMENTAL DETERMINATION:

N/A

8. ALTERNATIVES:

A. Reject the proposed resolution and provide staff with further direction.

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF APPROPRIATING }
AMOUNTS RECEIVED THROUGH THE }
CANNABIS BUSINESS PILOT PROGRAM TO }
RECOVER ALL COSTS INCURRED BY THE }
CITY OF TURLOCK OR ITS VENDORS FOR }
TIME, MATERIALS, AND EXPENSES }
ASSOCIATED WITH THE CANNABIS }
BUSINESS PILOT PROGRAM }

RESOLUTION NO. 2019-

WHEREAS, funds have been paid to the City of Turlock ("City") for review of each of the responses to the Request for Qualifications for use and operation of commercial cannabis businesses within the City (the "RFQ"); and

WHEREAS, funds have been deposited with the City by each applicant seeking to operate a commercial cannabis business within City (the "Funding Agreements"); and

WHEREAS, the RFQ and Funding Agreement funds are to be used to pay or reimburse City for all expenses, including consultant, attorney, and staff time, associated with establishing the commercial cannabis pilot program and RFQ process, as well as processing development agreements and conditional use permits for individual applicants, and all related fees, costs, and expenses for the aforementioned.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Turlock does hereby direct and authorize expenditure and appropriation of such funds received from the RFQ and Funding Agreements to recover all costs incurred by City or its vendors for the time, materials, and expenses associated with establishing the Cannabis Business Pilot Program, conducting the RFQ process, and the processing of individual applications to operate a commercial cannabis business within the City.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Turlock this 27th day of August 2019, by the following vote.

AYES:

NOES:

NOT PARTICIPATING:

ABSENT:

ATTEST:

Jennifer Land, City Clerk,
City of Turlock, County of Stanislaus,
State of California

City Council Staff Report

August 27, 2019



BA

From: Douglas L. White, City Attorney
Prepared by: Douglas L. White, City Attorney
Agendized by: Robert C. Lawton, City Manager

1. ACTION RECOMMENDED:

Ordinance: Introducing an Ordinance for first reading approving a Development Agreement by and between the City of Turlock and Fire House Cooperative, Inc. located at 1601 West Main Street, Turlock, CA, County of Stanislaus, Assessor's Parcel Number 089-015-006

2. SYNOPSIS:

At its June 11, 2019 meeting, the Turlock City Council ("City Council") adopted a commercial cannabis pilot program ("Cannabis Business Pilot Program") which, consistent with state law, established a framework and regulations for cannabis business activity within the City of Turlock ("City").

At its August 22, 2019 meeting, the Turlock Planning Commission ("Planning Commission") recommended adoption of an ordinance of the City Council of the City of Turlock approving a Development Agreement between the City of Turlock and Fire House Cooperative, Inc.

3. DISCUSSION OF ISSUE:

In November of 2016, the voters of California approved Proposition 64, entitled the "Control, Regulate and Tax Adult Use of Marijuana" ("AUMA"). AUMA legalized the adult-use, possession and retail sale of cannabis by persons 21 years of age and older.

On June 27, 2017, Governor Jerry Brown signed into law the Medicinal and Adult Use Cannabis Regulation and Safety Act ("MAUCRSA") which, combined with AUMA, creates a single regulatory scheme for both medicinal and adult-use cannabis businesses. MAUCRSA retains the provisions in AUMA that granted local jurisdictions control over whether businesses engaged in commercial cannabis activity may operate in their jurisdiction.

On June 11, 2019, the Turlock City Council ("City Council") adopted Ordinance 1255-CS enacting cannabis regulations for cannabis businesses pursuant to AUMA and MAUCRSA. On June 11, 2019, the City Council adopted Ordinance 1255-CS to establish a Cannabis Business Pilot Program (the "Pilot Program"). The Cannabis Business Pilot Program allows for the regulation of cannabis businesses through a development agreement and a conditional use permit process.

4. BASIS FOR RECOMMENDATION:

Fire House Cooperative, Inc. ("Fire House") will be The Premier Group's (the "Group") fourth dispensary serving the Central Valley. The Premier Group is owned and operated by CEO Bert Sarkis and CTO Devin Stetler—both residents of Stanislaus County. The Premier Group's performance as both a business and a community leader contributed to its #1 ranking among the numerous retail requests for qualifications the City of Turlock ("City") received. Their growth, customer satisfaction, and community commitment played major roles in Staff's recommendation.

The Premier Group operates three (3) retail locations in Ceres, Riverbank, and Modesto, which opened in 2017, 2018, and 2019 respectively. These three (3) dispensaries serve nearly 120,000 residents in the Stanislaus County area.

The retail locations have contributed significantly to each community. In the month of June, Premier Group dispensaries paid over \$100,000 to each of Ceres, Riverbank, and Modesto. However, Staff and the applicant believe that Fire House will pay a public benefit amount greater than \$1.2 million to the City annually.

Like the Premier Group's other locations, Fire House promises a unique cannabis experience. They claim to hold two-dozen exclusive cannabis brand partnerships. Additionally, their cultivation and manufacturing operations, which are proposed to be developed in Turlock, will ensure that a significant share of their product is grown, packaged, and consumed in Stanislaus County.

The Premier Group emphasizes its local roots and is committed to hiring locally within Turlock. They have a proven track record of philanthropy in each community in which they operate. In its three (3) years of operation, the Group has donated over \$180,000 to various charities in the Central Valley. The Group has arranged for its employees to volunteer at local city and nature improvement programs.

The Premier Group's tremendous growth, the sophistication with which they operate, and their community involvement were key in convincing City leaders that Fire House is the proper fit for the City. Fire House has secured a location in Turlock and has already submitted site plans. City Staff is convinced that Fire House is one of the few candidates ready to hit the ground running. Staff believes

that Fire House has the ability to succeed and to thrive as a regional industry leader with a hub in Turlock.

The City seeks to enter into a Development Agreement with Fire House Cooperative, Inc. that leases real property located at 1601 West Main Street, Turlock, California, County of Stanislaus, Assessor's Parcel Number 089-015-006 (the "Property"), on which Fire House Cooperative, Inc. intends to operate a storefront retail dispensary (the "Project"). The Property is zoned Community Commercial (CC). Fire House Cooperative, Inc. has obtained the Property's owner's consent to operate the cannabis business on the Property. The major elements of the Development Agreement are summarized below:

- The term of the agreement is five (5) years.
- Fire House Cooperative, Inc. is required to begin operations no later than six (6) months after the Development Agreement and Conditional Use Permit are approved.
- The Project will provide Fire House Cooperative, Inc. with substantial private benefits that will place burdens upon the City infrastructure, services, and neighborhoods. Fire House Cooperative, Inc. will offset these impacts through a monthly payment classified as a "Public Benefit" amount. The Public Benefit is designed and intended to offset or mitigate any potential impacts of the Project on the community.
- Fire House Cooperative, Inc. will pay to the City a Public Benefit of no less than \$25,000 per month or 5.25% of its gross receipts from its operations on a monthly basis, during the first year; no less than \$30,000 per month or 5.25% of its gross receipts on a monthly basis, during the second year; no less than \$35,000 per month or 5.25% of its gross receipts during the third year; no less than \$40,000 per month or 5.25% of its gross receipts during the fourth year; and no less than \$45,000 per month or 5.25% of its gross receipts during the fifth year. The first Public Benefit payment will be due following the first month Fire House Cooperative, Inc. begins operations.
- The Project will be subject to security protocols, including security cameras and an alarm system, odor control requirements, insurance requirements, and a waste management plan as required under the Turlock Municipal Code. These requirements will be set forth in the conditional use permit for the Project.

5. FISCAL IMPACT:

If City Council adopts the Ordinance, the City will have an agreement in place to offset any impacts the proposed cannabis business would have upon City services, infrastructure, and neighborhoods. Since the Public Benefit imposed

upon the cannabis business scales upward with increased revenue and associated impacts, the Development Agreement ensures that any costs to the City associated with the cannabis business are adequately addressed.

6. CITY MANAGER'S COMMENTS:

Recommend Approval.

7. ENVIRONMENTAL:

The Development Agreement is exempt from provisions of the California Environmental Quality Act ("CEQA"), pursuant to Public Resources Code Sections 21065 and 21068, and CEQA Guidelines Section 15061(b)(3) of Title 14 of the California Code of Regulations applicable to activities covered under the common sense exemption that have no potential for causing a significant effect on the environment.

8. CONCLUSION:

Staff recommends the adoption of an Ordinance of the City Council approving a Development Agreement by and between the City of Turlock and Fire House Cooperative, Inc.

ATTACHMENTS -

1. RFQ Submittal

EXHIBITS -

- A. Fire House Cooperative, Inc. Development Agreement



Request for Proposal

FIREHOUSE

— THE PREMIER GROUP —

PCF • PHENOS • *Flavors* • blueFIRE • FUEGO • azol • PHENOS • HGVC
cultivation

devin@thepremier.group

FIREHOUSE

TABLE OF CONTENTS

<u>BUSINESS PLAN</u>	<u>1</u>
INTRODUCTION	1
ORGANIZATION STRUCTURE	2
A. PRINCIPAL BACKGROUND INFORMATION	3
B. LEGAL OWNERSHIP STRUCTURE	4
ATTACHMENT: ARTICLES OF INCORPORATION	
ATTACHMENT: SECRETARY OF STATE STATEMENT OF INFORMATION	
C. PROPOSED BUSINESS LOCATION	5
D. BUSINESS & OPERATION PLAN	7
ATTACHMENT: PATIENT CARE FIRST 2018 ANNUAL REVENUE	
E. PROPOSED PHILANTHROPY PLAN	9
ATTACHMENT: LETTERS OF RECOMMENDATION	
F. PRELIMINARY FLOOR PLAN	12
G. PRELIMINARY SECURITY PLAN	13
<u>PERSONNEL/PROJECT TEAM</u>	<u>15</u>
<u>ECONOMICS</u>	<u>16</u>
ATTACHMENT: SALES & USE TAX RECEIPTS	

INTRODUCTION - FIREHOUSE

Thank you for your consideration. We are Devin Stetler and Bert Sarkis, the two owners of **The Premier Group** comprising 16 state and local licenses and three currently operating dispensaries: Patient Care First in Ceres, Flavors of Riverbank, and Phenos in Modesto. These stores serve the Central Valley's largest market share of cannabis patients and lead in both gross sales and developer agreement payments to each city. Recognizing the importance of mitigating the use of city services, we proudly have little to no calls for service at any of our locations.

All of The Premier Group's dispensaries are licensed as both adult-use and medical. To remain competitive, a dispensary should have both license types. This request for qualification is for an adult-use and medical dispensary in the City of Turlock.

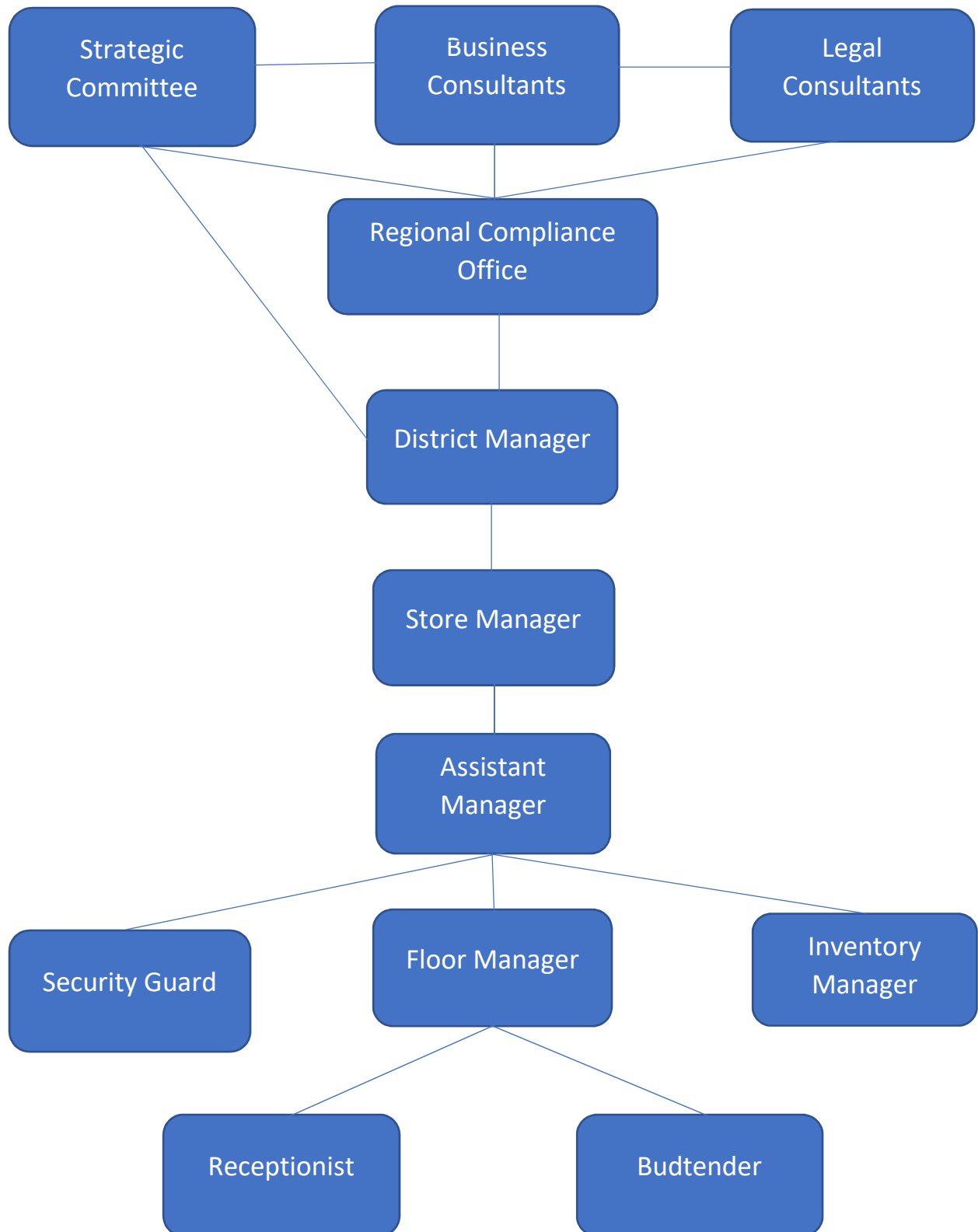
Based on the most liberal reports, 1 out of 3 people in the United States consumes cannabis. By this estimation, 183,000 of the 550,000 Stanislaus County residents have used cannabis products. Our current patient count is 118,000 and growing. This means that our three stores currently serve 65% of the overall market share in Stanislaus County.

Our rationale for applying in the city of Turlock is that over 7,122 of our current patients and customers reside in the City of Turlock. Bringing them and other Turlock residents a safe, legal, and convenient location would benefit these customers as well as significantly increase City revenue. Last month alone, both the City of Ceres and Modesto received over \$100k each from our dispensaries. A considerable portion of that revenue came from Turlock residents and should remain in the City of Turlock.

Our organizational structure is continually evolving as we add elements necessary to stay ahead of the market. Part of our structure that provides a competitive advantage is having two on-site managers at all times and a District Manager overseeing all locations. We also have a dedicated compliance office with live video feeds of all stores which allows management to quickly test and understand effective strategies at one location and apply it to other locations immediately.

We have been working on the possibility of a Turlock license for over a year. We have located and secured a location that we anticipate will outperform our Ceres and Modesto dispensaries. We developed plans, secured the contractors, and applied for a tenant improvements permit. In addition, we have purchased all necessary displays counters, computers, security systems, etc. The required state license for operation is an "Adult-Use and Medicinal Retailer License". Due to the Bureau of Cannabis Control backlog, we have pre-emptively submitted our state application for the City of Turlock and received a pending, placeholder status to expedite the 6-month wait. In our last application in the City of Modesto, we were ready to open within 7 days of city approval and hope to accomplish the same in the City of Turlock.

ORGANIZATION STRUCTURE



A) PRINCIPAL BACKGROUND INFORMATION

Principals

The applicants of this RFQ and principals of Firehouse are Devin Stetler and Bert Sarkis, owners of 16 approved state and local licenses and three dispensaries setting the industry example in every category since 2017. Both owners live in Stanislaus County and currently operate Patient Care First in Ceres, Flavors of Riverbank, and Phenos in Modesto. They will be opening dispensaries in Merced and Stockton in the summer and fall of 2019, respectively. Devin and Bert have demonstrated their knowledge and expertise over the past thirty (30) months by creating and operating the largest developer agreement fee-contributing dispensaries in Northern California, serving over 118,000 patients and customers as of June 15, 2019. Gross sales determine city revenue and the best evidence of gross sales is sales tax receipts, thus these facts are evidenced by our sales tax receipts.

Devin and Bert's team has prepared for the future of the industry by selecting strategic locations in the most densely populated areas of the Central Valley. Their group has also secured four (4) distribution licenses and 167,000 sq ft of cultivation space to produce the most sought-after products and achieve vertical integration.

Devin and Bert's dispensaries are often referenced during city counsel hearings throughout the Central Valley due to their large payments made to Ceres, Riverbank, and Modesto.

Philosophy

Devin and Bert's mission is to continue to reduce the illegal black market by competing at a low price point. In addition to aggressive pricing, they will continue to offer unprecedented security, high-end exclusive variety, top quality brands, and exceptional customer experience. This will ensure a preferred alternative to black market, untested cannabis. They have now been doing so for over two years and their market share demonstrates they have successfully created a model to win over local law enforcement, cities, and communities. They also understand that their 16 licenses are not a *right to do business*, rather an *opportunity to prove themselves* and build successful partnerships within each city they operate. Many of the known applicants have come to us for advice, capital, or compliance support. As part of a small cannabis community in its infant stages, we are happy to contribute and help others elevate the standard in this industry.

B) LEGAL OWNERSHIP STRUCTURE

Firehouse Cooperative, Inc. dba Firehouse

1601 West Main Street Turlock, CA 95380

Officers

Devin Stetler

Equal Partner/ CTO

(209) 442-3244

devin@thepremier.group

2213 Patterson Rd.

Riverbank, CA 95367

Angilbert (Bert) Sarkis

Equal Partner/ CEO

(209) 996-5959

bert@thepremier.group

1442 Angie Ave.

Modesto, CA 95351

Firehouse Cooperative, Inc. is a corporation with two equal partners.

The following affiliates are owned and operated by Devin Stetler and Bert Sarkis and together make up The Premier Group:

1) Patient Care First (PCF) [Ceres]	A + M Retail	Since Dec 17, 2017
2) Flavors [Riverbank]	A + M Retail	Since March 14, 2018
3) Patient Care First Distribution [Ceres]	A + M Distribution	Since July 16, 2018
4) Phenos [Modesto]	A + M Retail	Since March 18, 2019
5) blueFIRE [Merced]	A + M Retail + Distribution	Coming Summer 2019
6) Phenos [Stan County]	A + M Cultivation + Distribution	Coming in 2020
7) FUEGOazul [Merced]	A + M Cultivation + Distribution	Coming in 2020
8) Firehouse [Turlock]	A + M Retail	<i>Application in progress</i>

Attachments:

1. Firehouse Cooperative, Inc. Articles of Incorporation
2. Secretary of State Statement of Information
3. Bylaws
4. Firehouse Fictitious Name Statement (*Pending Approval*)

ATTACHMENT: FIREHOUSE ARTICLES OF INCORPORATION

ARTICLES OF INCORPORATION

Article 1.

The name of this Corporation is FIRE HOUSE COOPERATIVE, INC.

Article 2.

This Corporation is a cooperative corporation organized under the Cooperative Corporation Law. The purpose of this Corporation is to engage in any lawful act or activity for which a corporation may be organized under such law.

The specific purpose of this Corporation is to facilitate herbal or natural remedies for chronically ill patient members who are California residents with HIV, AIDS, chronic pain, chronic spasticity, glaucoma, arthritis, cancer, migraine, wasting syndrome, and/or such other conditions for which licensed medical physicians may recommend such herbal or natural remedies pursuant to California law.

Article 3.

The name and address in the State of California of this Corporation's initial agent for service of process is:

Arthur D. Hodge
701 Palomar Airport Road, Suite 300
Carlsbad, CA 92011

Article 4.

The initial street address and mailing address of the Corporation is: 607 Hedburg Way, Oakdale, CA, 95361.

Article 5.

The voting rights of each member of the Corporation are equal, and each member is entitled to one vote. The proprietary interests of each member of the Corporation are unequal, and the rules by which the proprietary interests are determined shall be prescribed by the Bylaws of the Corporation.

Date: December 6, 2017



Arthur D. Hodge, Incorporator

4089773

FILED

Secretary of State
State of California

RC DEC 11 2017

ATTACHMENT: SECRETARY OF STATE STATEMENT OF INFORMATION

	Secretary of State Statement of Information (California Nonprofit, Credit Union and General Cooperative Corporations)	122 SI-100
	IMPORTANT — Read instructions before completing this form. Filing Fee — \$20.00; Copy Fees — First page \$1.00; each attachment page \$0.50; Certification Fee - \$5.00 plus copy fees	
1. Corporation Name (Enter the exact name of the corporation as it is recorded with the California Secretary of State) FIREHOUSE COOPERATIVE, INC.		

18-612259

FILED
Secretary of State
State of California
FEB 26 2018

This Space For Office Use Only

2. 7-Digit Secretary of State File Number
4089773

3. Business Addresses

a. Street Address of California Principal Office, if any - Do not enter a P.O. Box 1750 STANDIFORD AVE.	City (no abbreviations) MODESTO	State CA	Zip Code 95350
b. Mailing Address of Corporation, if different than item 3a 2908 E WHITMORE AVE. #H-216	City (no abbreviations) CERES	State CA	Zip Code 95307

4. Officers

The Corporation is required to enter the names and addresses of all three of the officers set forth below. An additional title for Chief Executive Officer or Chief Financial Officer may be added; however, the preprinted titles on this form must not be altered.

a. Chief Executive Officer First Name DEVIN Address 1750 STANDIFORD AVENUE	Middle Name City (no abbreviations) MODESTO	Last Name STETLER State CA	Zip Code 95350
b. Secretary First Name DEVIN Address 1750 STANDIFORD AVENUE	Middle Name City (no abbreviations) MODESTO	Last Name STETLER State CA	Zip Code 95350
c. Chief Financial Officer First Name DEVIN Address 1750 STANDIFORD AVENUE	Middle Name City (no abbreviations) MODESTO	Last Name STETLER State CA	Zip Code 95350

5. Service of Process (Must provide either Individual OR Corporation.)

INDIVIDUAL - Complete Items 5a and 5b only. Must include agent's full name and California street address.

a. California Agent's First Name (if agent is not a corporation) ARTHUR	Middle Name D	Last Name HODGE	Suffix
b. Street Address (if agent is not a corporation) - Do not enter a P.O. Box 701 PALOMAR AIRPORT ROAD, SUITE 300	City (no abbreviations) CARLSBAD	State CA	Zip Code 92011

CORPORATION - Complete Item 5c only. Only include the name of the registered agent Corporation.

c. California Registered Corporate Agent's Name (if agent is a corporation) - Do not complete Item 5a or 5b
--

6. Common Interest Developments

☐ Check here if the corporation is an association formed to manage a common interest development under the Davis-Sterling Common Interest Development Act (California Civil Code section 4000, et seq.) or under the Commercial and Industrial Common Interest Development Act (California Civil Code section 6500, et seq.). The corporation must file a Statement by Common Interest Development Association (Form SI-CID) as required by California Civil Code sections 5405(a) and 6760(a). See Instructions.

7. The Information contained herein, including in any attachments, is true and correct.

2/20/2018

DEVIN STETLER

OFFICER

Date

Type or Print Name of Person Completing the Form

Title

Signature

ATTACHMENT : FIREHOUSE COOPERATIVE, INC. BYLAWS

BYLAWS OF FIREHOUSE COOPERATIVE, INC.

ARTICLE 1. OFFICES

Section 1.1. Principal Office.

The Board of Directors shall fix the location of the principal executive office of the Corporation at any place within or outside the State of California. The current principal place of business is 607 Hedburg Way, Oakdale, CA 95361. The mailing address for the corporation is 2908 E. Whitmore Avenue #H-216, Ceres, CA 95307.

Section 1.2. Other Offices.

Branch or subordinate offices may be established at any time and at any place by the Board of Directors.

ARTICLE 2. MEMBERS

Section 2.1. Admission of Members.

The Corporation's members shall be admitted only upon proof that he or she: (1) resides in California and is an adult over the age of eighteen; and (2) possesses an original current recommendation from a licensed California physician for use of medical cannabis. Non-members may be admitted upon proof of being an adult over age 21.

Section 2.2. Automatic Withdrawal.

All members shall forever be withdrawn from membership automatically at 12:01 a.m. on the date upon which the member's physician's recommendation for medical cannabis expires, and such withdrawal shall remain in effect until such member provides proof of an original current physician's recommendation.

Section 2.3. Classification of Members.

The Corporation's voting members shall each be entitled to one vote at any general meeting of the Corporation.

Section 2.4. General Meeting of Members.

The voting rights of each member are equal and each member is entitled to one vote. The Corporation's Board of Directors may, in its discretion, conduct a general meeting the Corporation.

Section 2.5. Notice and Manner of Meeting.

Notice of the date, time and location of any general meeting shall be posted in a prominent place inside the principal place of business for seven (7) consecutive days prior to any general meeting. Members shall be permitted to attend the meeting and vote by electronic means, including telephone, iMessage, SMS-text, email or other means as to be determined by the Board of Directors.

Section 2.6. Proprietary Interests of Members.

The proprietary interests of each member of the Corporation are unequal, and the proprietary interests of each members shall be determined by a unanimous vote in the discretion of the Board of Directors.

Section 2.7. Members' Management Action Assigned to Board of Directors.

Any action that would otherwise require approval by a majority of all members or approval by the members shall require only approval of the Board of Directors. All rights that would otherwise vest under the Cooperative Corporation Law in the members shall vest in the Directors.

ARTICLE 3. DIRECTORS

Section 3.1. Number.

The Corporation shall have no more than five Directors, with the exact number of Directors to be fixed by a resolution adopted by the Board of Directors. Collectively, Directors shall be known as the Board of Directors.

Section 3.2. Terms of Office.

Each Director shall hold office for life until the earlier of death, resignation, or removal of such Director. Upon the death, resignation or removal of a Director, such Director's positions, membership, offices, interest, management and participation in the Corporation shall cease and the remaining Director(s) shall in equal shares assume such Director's positions, membership, offices, interest, management and participation in the Corporation.

Section 3.3. Nomination.

Any natural person may be nominated by the method of nomination authorized by the Board or by any other method authorized by law.

Section 3.4. Election.

The Directors shall be elected at meetings of the Board of Directors or as prescribed in Section 3.7 of these Bylaws. The candidates receiving the highest number of votes up to the number of Directors to be elected shall be elected. Each director may cast one vote.

Section 3.5. Compensation.

Directors and members of committees of the Board may be compensated for their services or reimbursed for expenses, as fixed or determined by resolution of the Board of Directors. This section shall not be construed to preclude any Director from serving the Corporation in any other capacity, as an officer, agent, employee, or otherwise, or from receiving compensation for those services.

Section 3.6. Meetings.

(a) Call of Meetings.

Special meetings of the Board may be called by the President or the Secretary or any Director. Regular meetings of the Board may be held without notice at such time and place as the Board may fix.

(b) Place of Meetings.

All meetings of the Board shall be held at any place within or outside California that has been designated by resolution of the Board or in the notice of the meeting, or if not so designated, at the principal office of the Corporation as specified in Section 1.1 of these Bylaws.

(c) Notice of Meetings.

Notice of the time and place of meetings requiring notice shall be given to each Director by (a) first-class mail, postage prepaid; (b) personal delivery of written notice; (c) telephone, including a voice messaging system or other system of technology designed to record and communicate messages, either directly to the Director or to a person at the Director's office who would reasonably be expected to communicate that notice promptly to the Director; (d) facsimile; (e) electronic mail; or (f) other electronic means. All such notices shall be given or sent to each Director's contact information shown on the Corporation's records. Notices sent by first-class mail shall be deposited in the United States mail at least four (4) days before a meeting. Notices given by other means shall be sent at least forty-eight (48) hours before the time set for the meeting. Notice of the meeting need not be given to any Director who signs a waiver of notice or a written consent to holding the meeting, or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting prior thereto or at its commencement, the lack of such notice either before or at the Commencement of the meeting.

(d) Quorum.

A majority of the authorized number of Directors constitutes a quorum of the Board for the transaction of business except as hereinafter provided.

(e) Transactions of the Board.

Except as otherwise provided in the Articles, in these Bylaws, or by law, every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present is the act of the Board; provided, however, that any meeting at which a quorum was initially present may continue to transact business notwithstanding the withdrawal of Directors if any action taken is approved by at least a majority of the required quorum for such meeting, or such greater number as required by law, the Articles, or these Bylaws.

(f) Conduct of Meetings.

The President of the Corporation, or any Director selected by the Directors present, shall preside at meetings of the Board of Directors. The Secretary of the Corporation or, in the Secretary's absence, any person appointed by the presiding officer, shall act as Secretary of the Board. Members of the Board of Directors may participate in a meeting through use of conference telephone or similar

communications equipment, so long as all members participating in such meeting can hear one another. Such participation shall constitute personal presence at the meeting. Meetings shall be governed by "Robert's Rules of Order," as such rules may be revised from time to time, insofar as such rules are not inconsistent with or in conflict with these Bylaws, with the Articles of Incorporation of this Corporation, or with provisions of law.

(g) Adjournment.

A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of the adjournment to another time or place must be given prior to the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

Section 3.7. Action Without Meeting.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors. Such action by written consent shall have the same force and effect as the unanimous vote of the Directors.

Section 3.8. Removal of Directors.

(a) Removal for Cause.

The Board of Directors may, but shall not be required to, declare vacant any office of a Director on the occurrence of any of the following events:

- (1) The Director has been declared of unsound mind by a final order of a court;
- (2) The Director has been found by a final order or judgment of any court to have breached duties imposed by Sections 5230 through 5239 of the Corporations Code on directors who perform functions with respect to assets held in charitable trust; or
- (3) The Director has failed to attend three (3) consecutive meetings of the Board.

(b) Removal Without Cause.

Any Director may be removed without a cause if such removal is approved by the Board of Directors within the meaning of Section 5032 of the Corporations Code.

Section 3.9. Resignation of Director.

Any Director may resign effective on giving written notice to the President, the Secretary, or the Board of Directors of the Corporation, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective. A Director shall not resign where the Corporation would then be left without a duly elected Director or Directors in charge of its affairs.

Section 3.10. Vacancies on the Board.

(a) Causes.

Vacancies on the Board of Directors shall exist on the death, resignation, or removal of any Director; whenever the number of Directors authorized is increased; and on the failure of any election to elect the full number of Directors authorized. Any reduction in the authorized number of Directors shall not, by itself, result in any Director being removed.

(b) Filling Vacancies by Directors.

Vacancies on the Board of Directors may be filled by approval of the Board of Directors, or, if the number of Directors then in the office is less than a quorum, by (1) the unanimous written consent of the Directors then in the office; (2) the affirmative vote of a majority of Directors then in office at a meeting held pursuant to notice or waivers of notice as provided in these Bylaws; or (3) a sole remaining Director.

Section 3.1 1. Committees.

(a) The Board may, by resolution adopted by a majority of the number of Directors then in office, provided that a quorum is present, create one or more committees, each constituted of two or more Directors, to serve at the pleasure of the Board. Appointments to such committees shall be by a majority vote of the Directors then in office. The Board may appoint one or more Directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board, except with the respect to:

- (1) The filling of vacancies on the Board or on any committee that has authority of the Board;
- (2) The fixing of compensation of the Directors for serving on the Board or on any committee;
- (3) The amendment or repeal of these Bylaws or the adoption of new Bylaws;
- (4) The amendment or repeal of any resolution of the Board that by its express terms is not so amendable or repealable.
- (5) The appointment of committees of the Board or the members thereof.
- (6) The expenditure of corporate funds to support a nominee for Director after there are more people nominated for Director than can be elected.
- (7) With respect to any assets held in charitable trust, the approval of any self-dealing transaction except as provided in paragraph (3) of subdivision (cl) of Section 5233 of the Corporations Code.

(b) Subsection (a) shall not apply to any committee that does not exercise the authority of the Board.

(c) Unless these Bylaws otherwise provide, the Board may delegate to any committee powers as

authorized by Section 5210 of the Corporations Code, but may not delegate the powers set forth in paragraphs (1) through (7) of subsection (a) of this Bylaw section.

(d) Meetings and actions of committees of the Board shall be governed by, held, and taken under the provisions of these Bylaws concerning meetings and other Board actions. Minutes of each meeting shall be kept and shall be filed with the corporate records.

ARTICLE 4. OFFICERS

Section 4.1. Number and Titles.

The officers of the Corporation shall be a President, a Secretary, a Chief Financial Officer, and such other officers with such titles and duties as shall be determined by the Board and as may be necessary to enable the corporation to sign instruments. Any number of offices may be held by the same person.

Section 4.2. Appointment and Removal of Officers.

The officers shall be chosen by and serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment. Officers may be removed with or without cause by the Board of Directors by the affirmative vote of a majority of all of the Directors.

Section 4.3. Resignation of Officers.

Any officer may resign at any time by giving written notice to the Board. The resignation shall take effect on the date the notice is received or at any later time specified in the notice. Unless otherwise specified in the notice, the resignation need not be accepted to be effective. Any resignation shall be without prejudice to any rights of the Corporation under any contract to which the officer is a party.

Section 4.4. Responsibilities of Officers.

(a) President.

Subject to the control of the Board, the President shall be the Chief Executive Officer and general manager of the Corporation. The President shall supervise, direct, and control the Corporation's activities, affairs, and officers. The President shall have such other powers and duties as the board may designate.

(b) Secretary.

The Secretary shall keep or cause to be kept a book of minutes of all meetings, proceedings, and actions of the Board and of committees of the Board. The minutes of meetings shall include the time and place that the meeting was held; whether the meeting was annual, general, or special, and, if special, how authorized; the notice given; and the names of persons present at meetings.

The Secretary shall give, or cause to be given, notice of all meetings of the Board and of

committees of the Board that these Bylaws require to be given. The Secretary shall keep or cause to be kept a copy of the Articles of Incorporation and Bylaws, as amended to date. The Secretary shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as the Board may designate.

(c) Chief Financial Officer.

The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the Corporation's properties and transactions. The books of account shall be open to inspection by any Director at all reasonable times.

The Chief Financial Officer shall (i) deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the Corporation with such depositories as the Board may designate; (ii) disburse the Corporation's funds as the Board may order; (iii) render to the President and the Board, when requested, an account of all transactions and of the financial condition of the Corporation; and (iv) have such other powers and perform such other duties as the Board may designate.

If required by the Board, the Chief Financial Officer shall give the Corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of the office and for restoration to the Corporation of all of its books, papers, vouchers, money, and other property of every kind in the possession or under the control of the Chief Financial Officer on his or her death, disability, resignation, retirement, or removal from office.

ARTICLE 5. CORPORATE RECORDS AND REPORTS

Section 5.1. Keeping Records.

The Corporation shall keep adequate and correct records of account and minutes of the proceedings of the Board and committees of the Board. The minutes shall be kept in written form. Other books and records shall be kept either in written form or in any other form capable of being converted into written form. The Corporation shall keep at its principal California office the original or a copy of the Articles of Incorporation and Bylaws, as amended to the current date.

Section 5.2. Fiscal Year.

The fiscal year of the Corporation shall end at the close of business on December 31 of each year.

Section 5.3. Annual Report.

The Board shall cause an annual report to be prepared not later than one hundred twenty (120) days after the close of the Corporation's fiscal year. The report shall contain a balance sheet as of the end of the fiscal year, an income statement, and a statement of changes in financial position for the fiscal year, and shall be accompanied by any report thereon of independent accountants, or if there is no such report, the certificate of an authorized officer of the Corporation that such statements were prepared without audit from the books and records of the Corporation. The annual report shall be furnished to all Directors. This Section shall not apply if the Corporation receives less than \$10,000 in gross revenues or receipts during the fiscal year.

Section 5.4. Annual Statement of Certain Transactions and Indemnifications.

As part of the annual report, or as a separate document if no annual report is issued, the Corporation shall annually prepare and furnish to its Directors a statement of any transaction or indemnification of the following kinds within 120 days after the end of the Corporation's fiscal year:

(a) Any transaction (i) to which the Corporation, its parent, or its subsidiary was a party, (ii) which involved more than \$50,000 or was one of a number of such transactions with the same person involving, in the aggregate, more than \$50,000, and (iii) in which any Director or Officer of the Corporation had a direct or indirect material financial interest (a more common directorship is not a material financial interest).

The statement shall include a brief description of the transaction, the names of interested persons involved, their relationship to the Corporation, the nature of their interest in the transaction, and, when practicable, the amount of that interest, except that, in a partnership in which such person is a partner, only the partnership interest need be stated.

(b) A brief description of the amounts and circumstances of any loans, guaranties, indemnifications, or advances aggregating more than \$10,000 paid during the fiscal year to any Officer or Director of the Corporation, unless the loan, guaranty, indemnification, or advance is not subject to Corporations Code section 7235(a).

ARTICLE 6. BYLAW CONSTRUCTION AND CHANGES

Section 6.1 Construction and Definitions.

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California Nonprofit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the preceding sentence, the masculine gender includes the feminine and neuter, the singular includes the plural, the plural includes the singular, and the term "person" includes both a legal entity and a natural person.

Section 6.2. Bylaws Changes.

Bylaws may not be adopted, amended, or repealed unless by unanimous vote of all seated Board of Directors at a duly noticed special meeting, following review and consideration of amendments by a Bylaws Committee.

* * *

CERTIFICATE OF SECRETARY

OF

FIREHOUSE COOPERATIVE, INC.

I hereby certify that I am the duly elected and acting Secretary of said Corporation and that the foregoing Bylaws, comprising the foregoing eight pages, constitute the Bylaws of said Corporation as duly adopted on December 15, 2017.



Devin Stetler
Secretary
Firehouse Cooperative, Inc.

C) PROPOSED BUSINESS LOCATION



1601 West Main Street Turlock, CA 95380 | APN 089-015-006, zoned CC



Proposed building appearance after tenant improvements

Proposed Location

The Premier Group's unique history of being the highest community benefit taxpayer in every city we operate revealed the critical elements that are important for a location to be able to achieve significant revenues. Out of all 16 licenses held, our group is most excited about 1601 W. Main Street in Turlock, CA. It satisfies all necessary elements to be a successful dispensary while remaining sensitive to Turlock's community. An executed lease agreement and legal right to occupy are available upon request.

Qualities of a successful building/ location:

- Stand-alone building with no adjacent tenants, shared walls, or shared ventilation
- Retail-zoned property designed for heavy traffic
- Centrally-located
- Freeway-accessible
- Significant parking with 51 dedicated spaces
- ADA compliant building w/ ADA-access ramps
- Surrounding businesses benefit from increased retail traffic
- Physical structure that is easy to secure
- 2 ADA-compliant bathrooms

Firehouse has secured a stand-alone building which is an ideal location for a Turlock dispensary. The 4,517 sq ft sole-tenancy building is located in a retail zone (CC) with ample distance from all sensitive areas: churches, schools, and residential. Adjacent to the 99 freeway on Main Street, Firehouse is easily accessible by vehicle or public transit.

Parking & Traffic

The proposed location has an abundance of parking at fifty-one (51) spaces, four (4) of which are allocated for ADA-accessibility. There are no shared walls or parking stalls with other tenants. This location has previously been approved, well-suited, and designed for high traffic. These qualities serve to avoid any negative parking or traffic impacts.

Neighbors

As demonstrated at the applicant's existing locations, the convenience stores and fast food restaurants stand to appreciate and benefit from the increased consumer traffic. Several letters of recommendation have been provided by our neighbors who have enjoyed increased security and sales due to the presence of a successful dispensary.

D) BUSINESS & OPERATION PLAN

Real-world Performance

Three years ago, Devin and Bert started a application processes with four cities. Each of these cities asked for business and operation plans. The cities of Ceres, Merced, Riverbank, and Modesto not only approved each application but ranked us number one overall based on our application, operations, and our ability to run successful businesses.

Now that these cannabis businesses are established with reputations, the City of Turlock has the ability to evaluate Firehouse based on real-world gross sales evidenced by sales tax receipts. This is a far better metric than attempting to judge a business merely by its application put together by an hired third-party. These applications may or may not be speculation. Our applications are produced internally by our two owners and provide evidence of our performance through tax receipts. [REDACTED]

The Premier Group's dispensaries lead in every city and expects to do so in the City of Turlock. An outline of our business plan is provided, however to appreciate the full scope of our operations, a comprehensive binder (approximately 300 pages) with extensive details about our business practices and procedures will be provided upon request.

Strategy and Exclusivity

What separates The Premier Group is its customer base. The three operating dispensaries currently serve over 118,000 residents and that count is growing daily. The ability to remain the Central Valley's top performer in overall sales is made possible by 2-dozen exclusive national cannabis-brand partnerships. To put this in context, this would be like owning a supermarket and being the exclusive carrier of brands like Pepsi and CocaCola. This achievement is due to multi-million dollar bulk-purchase contracts with these national brands. The majority of the local market chooses to shop at our stores due to brand selection, variety, quality, and pricing.

Ready to Open

Firehouse Cooperative, Inc. has overstaffed in preparation to roll out a new dispensary. Similarly, the company has acquired and prepared computers, POS registers, FireKing safes, display counters, camera surveillance systems, and other hardware necessary to begin operating the next store. As such, the company is prepared to open Firehouse within weeks of local approval.

ATTACHMENT: PATIENT CARE FIRST 2018 ANNUAL REVENUE

01/01/2018 12:00 am - 12/31/2018 11:59 pm

Business & Operation Plan Outline

Due to the 20-page limitation, only an outline of our business plan is provided. A full, detail business plan is available upon request.

1. Management & Employment Structure
 - a. Store Manager, Assistant Manager, Retail Floor Manager , Inventory Manager
 - b. Eight (8) budtenders and four (4) receptionists
 - c. Security personnel is on site 24 hours a day/ 7 days a week
2. Recordkeeping
 - a. Patient/ Customer Verification
 - b. Acceptable documentation
 - c. Vendor and Purchase Tracking
 - d. Transaction Records
 - e. Confidentiality
 - f. Denials of Sale
3. Disposal of Defective Products
4. Operating Plan
 - a. Day-to-Day Operations Plan
 - b. Services Offered
 - c. Customer Intake and Validation
 - d. Sales Floor Operations
 1. Access to the Dispensary Retail Sales Floor
 2. Retail Staging and Display
 3. Daily Sales Limits
 4. Dispensary Daily Operating Schedule
 - e. Inventory Control
 - f. Training Plan
 - g. Hiring and Employment Practices
5. Compliance
6. Security and Safety Procedures



** A 300+ page binder containing our business plan is available upon request.*

E) PROPOSED PHILANTHROPY PLAN

Charitable Contributions and Local Involvement

The Premier Group continually thrives to improve the perception of the cannabis industry. To facilitate giving back to the community, fish bowls were placed on our display counters promoting donations to local charities. This was later named “Project Fishbowl” and in just five months, our patients and customers contributed \$17,100. The Premier Group pledged to match the amount the community contributed and donated a total of **\$34,200** to local charitable organizations. The program has become a tradition at our dispensaries and will be implemented at future locations.

Community and Charity Contributions & Donations:

2018 The United Way	\$5,120
2018 Focus on Prevention	\$5,120
2018 Modesto Gospel Mission	\$6,280
2018 Society for Disabilities	\$6,280
2018 Community Hospice	\$6,280
2018 Stanislaus County Senior Foundation	\$5,120
2018 Veterans of Foreign Wars	\$1,428
2018 Boys & Girls Club	\$1,000
2017 Measure T in the City of Modesto:	\$29,000+
2018 Measure Y in the City of Merced:	\$50,000+
2018 Riverbank’s annual Cheese & Wine event	\$5,000
2018 Modesto Spirit of Giving	\$5,000 + volunteer employees
2019 Riverbank’s annual Cheese & Wine event	\$1,500
2019 Riverbank’s Summer Concert Series	\$750
2019 Riverbank Historical Society	\$1,500
2019 Great Valley Museum	\$548
2019 Connecting Waters Charter School	Equipment donation (\$50k value)
2018, 2019 Love Modesto’s city improvement program	Volunteered 6 employees’ time
2019 (July) Modesto Hetch Hetchy Trail Cleanup	Volunteered 13 employees’ time

TOTAL: \$180,926+



\$5,120



\$6,280



\$6,280



\$6,280



\$5,120



\$5,120



**Cheese & Wine
Exposition**

\$6,500



\$548



**Veterans of Foreign Wars
Post #3199**

\$1,428



\$29,000+



**BOYS & GIRLS CLUBS
OF AMERICA**

\$1,000



\$50,000+

Community Contributions

The Premier Group contributes to our communities in the following ways:

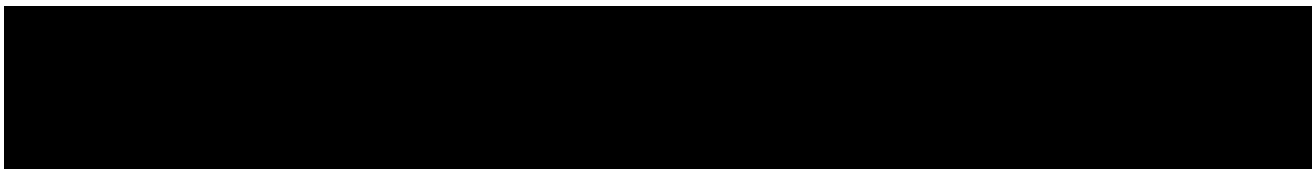
- Create significantly higher tax revenues
- Donate more charitable contributions to local organizations
- Help law enforcement by providing low-cost cannabis to suppress the black market
- Elevate the industry standard
- No negative consequences
- Track record of ZERO service calls to any existing store (PCF, Flavors, Phenos)
- Largest cannabis employer
- Added security and surveillance
- Aesthetic improvements

Measure T and Measure Y Contributions

The Premier Group was the top contributor to the City of Modesto's Measure T and the City of Merced's Measure Y. The group donated over \$30,000 to Measure T and \$50,000 to Measure Y, registered over 2,000 patients, paid for posters and 60,000 flyers, created an online sign-up site to facilitate communication with the cannabis community, and visited 25 retail cannabis stores in the county multiple times per week for 6 weeks. Both Measures passed with over 80% majority, signifying a tangible impact the group has made to advance cannabis business in Modesto and Merced.

Highest Tax Contributors

Our organization has shown the ability to consistently and sustainably generate 4-6 times as much annual revenue as the average dispensary:



- ☒ **Attachments:** 1) Letters of Recommendation from City of Ceres Mayor Vierra and City Manager Mr. Toby Wells
- 2) Letters of Recommendation from Riverbank Mayor O'Brien and City Manager Sean Scully



OFFICE OF THE MAYOR

CITY OF CERES
2720 SECOND STREET
CERES, CA 95307-3292
(209) 538-5692
FAX: (209) 538-5650
chris.vierra@ci.ceres.ca.us

CITY COUNCIL

Chris Vierra, Mayor
Ken Lane
Mike Kline
Bret Durossette
Linda Ryno

February 27, 2018

LETTER OF RECOMMENDATION

To whom it may concern,

In efforts to pick the very best cannabis business partners for the City of Ceres, we toured several locations in our due diligence process.

We discovered there was a clear industry leader when it came to gross sales, organizational structure, management team, security, technology, and their willingness to take extra measures to exceed city requirements.

They have taken the necessary steps to make sure they are good neighbors to the surrounding businesses, continue to improve security protocols, and have made all three of their city tax payments ahead of schedule.

The team led by Devin Stetler and Bert Sarkis has proven to be a great choice for the City of Ceres. As the mayor, I couldn't be more pleased.

Sincerely,

A handwritten signature in black ink that reads "Chris T. Vierra".

Chris T. Vierra
Mayor, City of Ceres



OFFICE OF THE CITY MANAGER

CITY OF CERES
2720 SECOND STREET
CERES, CA 95307-3292
(209) 538-5692
FAX: (209) 538-5650
chris.vierra@ci.ceres.ca.us

CITY COUNCIL

Chris Vierra, Mayor
Ken Lane Bret Durossette
Mike Kline Linda Ryno

February 27, 2018

To Whom it May Concern

Subject: Letter of Recommendation – Pacafi (PCF)

Over the course of the past fifteen months, the City of Ceres has thoroughly researched and evaluated the impact and benefits associated with allowing commercial cannabis activities in our City. After very close scrutiny, the City Council provided direction to allow for a very limited pilot program to permit three development agreements.

With the limited pilot program, it was absolutely imperative to ensure that the partners the City was choosing to do business with were clear leaders in the industry and able to commit and follow through on meeting the Council's clear direction.

I have met with numerous representatives from all parts of the cannabis industry and PCF is clearly one of the leaders in the industry. They are approachable, open and answer all questions, especially adept at working with elected officials to mitigate concerns.

Since opening a retail dispensary in Ceres, we have not been disappointed. PCF staff have been very quick to address any concerns and have gone out of their way to meet with our public safety staff and continued to keep open lines of communication with myself and other City staff. The PCF team has exceeded expectations and we look forward to a long mutually beneficial partnership with them.

Please feel free to contact me with any questions.

Sincerely,

A handwritten signature in blue ink, appearing to be "Toby Wells".

Toby Wells, P.E.
City Manager
City of Ceres



CITY OF RIVERBANK

Office of the Mayor

6707 Third Street • Riverbank, CA 95367-2305

Phone: (209) 863-7122 • Fax: (209) 869-7100

July 2, 2019

RE: Letter of Recommendation

To Whom It May Concern,

This letter is to recommend Mr. Stetler and Mr. Sarkis; from Flavors Dispensary in their pursuit of a dispensary license in the city of Turlock. The commitment to good business practices and the vision towards partnership with our city and community is beyond reproach.

Just as you have done, the City of Riverbank struggled greatly with the results of Proposition 64: that is to implement some measures of control of cannabis or take no measures. After months of discussion, public input under varying emotional conditions, Riverbank decided to implement a cautious approach to Cannabis as it is better to manage this issue rather than be managed by it. After an extensive vetting process Riverbank selected two dispensaries: the first and foremost is Flavors Dispensary.

While many of the public expressed concerns of major crime increases around the area, traffic control issues, supply to youth, vagrancy and a decrease in property values Flavors opened with little notice nor fanfare. Many community members continued to state issues that were exaggerated. After several months no complaints or issues were noted by the community and Flavors has performed in a highly professional manner, true entrepreneurship, and is now an accepted business in the community.

While there are some expectations on the control of Cannabis in the community, the contact with dealers for marijuana has decreased. However, the contact with dealers for Crystal, Heroin, and other hard drugs continues. Our expectation is that with minimal contact with new clients the overall results will be a decrease in hard drug use in the long run.

We have also noticed that the area appearance has greatly improve leading us to look at future dispensaries be placed in areas of needed improvement. Flavors has played a significant part in the change in our community to where now approximately 80+% of the community are in favor of controlling cannabis.

While eight out of ten dispensaries will fail, Flavors has continued to increase clients and revenues. Their operations are in a bright, clean environment with efficiencies and safety. Their cliental continues to increase even though other cannabis operations have recently opened in nearby communities. I would highly recommend that the City of Turlock look closely at Flavors and strongly consider granting an appropriate cannabis license to Mr. Stetler and Mr. Sarkis.

Regards,

Richard D. O'Brien
Mayor
City of Riverbank



City of Riverbank

6707 Third Street
Riverbank CA 95367
209.869.7101

February 21, 2019

RE: Letter of Recommendation for Flavors Dispensary

To Whom It May Concern,

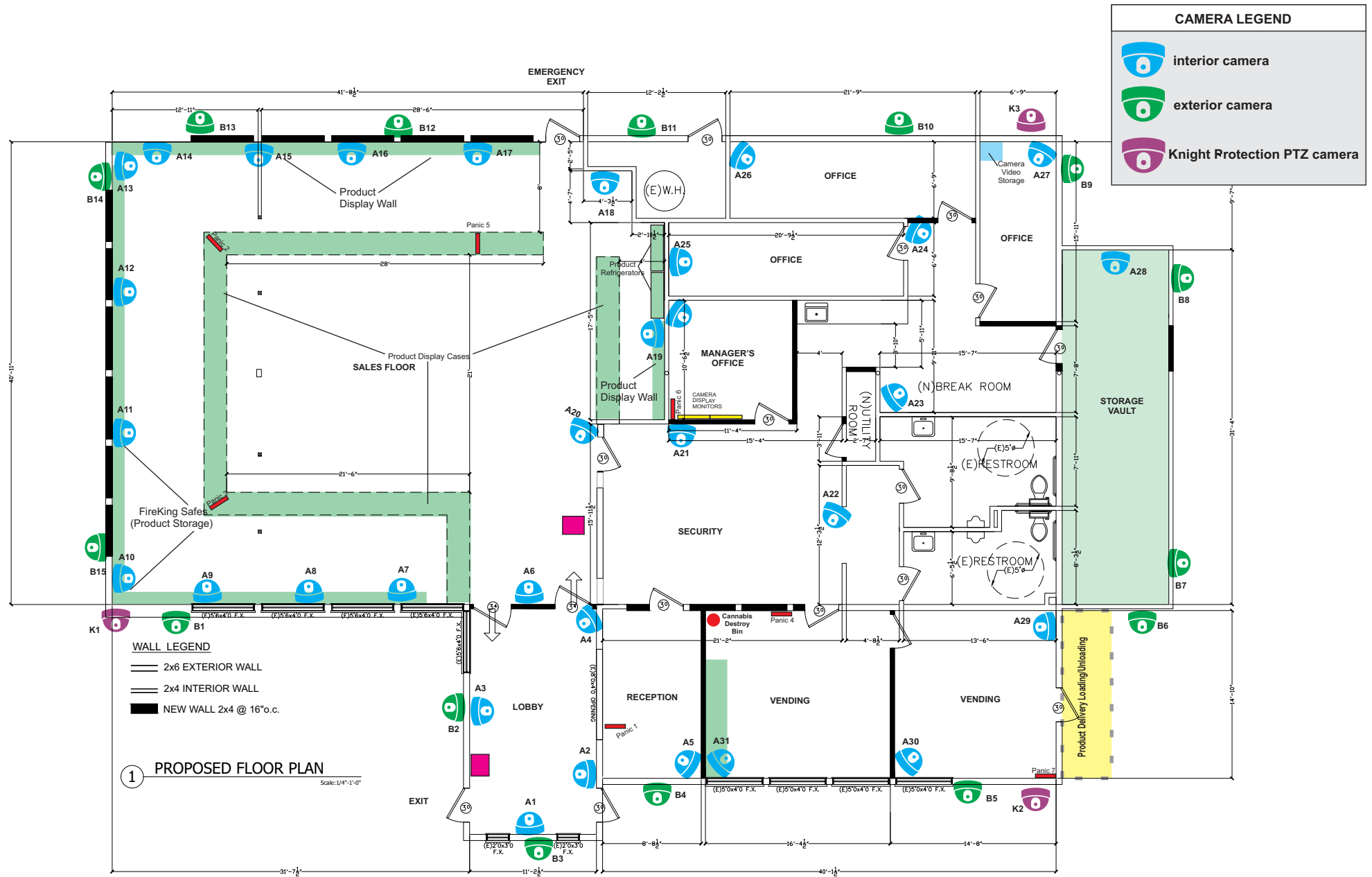
In 2017 the City of Riverbank City Council approved a cannabis ordinance that created a process for the permitting of cannabis related uses within the City of Riverbank. One of the allowable uses was retail cannabis dispensary (both medical and recreational). The first retail applicant considered by the City of Riverbank was Flavors Dispensary (applicant Devin Stetler). The process included in depth development agreement negotiations along with the traditional land use planning and public hearing process. Mr. Stetler and his organization completed their application fully and participated throughout the very intensive review and public hearing process. Ultimately the City Council approved the application and the business opened in early 2018. Since that time the City of Riverbank has monitored the operations of the dispensary very closely to ensure compliance with the various development agreement provisions and conditions of approval.

Thus far, I have observed that Flavors dispensary has operated within the strict guidelines of their permit and development agreement. In fact, the City Council has reviewed their compliance through a yearly report compiled by staff evaluating the business. They have been willing to provide education and tours of their facility to the community upon request. Over the past year it is my opinion that they have operated their business responsibly and with an emphasis on being a good neighbor to their neighboring commercial businesses as well as the community as a whole.

I'd be happy to answer any questions you may have of Flavors Dispensary and its ongoing operation in the community. If you have any questions please feel free to contact me anytime at 209-863-7115.

Best Regards,

Sean Scully
City Manager
City of Riverbank



Main Street

G) PRELIMINARY SECURITY PROPOSAL

Security Plan

The Premier Group is actively improving security measures at all locations to stay ahead of all local and state requirements and to continue to set the standard in dispensary security. A comprehensive version of this security proposal is available upon request.

This plan was developed in cooperation with two licensed industry professionals: *Knight Protection, Inc.* and *Stone Protection Services*. Each company has provided a security plan specific to their provided services, monitored real-time video surveillance and armed security guards. Phenos, our latest store to open in Modesto has 104 security cameras. A Modesto cannabis consultant stated it was set up better than a casino.

Security Camera Types, Capabilities and Locations

Firehouse's video surveillance system utilizes three (3) distinct high-end commercial systems. Two (2) camera systems are utilized by our management team and security personnel. Security footage is kept on premises for ninety (90) days to meet CA state requirements. These systems use 4mp cameras and are viewable locally on a 4k HD output system or by authorized remote access personnel or authorities on any mobile device or personal computer. The purpose of these two systems is to monitor every area of the premises both inside and out. A Video Surveillance Audit is performed weekly to ensure all cameras are operating properly and footage properly recorded for the specified duration of time.

A third system is installed, maintained, and managed by a third-party surveillance company Knight Protection. 24/7 live monitoring is provided with instant alerts to our personnel in case of any suspicious activities. Knight Protection has the ability to remotely sound an exterior alarm and additionally speak to and hear someone at the facility. Ninety (90) days of footage is stored off-site at the company's own datacenters.

All surveillance equipment, records and recordings are stored in a secure area only accessible by select management staff.

Alarm System and Door Locks

- Commercial Alarm System
- Retail floor door remains locked- requires ID verification for entry
- Auto Locking Passcode Door Locks
- Panic Buttons

Perimeter and Ingress/ Egress Security

Every access point is secured with multiple layers of protection. All windows and doors are covered on the inside with our proprietary steel security mesh and externally with a security film which protects the glass from being broken or scratched. Armed security guards are stationed by each exterior access door during business hours and authorize each visitor by prompting for identification prior to being allowed building entry. High-intensity lighting is installed around the entire premises for adequate visuals by security personnel and on recorded video footage. Specially designated distributor parking and entrances are used to completely separate distributors from retail customers.

Internal Security for Area-Specific Access

All on-premises employees are required to wear their employee identification badge displaying a photo of their face, full name, name of the dispensary, employee id, and state cannabis license number. Within the facility, each and every limited-access area is protected with a passcode door-lock. Limited access areas include all areas where cannabis or cash are located. Only personnel with limited-access permissions are given the passcodes. Entry into any limited-access areas by non-managers must be accompanied by a Manager.

Product Security

Forty-five (45) FireKing safes totaling 19,575lbs are used for cannabis storage on the retail floor. All safes remain closed during business hours & locked outside business hours for secure overnight storage.

Employee Theft Deterrence and Prevention

All Firehouse staff shall be well-informed of our zero-tolerance policy regarding theft. Any evidence of theft will result in immediate termination. All employees bags and pockets are checked each and every time entering or exiting the building or the retail floor by a third-party security guard provided by Stone Protection Services.

Building Improvements

Additional layers of security shall be added specifically to the structure itself at 1601 West Main Street.

- Custom Steel Mesh Window and Door Panels
- Security Film on windows exterior
- Built-in Vault Rooms
- Secure & Separate Entrance for Distributor Deliveries
- Security Rooms/ Security Glass
- High-Intensity LED Perimeter + Parking Lot Lighting

FIREHOUSE TEAM

Bert Sarkis - CEO

Fifteen (15) years of experience in retail sales management and employee development. Built and managed a multi-location auto sales business for ten (10) years.

Bert is masterful at training new employees and motivating his teams to grow into management positions. He is also responsible for our distributor relationships and exclusive partnerships with the top twenty-four (24) name brands in the cannabis industry, one of the most crucial reasons for our success. Bert's cannabis expertise has been demonstrated by producing the three largest dispensaries in the county.

Devin Stetler - CTO

Engineering Degree from Cal Poly 2004 and eighteen (18) years of experience in hardware and software technology over multiple industries. Devin leverages and manages a wide range of technologies to improve compliance, safety, and efficiency for all retail locations and corporate operations.

Devin has created software for the cannabis industry in the following categories:

- **Security:** Provides verification of cannabis transit personnel to local police.
- **Distribution:** A distribution marketplace to connect licensed distributors to retail dispensaries.
- **Analytics:** Forecasts product buying trends in the cannabis market.
- **Communications:** Tools to stay in touch with our organization's customer base.
- **Registration:** Paperless and efficient sign-up and sign-in process for all customers

Natasha Parra - District Manager

Fifteen (15) years of retail sales management, five (5) years experience in merchandising at a \$900M retail company.

- Oversees internal operations at all retail locations, specializing in merchandising.
- General Manager of PCF Distribution, sales cycle analytics, delivery logistics.
- Oversee State and local compliance for all operations

Business, Strategic, and Financial Consultants

Business Consultants: Shay Roberts and Ray Krieger

CPA: Richard Spaulding

Legal Representation

Michael Warda: 2350 W Monte Vista Ave, Turlock, CA 95382

Art Hodges: 701 Palomar Airport Rd #300, Carlsbad, CA 92011

Availability: All members of the Firehouse team are full-time employees and are readily available.

References: Please see attached letters of recommendation from City Mayors and City Managers of Ceres and Riverbank in section *E) Proposed Philanthropy Plan*.

ECONOMICS

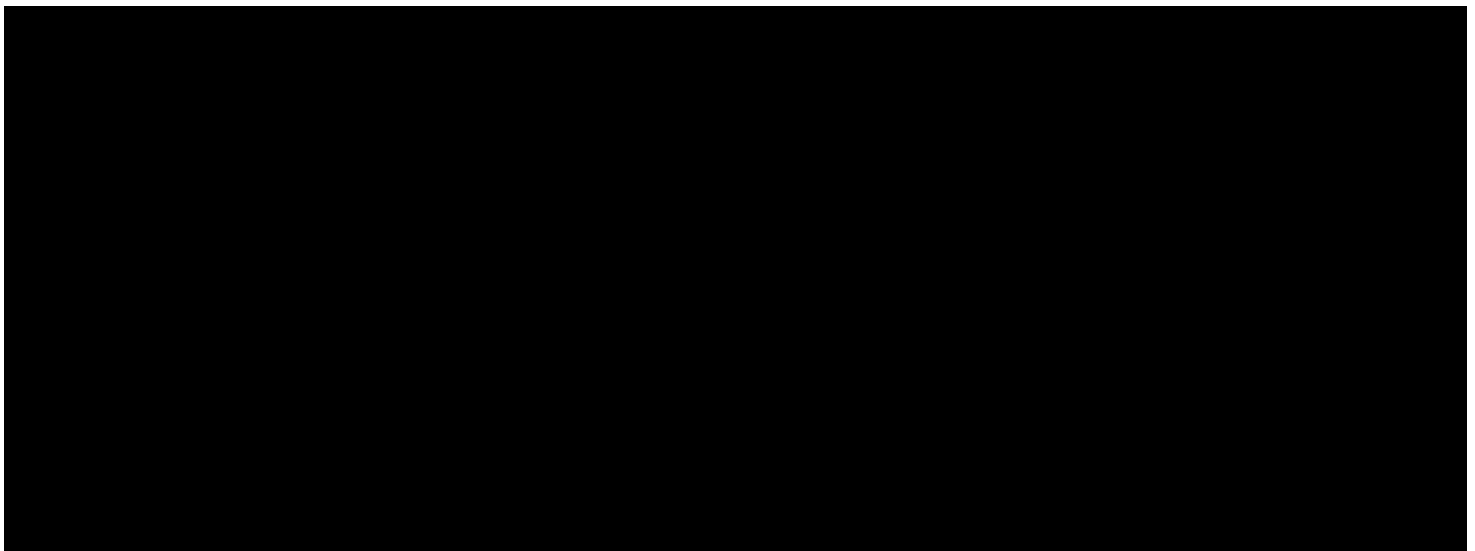
Financial Overview



Hiring Forecast

Upon approval of the proposed dispensary at 1601 West Main Street, Firehouse anticipates hiring **eighteen (18)** new employees from the local community, preferencing applicants residing nearest to the facility. Firehouse expects to create **twenty-two (22)** new full-time jobs over the next three years.

2019 Revenue and Projections



☒ **Attachment:** Sales & Use Tax Payment Receipts

ATTACHMENT: SALES & USE TAX RECEIPTS

We welcome and encourage the opportunity to provide proof. Tax receipts are the only real indicators of how a business will perform. 3 years of tax payments are available upon request.



BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF ADOPTING AN }
ORDINANCE APPROVING A }
DEVELOPMENT AGREEMENT BY AND }
BETWEEN THE CITY OF TURLOCK AND }
FIRE HOUSE COOPERATIVE, INC. LOCATED }
AT 1601 WEST MAIN STREET, TURLOCK, CA, }
COUNTY OF STANISLAUS, ASSESSOR'S }
PARCEL NUMBER 089-015-006 }

ORDINANCE NO. -CS

WHEREAS, on October 9, 2015, Governor Jerry Brown signed three bills into law (Assembly Bill 266, Assembly Bill 243, and Senate Bill 643), which are collectively referred to as the Medical Cannabis Regulation and Safety Act ("MCRSA"). MCRSA established the first statewide regulatory system for medical cannabis businesses; and

WHEREAS, in 2016, the voters of California approved Proposition 64 entitled the "Control, Regulate and Tax Adult Use of Marijuana" ("AUMA"). AUMA legalized the adult-use and possession of cannabis by persons 21 years of age and older and the personal cultivation of up to six cannabis plants within a private residence; and

WHEREAS, on June 27, 2017, Governor Jerry Brown signed into law the Medicinal and Adult-use Cannabis Regulation and Safety Act ("MAUCRSA"), which created a single regulatory scheme for both medicinal and adult-use cannabis businesses. MAUCRSA retains the provisions in the MCRSA and AUMA that granted local jurisdictions control over whether businesses engaged in commercial cannabis activity may operate in a particular jurisdiction; and

WHEREAS, in January, 2019, the Bureau of Cannabis Control, the Department of Food and Agriculture, and the Department of Public Health issued final emergency regulations for all medicinal and adult-use cannabis businesses allowed under MAUCRSA. The regulations require, among other things, background checks of business owners and employees, a plan of business operation, a security plan, and environmental pollution and waste plans; and

WHEREAS, on June 11, 2019, the Turlock City Council (the "City Council") adopted Ordinance No. 1255-CS to enact cannabis regulations as defined under Turlock Municipal Code Chapter 5-21 pursuant to AUMA and MAUCRSA; and

WHEREAS, on June 11, 2019, the City adopted Ordinance No. 1255-CS amending the City's cannabis business regulations and establishing a Cannabis Business Pilot Program (the "Pilot Program") to regulate the operation of commercial cannabis businesses within the City; and

WHEREAS, the City Council finds that establishing a structure to regulate all cannabis businesses contemplated by state law is in the best interest of the health, welfare, and safety of the public; and

WHEREAS, on June 11, 2019, following the adoption of the Pilot Program, the City issued and circulated a request for qualifications ("RFQ"). The purpose of the RFQ was to form the basis for a recommendation process of qualified cannabis operators for participation in the Pilot Program. Fire House Cooperative, Inc. has completed the RFQ requirements; and

WHEREAS, Government Code section 65864 et seq. (the "Development Agreement Statute") permits the City to contract with private interests for their mutual benefits in a manner not otherwise available to the contracting parties and such agreements assure property developers that they may proceed with their projects with the assurance that approvals granted by the City will not change during the period of development and the City is equally assured that public benefit interests will be protected and properly administrated at the time development projects are proposed; and

WHEREAS, Fire House Cooperative, Inc. proposes to enter into a Development Agreement to operate a cannabis storefront retail dispensary as defined under Turlock Municipal Code Chapter 5-21 in strict accordance with applicable state and local law, at 1601 West Main Street, Turlock, California, County of Stanislaus Assessor's Parcel Number 089-015-006 (the "Project"), consistent with the General Plan, as amended; and

WHEREAS, on August 22, 2019, the City of Turlock Planning Commission ("Planning Commission") held a duly noticed public hearing to consider the Project and Development Agreement; and

WHEREAS, environmental impacts for the Project have been reviewed and assessed by the City pursuant to the California Environmental Quality Act ("CEQA") (Public Resources Code section 21000 et seq. and California Code of Regulations, title 14, section 15000 et seq.). The Project is exempt from CEQA pursuant to section 15061(b)(3), title 14, of the California Code of Regulations applicable to projects where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

WHEREAS, on August 27, 2019, the City Council will hold a duly noticed public hearing for Fire House Cooperative, Inc. to consider the Project and Development Agreement; and

WHEREAS, the City Council, based on its independent review and analysis of staff's recommendations, oral and written testimony, and the record as a whole, finds, after due study, deliberation, and public hearing, and based on its independent judgment, that the following circumstances exist:

1. The Project is consistent with the goals, policies, and standards of the City's General Plan and all other applicable standards and ordinances of the City.
2. In accordance with the Development Agreement Statute, the City Council finds that the Development Agreement:

- a. Will not be detrimental to the health, safety, and general welfare of persons residing in the immediate area nor detrimental to the general welfare of the residents of the City as a whole;
- b. Will not adversely affect the orderly development of property or the preservation of property values;
- c. Is consistent with the provisions of Government Code sections 65864 through 65869.5; and
- d. Contains a legal description of the property.

WHEREAS, that the City Council finds that the Development Agreement conforms to Development Agreement Statute.

NOW, THEREFORE, BE IT RESOLVED, that the City Council approves this Ordinance adopting the Development Agreement to which the Fire House Cooperative, Inc. Development Agreement is incorporated by reference.

BE IT FURTHER RESOLVED, THAT THE CITY COUNCIL OF THE CITY OF TURLOCK DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. The project is in compliance with the General Plan, Zoning Code Amendment, and the Turlock Municipal Code as amended, including Chapter 5-21 Cannabis Business Pilot Program” as it has been adopted by the City Council.

Section 2. The City Manager hereby certifies that the Fire House Cooperative, Inc. has deposited with the City all associated fees and executed all necessary applications at this time associated with the processing of the Development Agreement.

Section 3. The City Council approves a Development Agreement by and between Fire House Cooperative, Inc. and the City for the development of the Project and instructs the City Manager to execute the Development Agreement subject to final, technical revisions as required and approved by the City Attorney.

Section 4. The City shall review the Development Agreement for compliance with its terms and conditions not less than once every twelve (12) months from the effective date of the Development Agreement.

Section 5. Notice of the public hearing on the proposed Development Agreement was published in the Turlock Journal, a newspaper of general circulation, printed and published in the City.

Section 6. Environmental impacts for the Project have been reviewed and assessed by the City pursuant to CEQA (Public Resources Code section 21000 et seq. and California Code of Regulations, title 14, section 15000 et seq.). The Project is exempt from CEQA pursuant to section 15061(b)(3), title 14, of the California Code of Regulations applicable to projects where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

Section 7. If any section, subsection, sentence, clause, phrase, or word of this Ordinance is for any reason held by a court of competent jurisdiction to be unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of the Ordinance. The City Council hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more section(s), subsection(s), sentence(s), clause(s), phrase(s), or word(s) be declared invalid.

Section 8. Upon the passage of this Ordinance, the City Manager is authorized to execute the Development Agreement on behalf of the City. Within ten (10) days of the execution, but no earlier than thirty (30) days after passage of this Ordinance, the City Clerk shall cause the Development Agreement to be recorded in the Office of the County Recorder as provided for by Government Code section 65868.5. The Development Agreement shall not take effect for thirty (30) days following passage and adoption of this Ordinance.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Turlock this 10th day of September, 2019, by the following vote:

AYES:

NOES:

NOT PARTICIPATING:

ABSENT:

Signed and approved this ____ day of _____, 2019.

AMY BUBLAK, Mayor

ATTEST:

Jennifer Land, City Clerk,
City of Turlock, County of Stanislaus,
State of California

Attachments:

Attachment A Fire House Cooperative, Inc. Development Agreement (with associated exhibits)

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL
TO:**

City of Turlock
156 S Broadway
Turlock, CA 95380
Attention: City Clerk

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

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT ("Agreement") is made and entered into this _____ (____) day of _____, 2019 (the "Effective Date"), by and between the **CITY OF TURLOCK**, a California municipal corporation ("City"), and **Fire House Cooperative, Inc.**, dba Firehouse, a California non-profit mutual benefit corporation ("Developer"). City and Developer may be referred to herein individually as a "Party" or collectively as the "Parties." There are no other parties to this Agreement.

RECITALS

- A. On October 9, 2015, Governor Jerry Brown signed three bills into law (Assembly Bill 266, Assembly Bill 243, and Senate Bill 643) which are collectively referred to as the Medical Cannabis Regulation and Safety Act ("MCRSA"). MCRSA establishes a statewide regulatory system for the cultivation, processing, transportation, testing, manufacturing and distribution of medical marijuana to qualified patients and their primary caregivers.
- B. On November 8, 2016, California voters enacted Proposition 64, the Control, Regulate and Tax Adult Use of Marijuana Act, also known as the Adult Use of Marijuana Act ("AUMA"), which establishes a comprehensive system to legalize, control, and regulate the cultivation, processing, manufacture, distribution, testing, and sale of nonmedical cannabis, including cannabis products, for use by adults 21 years and older and to tax the growth and retail sale of cannabis for nonmedical use.
- C. On June 27, 2017, Governor Jerry Brown signed into law the Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), which creates a single regulatory scheme for both medicinal and adult-use cannabis businesses. MAUCRSA retains the provisions in MCRSA and AUMA that granted local jurisdictions control over whether businesses engaged in Commercial Cannabis Activity, as defined in Section 1.4 of this Agreement, may operate in a particular jurisdiction.

- D. On June 11, 2019, the Turlock City Council (the "City Council") adopted Ordinance No. 1255-CS to enact cannabis regulations as defined under Turlock Municipal Code section 5.21 pursuant to AUMA and MAUCRSA; and
- E. On June 11, 2019, the City adopted Ordinance No. 1255-CS amending the City's cannabis business regulations and establishing a Cannabis Business Pilot Program (the "Pilot Program") to regulate the operation of commercial cannabis businesses within the City; and
- F. The City Council finds that establishing a structure to regulate all cannabis businesses contemplated by state law is in the best interest of the health, welfare, and safety of the public; and
- G. Developer proposes to improve, develop and use real property to operate a Cannabis Business Project, as defined below, in strict accordance with California Cannabis Laws, as defined in Section 1.4 of this Agreement and the T.M.C., as each may be amended from time to time.
- H. To strengthen the public planning process, encourage private participation in comprehensive planning and reduce the economic risk of development, the California Legislature adopted Government Code section 65864 et seq. (the "Development Agreement Statute"), which authorizes City and an individual or business entity with an interest in real property to enter into a development agreement that establishes certain development rights in real property that is subject to a development agreement application.
- I. On June 11, 2019, following the adoption of the Pilot Program, the City issued and circulated a request for qualifications ("RFQ"). The purpose of the RFQ was to form the basis for a selection process of qualified cannabis operators for participation in the Pilot Program. Fire House Cooperative, Inc. has completed the RFQ requirements; and
- J. Developer submitted an application to the City Planning Commission Department for consideration of a development agreement for a commercial cannabis business.
- K. Developer has leased property located at 1601 West Main Street, Turlock, California, County of Stanislaus Assessor's Parcel Number 089-015-006 of which Developer intends to improve approximately 4,517 (four thousand five hundred seventeen) square feet of space (the "Site") to operate the Cannabis Business Project, more particularly described in the legal description attached hereto as **Exhibit A** ("Legal Description") and the Cannabis Business Project Site Map attached hereto as **Exhibit B**.

- L. Developer has leased the Site for the purpose of carrying out the Cannabis Business Project. A copy of the deed to the Site is attached hereto as **Exhibit C**, within satisfaction of the requirement of T.M.C. Chapter 5.21.
- M. On August 22, 2019, the Turlock Planning Commission ("Planning Commission"), in a duly noticed and conducted public hearing, considered Developer's application for this Agreement. At that public hearing, the Planning Commission recommended the City Council adopt Ordinance No. 2019-18, which would allow Developer to operate the Cannabis Business Project at the Site.
- N. On August 27, 2019, pursuant to Government Code section 65867.5, and following a duly noticed and conducted public hearing, the City Council reviewed, considered, adopted, and entered into this Agreement pursuant to Ordinance No. _____.
- O. This Agreement is entered into pursuant to the Development Agreement Statute.
- P. City and Developer desire to enter into this Agreement to (i) facilitate the orderly development of the Site; (ii) create a physical environment that is consistent with and complements the City's goals and visions; (iii) protect natural resources from adverse impacts; (iv) improve, upgrade and create additional community facilities and infrastructure, enhance services and assist in implementing the goals of the General Plan; and (vi) reduce the economic risk of development of the Site to both City and Developer.
- Q. The Parties intend, through this Agreement, to allow Developer to develop and operate the Cannabis Business Project in accordance with the terms of this Agreement.
- R. The City Council has determined that this Agreement is consistent with the City's General Plan and has conducted all necessary proceedings in accordance with the T.M.C. for the approval of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

AGREEMENT

ARTICLE 1 GENERAL PROVISIONS

Section 1.1. Findings. City hereby finds and determines that entering into this Agreement furthers the public health, safety and general welfare and is consistent with the City's General Plan, including all text and maps in the General Plan.

Section 1.2. Recitals. The Recitals above are true and correct and are hereby incorporated into and made a part of this Agreement. In the event of any inconsistency between the Recitals and the provisions of Articles 1 through 10 of this Agreement, the provisions of Articles 1 through 10 shall prevail.

Section 1.3. Exhibits. The following "Exhibits" are attached hereto and incorporated into this Agreement:

<u>Designation</u>	<u>Description</u>
Exhibit A	Cannabis Site Legal Description
Exhibit B	Cannabis Business Project Site Map
Exhibit C	Lease
Exhibit D	Notice of Non-Performance Penalty
Exhibit E	Indemnification Agreement
Exhibit F	Notice of Termination
Exhibit G	Assignment and Assumption Agreement

Section 1.4. Definitions. In this Agreement, unless the context otherwise requires, the terms below have the following meaning:

- (a) "Additional Insureds" has the meaning set forth in Section 6.1.
- (b) "Additional Licenses" has the meaning set forth in Section 2.4.
- (c) "Adult-use cannabis" means a product containing cannabis, including, but not limited to, concentrates and extractions, intended for use by adults 21 years of age and older in California pursuant to the California Cannabis Laws.
- (d) "Agreement" means this Development Agreement, inclusive of all Exhibits attached hereto.
- (e) "Application" has the meaning set forth in Recital G.
- (f) "Assignment and Assumption Agreement" has the meaning set forth in Section 10.1.
- (g) "AUMA" means the Adult Use of Marijuana Act (Proposition 64) approved by California voters on November 8, 2016.
- (h) "Authorized License" has the meaning set forth in Section 2.3.
- (i) "Bureau" means the Bureau of Cannabis Control within the Department of Consumer Affairs, formerly named the Bureau of Marijuana Control, the Bureau of Medical Cannabis Regulation, and the Bureau of Medical Marijuana Regulation.

(j) "California Building Standards Codes" means the California Building Code, as amended from time to time, in Part 2, Volumes 1 and 2, as part of Title 24 of the California Code of Regulations, as may be adopted by the T.M.C.

(k) "California Cannabis Laws" includes AUMA, MAUCRSA, CUA (as defined below), the Medical Marijuana Program Act of 2004 codified as Health and Safety Code sections 11362.7 through 11.62.83 and any other applicable laws that may be enacted or approved.

(l) "Cannabis" means all parts of the plant Cannabis sativa Linnaeus, Cannabis indica, or Cannabis ruderalis, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant, and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. "Cannabis" also means the separated resin, whether crude or purified, obtained from cannabis. "Cannabis" does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination. For the purpose of this division, "cannabis" does not mean "industrial hemp" as defined by Section 11018.5 of the Health and Safety Code. Cannabis and the term "marijuana" may be used interchangeably.

(m) "Cannabis Business Pilot Program" means the cannabis business program established and authorized by T.M.C. Chapter 5.21.

(n) "Cannabis Business Project" means the cannabis retail business operated by Developer on the Site pursuant to the Authorized License.

(o) "Cannabis Manufacturing Business" means a business engaged in commercial cannabis activity pursuant to a state approved Type 6 or 7 license, Type A and M licenses designated as a Cannabis business.

(p) "Cannabis product" means cannabis that has undergone a process whereby the plant material has been transformed into a concentrate, including, but not limited to, concentrated cannabis, or an edible or topical product containing cannabis or concentrated cannabis and other ingredients.

(q) "CEQA" means the California Environmental Quality Act, as set forth in Division 13 (Commencing with Section 21000) of the California Public Resources Code, and the CEQA Guidelines, as set forth in Title 14 (Commencing with Section 15000) of the California Code of Regulations.

(r) "City" means the City of Turlock, a California municipal corporation having general police powers.

(s) "City Council" means the City of Turlock City Council, as defined in T.M.C. Section 2.1.

(t) "City Manager" means the City Manager of the City of Turlock or his or her designee, as described in T.M.C. Section 2.4.

(u) "Charged Party" has the meaning set forth in Section 8.1.

(v) "Charging Party" has the meaning set forth in Section 8.1

(w) "Commercial Cannabis Activity" includes cultivation, possession, manufacture, processing, storing, laboratory testing, labeling, transporting, distribution, delivery, or sale of cannabis or a cannabis product that requires a state license pursuant to MAUCRSA.

(x) "Planning Commission" means the City of Turlock Planning Commission, as established by T.M.C. Section 9.5.

(y) "Conditional Use Permit" means a conditional use permit issued by City pursuant to T.M.C. Section 9.3.

(z) "CUA" means the Compassionate Use Act (Proposition 215) approved by California voters on November 5, 1996.

(aa) "Developer" means Fire House Cooperative Inc. Developer also has the meaning set forth in Section 6.1.

(bb) "Development Agreement Statute" has the meaning set forth in Recital E.

(cc) "Exhibits" has the meaning set forth in Section 1.3.

(dd) "Gross Receipts from Operations" means total revenue actually received or receivable from operation of the Cannabis Business Project, including: all sales; the total amount of 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 part of or in connection with the sale of materials, goods, wares, or merchandise; and gains realized from trading in stocks or bonds, interest discounts, rents, royalties, fees, commissions, dividends, or other remunerations, 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:

1. Cash discounts allowed and taken on sales;
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";

3. Any tax required by law to be included in or added to the purchase price and collected from the consumer or purchaser;
4. Such part of the sale price of property returned by purchasers upon rescission of a contract of sale as is refunded either in cash or by credit; and
5. Receipts of refundable deposits, except that such deposits when forfeited and taken into income of the business shall not be excluded.

The intent of this definition is to ensure that in calculating the payment required under Section 4.2, all sales of cannabis products through the Cannabis Business Project are captured. This definition shall therefore be given the broadest possible interpretation consistent with this intent.

(ee) "Indemnification Agreement" has the meaning set forth in Section 6.3.

(ff) "Major Amendment" means an amendment that shall have a material effect on the terms of this Agreement. A Major Amendment also has the meaning set forth in Section 2.4. Major Amendments shall require approval by the City Council.

(gg) "Marijuana" has the same meaning as cannabis and those terms may be used interchangeably.

(hh) "MAUCRSA" means the Medicinal and Adult-Use Cannabis Regulation and Safety Act, codified as Business and Professions Code section 26000 et seq., as may be amended from time to time.

(ii) "MCRSA" has the meaning set forth in Recital A.

(jj) "Ministerial Fee" or "Ministerial Fees" has the meanings set forth in Section 4.1.

(kk) "Minor Amendment" means a clerical amendment to this Agreement that shall not materially affect the terms of this Agreement and any amendment described as minor herein. A Minor Amendment also has the meaning set forth in Section 1.7.

(ll) "Mortgage" has the meaning set forth in Article 7.

(mm) "Non-Performance Penalty" has the meaning set forth in Section 4.5.

(nn) "Notice of Non-Performance Penalty" has the meaning set forth in Section 4.5.

(oo) "Notice of Termination" has the meaning set forth in Section 9.1.

(pp) "Processing Costs" has the meaning set forth in Section 1.11.

- (qq) "Project Litigation" has the meaning set forth in Section 10.7.
- (rr) "Public Benefit" has the meaning set forth in Section 4.2.
- (ss) "Public Benefit Amount" has the meaning set forth in Section 4.2.
- (tt) "State Licensing Authority" means the state agency responsible for the issuance, renewal or reinstatement of a state cannabis license or the state agency authorized to take disciplinary action against a business licensed under the California Cannabis Laws.
- (uu) "State Cannabis Regulations" means the regulations promulgated by the State Licensing Authority pursuant to the California Cannabis Laws (3 CCR § 8000 *et seq.*, 17 CCR § 40100 *et seq.*, 42 CCR 35000 *et seq.*, or their respective successors).
- (vv) "State Taxing Authority" has the meaning set forth in Section 4.2.
- (ww) "Subsequent City Approvals" has the meaning set forth in Section 3.1.
- (xx) "Term" has the meaning set forth in Section 1.7.
- (yy) "Type 1A license" or "Specialty Indoor" means a state license issued by the Department of Agriculture pursuant to the California Cannabis Laws for indoor cultivation using exclusively artificial lighting of between 501 and 5,000 square feet of total canopy size on one premises.
- (zz) "Type 2A license" or "Small Indoor" means a state license issued by the Department of Agriculture pursuant to the California Cannabis Laws for indoor cultivation using exclusively artificial lighting between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.
- (aaa) "Type 3A license" or "Indoor" means a state license issued by the Department of Agriculture pursuant to the California Cannabis Laws for indoor cultivation using exclusively artificial lighting between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises.
- (bbb) "Type 4 license" or "Nursery" means a state license issued by the Department of Agriculture pursuant to the California Cannabis Laws for cultivation.
- (ccc) "Type 6 license" or "Manufacturer 1" means a state license issued by the Department of Public Health pursuant to the California Cannabis Laws for manufacturing sites that produce cannabis products using nonvolatile solvents.
- (ddd) "Type 7 license" or "Manufacturer 2" means a state license issued by the Department of Public Health pursuant to the California Cannabis Laws for manufacturing sites that produce cannabis products using volatile solvents.

(eee) "Type 10 license" or "Retailer" means a state license issued by the Bureau of Cannabis Control pursuant to the California Cannabis Laws authorizing the retail sale of cannabis and cannabis products. Retail sale includes sales at a storefront and by delivery, pursuant to all state and local laws and regulations.

(fff) "Type 11 license" or "Distributor" means a state license issued by the Bureau of Cannabis Control pursuant to the California Cannabis Laws for the distribution of cannabis and cannabis products from manufacturer to dispensary.

(ggg) "Type 12 license" or "Microbusiness" means a state license issued by a State Licensing Authority pursuant to the California Cannabis Laws relating to cannabis manufacturing, retail and distribution.

(hhh) "Type 13 license" or "Distribution Transport-Only" means a state license issued by the Bureau of Cannabis Control pursuant to the California Cannabis Laws for distribution cannabis and cannabis products.

Section 1.5. Project is a Private Undertaking. The Parties agree that the Cannabis Business Project is a private development and that City has no interest therein, except as authorized in the exercise of its governmental functions. City shall not for any purpose be considered an agent of Developer or of the Cannabis Business Project.

Section 1.6. Effective Date of Agreement. This Agreement shall become effective upon the date that the ordinance approving this Agreement becomes effective (the "Effective Date").

Section 1.7. Term. The "Term" of this Agreement is five (5) years from the Effective Date, unless terminated or extended earlier, as set forth in this Agreement

(a) Government Tolling or Termination. City may provide written notice to Developer to cease all Commercial Cannabis Activity, upon which Developer shall immediately comply if City is required, directed or believes, in its sole and absolute discretion, it must temporarily halt or terminate Commercial Cannabis Activity within the City to comply with federal or state law. If City temporarily halts this Agreement to comply with federal or state law, this Agreement shall be tolled for no longer than one (1) calendar year (the "Tolling Period"). Developer shall not accrue or be liable to City for any Ministerial Fees or Public Benefit Amount during the Tolling Period. Developer shall resume paying any applicable fees after the Tolling Period ends. City and Developer shall discuss in good faith the termination of this Agreement if the Tolling period exceeds one (1) calendar year to comply with federal or state law.

(b) Developer Tolling or Termination. Developer may not temporarily halt or terminate this Agreement for any purpose without causing a default of this Agreement, except as otherwise allowed by this Agreement or by mutual agreement of the Parties.

Section 1.8. Priority of Enactment. In the event of a conflict between the various land use documents referenced in this Agreement, the Parties agree that the following

sequence of approvals establishes the relative priority of the approvals, each approval superior to the approvals listed thereafter: (a) General Plan, (b) Specific Plan, (c) Agreement, (d) Conditional Use Permit, (e) Indemnification Agreement, and (f) Subsequent City Approvals.

Section 1.9. Amendment of Agreement. This Agreement shall be amended only by mutual consent of the Parties. All amendments shall be in writing. The City Council hereby expressly authorizes the City Manager to approve a Minor Amendment to this Agreement, upon notification of the City Council. A Major Amendment to this Agreement shall be approved by the City Council. The City Manager shall, on behalf of City, have sole discretion for City to determine if an amendment is a Minor Amendment or a Major Amendment. Nothing in this Agreement shall be construed as requiring a noticed public hearing, unless required by law.

Section 1.10. Recordation of Development Agreement. The City Clerk shall cause a copy of this Agreement to be recorded against the title of the Site within ten (10) business days of the Effective Date.

Section 1.11. Funding Agreement for Processing Costs. Developer has deposited Thirty-Thousand Thousand Dollars (\$30,000) with City to pay for all actual fees and expenses incurred by City that are related to the preparation and processing of this Agreement and creation and implementation of the City's Cannabis pilot program, including recording fees, publishing fees, staff time, and consultant and attorneys' fees and costs (collectively, "Processing Costs"). The Processing Costs are refundable solely to the extent of non-expended Processing Costs. Developer shall be entitled to a refund of available Processing Costs only after City determines all financial obligations associated with the Cannabis Business Project have been received and paid by City.

(a) Apportionment of Processing Costs. If the amount deposited for purposes of Processing Costs is insufficient to cover all Processing Costs, Developer shall deposit with City such additional funds necessary to pay for all Processing Costs within thirty (30) days. The failure to timely pay any such additional amounts requested by City shall be considered a material default of this Agreement and City may terminate this Agreement.

(b) Accounting. Developer may request, and City shall issue within a reasonable time not to exceed thirty (30) days, an accounting and written acknowledgement of Processing Costs paid to City.

ARTICLE 2 DEVELOPMENT OF PROPERTY

Section 2.1. Vested Right of Developer. During the Term, in developing the Site consistent with the Cannabis Business Project described herein, Developer is assured that the development rights, obligation terms, and conditions specified in this Agreement, including, without limitation, the terms, conditions, and limitations set forth in the Exhibits, are fully vested in Developer and may not be modified or terminated by City except as set forth in this Agreement or with Developer's written consent.

Section 2.2. Vested Right to Develop. In accordance with Section 2.1, Developer shall have the vested right to develop and use the Cannabis Business Project consistent with this Agreement, the Conditional Use Permit, and Subsequent City Approvals.

Section 2.3. Permitted Uses and Development Standards. Developer shall be authorized to develop, construct, and use the Site for Commercial Cannabis Activity consistent with the following license type (the “Authorized License”):

Type 10	Storefront Dispensary
---------	-----------------------

Pursuant to this Agreement, Developer shall be permitted to use the Site consistent with the Authorized License for the Term of this Agreement and during the time Developer is applying for the Authorized License with the applicable State Licensing Authority. Developer shall begin operations of the Cannabis Business Project under the Authorized License within six (6) months of the issuance of a Conditional Use Permit or adoption of the operative ordinance approving this Agreement, whichever is later, unless Developer is prevented from doing so due to any event or circumstance set forth in Section 8.6 of this Agreement. Notwithstanding the foregoing, Developer is required to apply for and obtain the Authorized License from the State of California. If the State Licensing Authority does not grant the Authorized License to Developer, Developer shall immediately cease Commercial Cannabis Activity and any other operations on the respective site. Developer shall also, within thirty (30) days of receiving notice from the State Licensing Authority, notify City of the State Licensing Authority’s denial or rejection of the Authorized License. In this situation, this Agreement shall terminate immediately. The Parties intend for this Agreement and the Conditional Use Permit to serve as the definitive and controlling documents for all subsequent actions, discretionary or ministerial, relating to development of the Site and the Cannabis Business Project.

Section 2.4. Major Amendment to Permitted Uses. Developer may request to add to the Authorized License additional license types once that license is applied for or obtained from the appropriate State Licensing Authority (the “Additional Licenses”). Such request shall be a Major Amendment to this Agreement.

Section 2.5. Conditional Use Permit. Developer shall obtain a Conditional Use Permit for the Commercial Cannabis Activity and Authorized License contemplated herein for the Project and at the Site. No Commercial Cannabis Activity may occur at the Site until Developer has obtained a Conditional Use Permit to use and operate the Authorized License at the Site. This Conditional Use Permit must be maintained in good standing throughout the Term. This Agreement shall immediately terminate if the Conditional Use Permit for the Authorized License is revoked by City for any reason.

Section 2.6. Subsequent Entitlements, Approvals, and Permits. Successful implementation of the Cannabis Business Project shall require Developer to obtain additional approvals and permits from City and other local and state agencies. City shall comply with CEQA in the administration of all Subsequent City Approvals. In acting upon any Subsequent City Approvals, City’s exercise of discretion and permit authority shall

conform to this Agreement. Notwithstanding the foregoing, in the course of taking action on the Subsequent City Approvals, City will exercise discretion in adopting mitigation measures as part of the Conditional Use Permit. The exercise of this discretion is not prohibited or limited in any way by this Agreement. Nothing in this Agreement shall preclude the evaluation of impacts or consideration of mitigation measures or alternatives, as required by CEQA.

(a) Contemplated City Rules and Guidelines. City anticipates issuing additional rules and administrative guidelines associated with implementation of the Cannabis Business Pilot Program. City may establish requirements that are identical to or place a higher standard of care as existing provisions of the California Cannabis Laws, State Cannabis Regulations, or any amendments thereto. City reserves the right to adopt additional categories of rules or guidelines that are not listed in this Section as part of the Cannabis Business Pilot Program. Developer shall comply with any and all administrative guidelines adopted by City that govern or pertain to the Cannabis Business Project. Nothing in this Agreement shall be construed as limiting the City to amend the T.M.C or issue rules or guidelines following the Effective Date of this Agreement that Developer will be required to adhere to.

Section 2.7. Initiatives and Referenda. If any City ordinance, rule or regulation, or addition to the T.M.C. is enacted or imposed by a citizen-sponsored initiative or referendum after the Effective Date that would conflict with this Agreement, an associated Conditional Use Permit, Subsequent City Approvals, or reduce the development rights or assurances provided to Developer in this Agreement, such T.M.C. changes shall not be applied to the Site or the Cannabis Business Project; provided, however, the Parties acknowledge that City's approval of this Agreement is a legislative action subject to referendum. City shall cooperate with Developer and shall undertake such reasonable actions as may be appropriate to ensure this Agreement remains in full force and effect and is implemented in accordance with its terms to the fullest extent permitted by state or federal law.

Section 2.8. Regulation by Other Government Entities. Developer acknowledges that City does not have authority or jurisdiction over any other government entities' ability to grant governmental approvals or permits or to impose a moratorium or other limitations that may negatively affect the Cannabis Business Project or the ability of City to issue a permit to Developer or comply with the terms of this Agreement. Any moratorium imposed by another government entity, including the State Licensing Authority, on City shall not cause City to be in breach of this Agreement.

Section 2.9. Developer's Right to Rebuild. Developer may renovate portions of the Site any time within the Term of this Agreement consistent with the T.M.C. Any such renovation or rebuild shall be subject to all design, building code, and other requirements imposed on the Cannabis Business Project by this Agreement.

Section 2.10. Changes in California Building Standards Codes. Notwithstanding any provision of this Agreement to the contrary, development of the Cannabis Business Project shall be subject to changes occurring from time to time to the California Building Standards Codes.

Section 2.11. Changes Mandated by Federal or State Law. The Site and the Cannabis Business Project shall be subject to subsequently enacted state or federal laws or regulations that may preempt the T.M.C., or mandate the adoption or amendment of local regulations or are in conflict with this Agreement or local rules or guidelines associated with the Cannabis Business Pilot Program. As provided in Section 65869.5 of the Development Agreement Statute, in the event state or federal laws or regulations enacted after the Effective Date prevent or preclude compliance with one or more provisions of this Agreement, such provisions shall be modified or suspended as may be necessary to comply with such state or federal laws or regulations. Upon discovery of a subsequently enacted federal or state law meeting the requirements of this Section, City or Developer shall provide the other Party with written notice of the state or federal law or regulation, and a written statement of the conflicts thereby raised with the provisions of the T.M.C. or this Agreement. Promptly thereafter, City and Developer shall meet and confer in good faith in a reasonable attempt to modify this Agreement, as necessary, to comply with such federal or state law or regulation provided City shall not be obligated to agree to any modification materially increasing its obligations or materially adversely affecting its rights and benefits hereunder. In such discussions, City and Developer will attempt to preserve the terms of this Agreement and the rights of Developer derived from this Agreement to the maximum feasible extent while resolving the conflict. If City, in its judgment, determines it necessary to modify this Agreement to address such conflict, City shall have the right and responsibility to do so, and shall not have any liability to Developer for doing so or be considered in breach or default of this Agreement. City also agrees to process, in accordance with the provisions of this Agreement, Developer's proposed changes to the Cannabis Business Project that are necessary to comply with such federal or state law and that such proposed changes shall be conclusively deemed to be consistent with this Agreement without further need for any amendment to this Agreement.

Section 2.12. Health and Safety Emergencies. In the event that any future public health and safety emergencies arise with respect to the Cannabis Business Project contemplated by this Agreement, City agrees that it shall attempt, if reasonably possible as determined by City in its discretion, to address such emergency in a way that does not have a material adverse impact on the Cannabis Business Project. If City determines, in its discretion, that it is not reasonably possible to so address such health and safety emergency in a way that does not have a material adverse impact on the Cannabis Business Project, City may select an option which, in its discretion, minimizes, so far as reasonably possible, the impact on development and use of the Cannabis Business Project in accordance with this Agreement, while still addressing such health and safety emergency in a manner acceptable to City.

ARTICLE 3

ENTITLEMENT AND PERMIT PROCESSING, INSPECTIONS

Section 3.1. Subsequent City Approvals. City shall permit the development, construction, and conditionally permitted use contemplated in this Agreement. City agrees to timely grant, pursuant to the terms of this Agreement, the T.M.C., and any Subsequent City Approvals reasonably necessary to complete the goals, objectives, policies, standards, and plans described in this Agreement. The Subsequent City Approvals shall include any applications, permits, and approvals required to complete the improvements necessary to develop the Site, in general accordance with this Agreement ("Subsequent City Approvals"). Nothing herein shall require City to provide Developer with Subsequent City Approvals prior to, or without complying with, all of the requirements in this Agreement, the T.M.C., and any applicable state law.

Section 3.2. Timely Processing. City shall use its reasonable best efforts to process and approve, within a reasonable time, any Subsequent City Approvals or environmental review requested by Developer during the Term of this Agreement.

Section 3.3. Cooperation Between City and Developer. Consistent with the terms set forth herein, City agrees to cooperate with Developer, on a timely basis, in securing all permits or licenses that may be required by City or any other government entity with permitting or licensing jurisdiction over the Cannabis Business Project.

Section 3.4. Further Consistent Discretionary Actions. The exercise of City's authority and independent judgment is recognized under this Agreement and nothing in this Agreement shall be interpreted as limiting City's discretion or obligation to hold legally required public hearings. Except as otherwise set forth herein, such discretion and action taken by City shall, however, be consistent with the terms of this Agreement and not prevent, hinder, or compromise development or use of the Site as contemplated by the Parties in this Agreement.

ARTICLE 4

PUBLIC BENEFIT, PROCESSING, AND OVERSIGHT

Section 4.1. Processing Fees and Charges. Developer shall pay to City those processing, inspection, plan checking and monitoring fees and charges required by City which are in force and effect at the time those fees and charges are incurred (including any post-Effective Date increases in such fees and charges) for processing applications and requests for building permits, inspections, other permits, approvals and actions, and monitoring compliance with any permits issued or approvals granted or the performance of any conditions (each a "Ministerial Fee" and collectively, the "Ministerial Fees").

Section 4.2. Public Benefit.

(a) The Parties acknowledge and agree that this Agreement, and the Cannabis Business Project, confers substantial private benefits upon Developer that will place burdens upon City infrastructure, services, and neighborhoods. Accordingly, the

Parties intend to provide consideration to City to offset these impacts that commensurate with the private benefits conferred on Developer (the "Public Benefit"). In consideration of the foregoing, Developer shall remit to City as follows (the "Cannabis Business Public Benefit"):

Effective Date	Public Benefit Amount Due
1 st Business Day following the (1 st) Month in which Developer commences Commercial Cannabis Activity.	\$25,000 or 5.25% of Gross Receipts from Operations each month, whichever is greater (" <u>Tier 1 Amount</u> ").
1 st Business Day of the Thirteenth (13 th) Month in which Developer commences Commercial Cannabis Activity.	\$30,000 or 5.25% of Gross Receipts from Operations each month, whichever is greater (" <u>Tier 2 Amount</u> ").
1 st Business Day of the Twenty-fifth (25 th) Month in which Developer commences Commercial Cannabis Activity.	\$35,000 or 5.25% of Gross Receipts from Operations each month, whichever is greater (" <u>Tier 3 Amount</u> ").
1 st Business Day of the Thirty-seventh (37 th) Month in which Developer commences Commercial Cannabis Activity.	\$40,000 or 5.25% of Gross Receipts from Operations each month, whichever is greater (" <u>Tier 4 Amount</u> ").
1 st Business Day of the Forty-ninth (49 th) Month in which Developer commences Commercial Cannabis Activity.	\$45,000 or 5.25% of Gross Receipts from Operations each month, whichever is greater (" <u>Tier 5 Amount</u> ").

The above public benefit amounts include a one-quarter percent (.25%) dollar amount dedicated to supporting the City of Turlock juvenile drug and alcohol treatment and rehabilitation programs.

(b) Collectively, these amounts shall be known as the "Public Benefit Amount."

(c) Developer shall file an applicable statement that complies with the California State Board of Equalization, California Department of Tax and Fee Administration, or either's successor agency (the "State Taxing Authority") for sales tax purposes showing the true and correct amount of Gross Receipts from Operations of the Cannabis Business Project during the applicable time period. Developer shall provide a copy of such statement to City upon request by City.

Section 4.3. Reporting. Developer shall provide City with copies of any reports provided to a State Licensing Authority within forty-five (45) days of that submission.

Any failure or refusal of Developer to provide any statement or report to City, the State Taxing Authority, or any other State Licensing Authority, as required within the time required, or to pay such sums due hereunder when the same are due and payable in accordance with the provisions of this Agreement, may constitute full and sufficient grounds for the revocation or suspension of the Conditional Use Permit.

Section 4.4. Records. Developer shall keep records of all Commercial Cannabis Activity in accordance with Chapter 16 (commencing with Section 26160) of Division 10 of the Business and Professions Code and the applicable State Cannabis Regulations. All records required by this Section shall be maintained and made available for City's examination and duplication (physical or electronic) at the Site or at an alternate facility as approved in writing by the City Manager, or his or her designee.

Section 4.5. Penalty. Developer acknowledges that to ensure proper compliance with the terms of this Agreement and any applicable laws, City must engage in costly compliance review, inspections, and, if necessary, enforcement actions to protect the health, safety, and welfare of its residents. Penalty and interest provisions are necessary to assist City in compliance review and enforcement actions. If Developer fails to make any payment when due, as required by this Agreement, including the Public Benefit Amount, City may impose a "Non-Performance Penalty." A Non-Performance Penalty of ten percent (10%) shall be applied to all past due payments. City shall deliver to Developer a "Notice of Non-Performance Penalty," attached hereto as **Exhibit D**. Payment of the Non-Performance Penalty shall be in a single installment due on or before a date fifteen (15) days following delivery of the Notice of Non-Performance Penalty.

Section 4.6. Interest on Unpaid Non-Performance Penalty. If Developer fails to pay the Non-Performance Penalty after City has delivered the Notice of Non-Performance Penalty, then, in addition to the principal amount of the Non-performance Penalty, Developer shall pay City interest at the rate of eighteen percent (18%) per annum, computed on the principal amount of the Non-Performance Penalty, from a date fifteen (15) days following delivery of the Notice of Non-performance Penalty.

Section 4.7. Protections from City Tax. Notwithstanding Section 4.2, for the Term of this Agreement, Developer shall be exempt from any City tax specific to commercial cannabis businesses. Notwithstanding the foregoing, Developer and the Cannabis Business Project shall be subject to any and all taxes, assessments, or similar charges or fees of general applicability enacted by the federal government, state government, County of Stanislaus, including any tax applicable to an area greater than the City limits to which City may be a party (i.e., county tax sharing agreement with City).

ARTICLE 5 PUBLIC FACILITIES, SERVICES, AND UTILITIES

City shall use the Public Benefit Amount in any way the City Council deems appropriate to offset the impact of the Project or to benefit the City.

ARTICLE 6 INSURANCE AND INDEMNITY

Section 6.1. Insurance. Developer shall require all persons doing work on the Cannabis Business Project and, including its contractors and subcontractors (collectively, "Developer" for purposes of this Article 6 only), to obtain and maintain insurance of the types and in the amounts described in this Article with carriers reasonably satisfactory to City.

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

(i) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as "Additional Insureds" by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insured.

(ii) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives.

(iii) Contain standard separation of insured provisions.

(b) Automotive Liability Insurance. Developer shall maintain business automobile liability insurance or equivalent form with a limit of not less than One Million Dollars (\$1,000,000) for each accident. Such insurance shall include coverage for owned, hired and non-owned automobiles. Such insurance shall also:

(i) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as Additional Insureds by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed Additional Insureds.

(ii) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives.

(iii) Contain standard separation of insured provisions.

(c) Workers' Compensation Insurance. Developer shall take out and maintain during the Term of this Agreement, workers' compensation insurance for all of Developer's employees employed at or on the Cannabis Business Project and, should any of the work be subcontracted, Developer shall require any general contractor or subcontractor similarly to provide workers' compensation insurance for such contractor's or subcontractor's employees, unless such employees are covered by the protection afforded by Developer. In case any class of employee engaged in work on the Cannabis

Business Project and is not protected under any workers' compensation law, Developer shall provide and shall cause each contractor and subcontractor to provide adequate insurance for the protection of employees not otherwise protected. Developer hereby indemnifies City for any damage resulting from failure of Developer, its agents, employees, contractors or subcontractors to take out or maintain such insurance. Workers' compensation insurance with statutory limits and employer's liability insurance with limits of not less than One Million Dollars (\$1,000,000) for each accident shall be maintained by Developer.

Section 6.2. Other Insurance Requirements. Developer shall do all of the following:

(a) Prior to taking any actions under this Agreement, furnish City with properly executed certificates of insurance that clearly evidence all insurance required in this Article, including evidence that such insurance will not be canceled, allowed to expire or materially reduced in coverage without thirty (30) days prior written notice to City.

(b) Provide to City, upon request, and within seven (7) days of said request, certified copies of endorsements and policies and properly executed certificates of insurance evidencing the insurance required herein.

(c) Replace or require the replacement of certificates, policies, and endorsements for any insurance required herein expiring prior to the termination of this Agreement.

(d) Maintain all insurance required herein from the Effective Date of this Agreement to the earlier of the expiration of the Term or the mutual written termination of this Agreement.

(e) Place all insurance required herein with insurers licensed to do business in California with a current Best's Key Rating Guide reasonably acceptable to City.

Section 6.3. Indemnity. To the fullest extent permitted by law, Developer shall defend, indemnify, and hold harmless City, and its agents, elected and appointed officials, officers, employees, consultants, and volunteers (collectively, "City's Agents") from any and all liability arising out of a claim, action, or proceeding against City, or City's Agents, to attack, set aside, void, or annul an approval concerning the Cannabis Business Project and this Agreement, any applicable Conditional Use Permit or Subsequent City Approvals. Developer shall execute the indemnification agreement ("Indemnification Agreement") attached hereto as **Exhibit E**.

Section 6.4. Failure to Indemnify; Waiver. Failure by Developer to indemnify City, when required by this Agreement and the Indemnification Agreement, shall constitute a material breach of this Agreement and of any applicable Conditional Use Permit and Subsequent City Approvals, which shall entitle City to all remedies available under law, including, but not limited to, specific performance and damages. Failure to indemnify shall constitute grounds upon which City may rescind its approval of any applicable Conditional Use Permit. Developer's failure to indemnify City shall be a waiver by Developer of any

right to proceed with the Cannabis Business Project or any portion thereof, and a waiver of Developer's right to file a claim, action, or proceeding against City, or City's Agents, based on City's rescission or revocation of any Conditional Use Permit, Subsequent City Approvals, or City's failure to defend any claim, action, or proceeding based on Developer's failure to indemnify City.

Section 6.5. Waiver of Damages. Notwithstanding anything in this Agreement to the contrary, the Parties acknowledge that City would not have entered into this Agreement had it been exposed to liability for damages from Developer and, therefore, Developer hereby waives all claims for damages against City for breach of this Agreement. Developer further acknowledges that under the Development Agreement Statute, land use approvals (including development agreements) must be approved by the City Council and that, under law, the City Council's discretion to vote in any particular way may not be constrained by contract. Developer therefore waives all claims for damages against City in the event that this Agreement or any Project approval is: (1) not approved by the City Council; or (2) is approved by the City Council but with new changes, amendments, conditions, or deletions to which Developer is opposed. Developer further acknowledges that, as an instrument which must be approved by ordinance, a development agreement is subject to referendum; and that, under law, the City Council's discretion to avoid a referendum by rescinding its approval of the underlying ordinance may not be constrained by contract, and Developer waives all claims for damages against City in this regard.

ARTICLE 7 MORTGAGEE PROTECTION

This Agreement, once executed and recorded, shall be superior and senior to any lien placed upon the Site or any portion thereof following recording of this Agreement, including the lien of any deed of trust or mortgage ("Mortgage"). Notwithstanding the foregoing, no breach hereof shall defeat, render invalid, diminish, or impair the lien of any Mortgage made in good faith and for value. This Agreement shall immediately be deemed in default and immediately terminate upon the foreclosure or transfer of any interest in the Site or Project, whether by operation of law or any other method of interest change or transfer, unless the City Manager has authorized such change or transfer in advance, in writing. City agrees to not unreasonably withhold its authorization.

ARTICLE 8 DEFAULT

Section 8.1. General Provisions.

(a) Subject only to any extensions of time by mutual consent in writing, or as otherwise provided herein, the failure or delay by any Party to perform in accordance with the terms and provisions of this Agreement shall constitute a default. Any Party alleging a default or breach of this Agreement ("Charging Party") shall give the other Party ("Charged Party") not less than ten (10) days written notice, which shall specify the nature of the alleged default and the manner in which the default may be cured. During any such

ten (10) calendar day period, the Charged Party shall not be considered in default for purposes of termination of this Agreement or institution of legal proceedings for the breach of this Agreement.

(b) After expiration of the ten (10) calendar day period, if such default has not been cured or is not in the process of being diligently cured in the manner set forth in the notice or if the breach cannot reasonably be cured within ten (10) days, the Charging Party may, at its option, institute legal proceedings pursuant to this Agreement, and give notice of its intent to terminate this Agreement pursuant to Government Code section 65868. In the event City is the Charging Party, City may, in its sole discretion, give notice, as required by law, to the Charged Party of its intent to revoke or rescind any operable Conditional Use Permit related to or concerning the Cannabis Business Project.

(c) Prior to the Charging Party giving notice to the Charged Party of its intent to terminate, or prior to instituting legal proceedings, the matter shall be scheduled for consideration and review by City in the manner set forth in Government Code sections 65865, 65867 and 65868 within thirty (30) days from the expiration of the ten (10) day notice period.

(d) Following consideration of the evidence presented and said review before City, and after providing the Charged Party an additional five (5) calendar day period to cure, the Charging Party may institute legal proceedings against the Charged Party or may give written notice of termination of this Agreement to the Charged Party.

(e) Evidence of default may arise in the course of a regularly scheduled periodic review of this Agreement pursuant to Government Code section 65865.1, as set forth in Section 8.2. If any Party determines that another Party is in default following the completion of the normally scheduled periodic review, without reference to the procedures specified in Section 8.1(c), said Party may give written notice of termination of this Agreement, specifying in the notice the alleged nature of the default and potential actions to cure said default where appropriate. If the alleged default is not cured in ten (10) days or within such longer period specified in the notice or the defaulting Party is not diligently pursuing a cure, or if the breach cannot reasonably be cured within the period or the defaulting Party waives its right to cure such alleged default, this Agreement may be terminated by the non-defaulting Party by giving written notice. An extension of the ten (10) day cure period may be given by mutual consent of the Parties.

(f) In the event Developer is in default under the terms and conditions of this Agreement, no permit application shall be accepted by City, nor will any permit be issued to Developer until the default is cured or the Agreement is terminated.

Section 8.2. Annual Review. City shall, at least every twelve (12) months during the Term of this Agreement, review the extent of good faith, substantial compliance of Developer and City with the terms of this Agreement. Such periodic review by City shall be limited in scope to compliance with the terms of this Agreement pursuant to California Government Code section 65865.1. City shall deposit in the mail or fax to Developer a copy of all staff reports and, to the extent practical, related exhibits concerning this

Agreement or the Cannabis Business Project's performance, at least seven (7) days prior to such periodic review. Developer shall be entitled to appeal a determination of City or the City Manager to the City Council. Any appeal must be filed within ten (10) days of the decision of City or the City Manager, respectively. Developer shall be permitted an opportunity to be heard orally or in writing regarding its performance under this Agreement before City, the City Manager, or the City Council, as applicable. The reasonable cost for City's annual review of this Agreement shall be paid by Developer, not to exceed the actual costs incurred by City in connection with the review.

Section 8.3. Estoppel Certificates.

(a) City shall, with at least twenty (20) days prior written notice, execute, acknowledge, and deliver to Developer, Developer's lender, potential investors, or assignees, an Estoppel Certificate in writing which certifies that this Agreement is in full force and effect, that there are no breaches or defaults under the Agreement, and that the Agreement has not been modified or terminated and is enforceable in accordance with its terms and conditions.

(b) At Developer's option, City's failure to deliver such Estoppel Certificate within the stated time period shall be conclusive evidence that the Agreement is in full force and effect, that there are no uncured breaches or defaults in Developer's performance of the Agreement or violation of any City ordinances, regulations, and policies regulating the use and development of the Site, the Cannabis Business Project, or the subject to this Agreement.

Section 8.4. Default by City. In the event City does not accept, review, approve, or issue any permits or approvals in a timely fashion, as defined by this Agreement, or if City otherwise defaults under the terms of this Agreement, City agrees that Developer shall not be obligated to proceed with or complete the Cannabis Business Project and shall constitute grounds for termination or cancellation of this Agreement by Developer.

Section 8.5. Cumulative Remedies of Parties. In addition to any other rights or remedies, City or Developer may institute legal or equitable proceedings to cure, correct, or remedy any default, enforce any covenant, or enjoin any threatened or attempted violation of the provisions of this Agreement, so long as any such action conforms to Section 9.1(c) of this Agreement.

Section 8.6. Forced Delay, Extension of Times of Performance. Delays in performance, by either Party, shall not be deemed a default if such delays or defaults are due to war, terrorism, insurrection, strikes, walkouts, riots, floods, earthquakes, fires, casualties, acts of God, governmental restrictions imposed where mandated by governmental entities other than City, enactment of conflicting state or federal laws or regulations, new or supplementary environmental regulations enacted by the state or federal government, litigation, or other force majeure events. An extension of time for such cause shall be in effect for the period of forced delay or longer, as may be mutually agreed upon.

Section 8.7. Appeals. Developer may appeal any adverse decision or action of City pursuant to the T.M.C, as may be amended from time to time.

ARTICLE 9 TERMINATION

Section 9.1. Termination Upon Completion of Development. This Agreement shall terminate upon the expiration of the Term, unless it is terminated earlier pursuant to the terms of this Agreement. Upon termination of this Agreement, City shall record a notice of such termination in substantial conformance with the "Notice of Termination" attached hereto as **Exhibit F**, and this Agreement shall be of no further force or effect except as otherwise set forth in this Agreement.

Section 9.2. Effect of Termination on Developer's Obligations. Termination of this Agreement shall eliminate any further obligation of Developer to comply with this Agreement, or some portion thereof, if such termination relates to only part of the Site or Project. Termination of this Agreement, in whole or in part, shall not, however, eliminate the rights of Developer to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

Section 9.3. Effect of Termination on City's Obligations. Termination of this Agreement shall eliminate any further obligation of City to comply with this Agreement, or some portion thereof. Termination of this Agreement shall not, however, eliminate the rights of City to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

Section 9.4. Survival After Termination. The rights and obligations of the Parties set forth in this Section 9.4, Section 2.8, Section 6.3, Section 10.3, Section 10.4, Section 10.5, Section 10.7, and Section 10.10, and any right or obligation of the Parties in this Agreement which, by its express terms or nature and context is intended to survive termination of this Agreement, will survive any such termination.

ARTICLE 10 OTHER GENERAL PROVISIONS

Section 10.1. Assignment and Assumption. Developer shall not have the right to sell, assign or transfer all or any part of its rights, title, and interests in all or a portion of the Site or Project, subject to or a part of this Agreement, to any person, firm, corporation or entity during the Term of this Agreement without the advance written consent of the City Manager. This assignment prohibition applies to the corporate and business entities of Developer that are a Party to this Agreement. Any assignment or transfer prohibited by this Agreement will be considered an immediate breach of this Agreement and City may elect to immediately terminate this Agreement. If the City Manager approves an assignment or transfer of any interest detailed in this Section 10.1, City and Developer shall execute an "Assignment and Assumption Agreement" in the form attached hereto as **Exhibit J**.

Section 10.2. Covenants Running with the Land. All of the provisions contained in this Agreement shall be binding upon the Parties and their respective heirs, successors and assigns, representatives, lessees, and all other persons acquiring all or a portion of interest in the Site or Project, whether by operation of law or in any manner whatsoever. All of the provisions contained in this Agreement shall be enforceable as equitable servitudes and shall constitute covenants running with the land pursuant to California law, including California Civil Code section 1468. Each covenant herein to act or refrain from acting is for the benefit of or a burden upon the Cannabis Business Project and, as appropriate, runs with the Site and is binding upon Developer.

Section 10.3. Notices. Any notice or communication required hereunder between City and Developer must be in writing and may be given either personally, by facsimile (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express, UPS, or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by facsimile transmission, a notice or communication shall be deemed to have been given and received upon actual physical receipt of the entire document by the receiving Party's facsimile machine. Notices transmitted by facsimile after 5:00 p.m. on a normal business day, or on a Saturday, Sunday, or holiday, shall be deemed to have been given and received on the next normal business day. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the Party to whom notices are to be sent; or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered, as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to City: City of Turlock
 156 S. Broadway
 Turlock, CA 95380
 Attention: Robert Lawton, City Manager

and Churchwell White, LLP
 1414 K Street, 3rd Floor
 Sacramento, CA
 Attention: Douglas L. White, City Attorney

If to Developer: Fire House Cooperative, Inc.

2213 Patterson Rd.
Riverbank, CA 95367
Attention: Devin Stetler, Co-Owner/CTO

Section 10.4. Governing Law and Binding Arbitration. The validity, interpretation, and performance of this Agreement shall be controlled by and construed pursuant to the laws of the state of California. Any dispute, claim, or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation, or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate, shall be determined by binding arbitration in Sacramento, California, before one arbitrator. The arbitration shall proceed pursuant to the Comprehensive Arbitration Rules and Procedures of the Judicial Arbitration and Mediation Services ("JAMS"). Judgment on the award may be entered in any court having jurisdiction thereof.

Section 10.5. Invalidity of Agreement/Severability. If this Agreement, in its entirety, is determined by an arbitrator or court of competent jurisdiction to be invalid or unenforceable, this Agreement shall automatically terminate as of the date of final entry of judgment. If any term or provision of this Agreement shall be determined by an arbitrator or court of competent jurisdiction to be invalid and unenforceable, or if any term or provision of this Agreement is rendered invalid or unenforceable according to the terms of any federal or state statute, any provisions that are not invalid or unenforceable shall continue in full force and effect and shall be construed to give effect to the intent of this Agreement. The Parties expressly agree that each Party is strictly prohibited from failing to perform any and all obligations under this Agreement on the basis that this Agreement is invalid, unenforceable, or illegal. By entering into this Agreement, each Party disclaims any right to tender an affirmative defense in any arbitration or court of competent jurisdiction, that performance under this Agreement is not required because the Agreement is invalid, unenforceable, or illegal.

Section 10.6. Cumulative Remedies. In addition to any other rights or remedies, City and Developer may institute legal or equitable proceedings to cure, correct, or remedy any default, to specifically enforce any covenant or agreement herein, or to enjoin any threatened or attempted violation of the provisions of this Agreement. The prevailing Party in any such action shall be entitled to reasonable attorneys' fees and costs. Notwithstanding the foregoing or any other provision of this Agreement, in the event of City default under this Agreement, Developer agrees that it may not seek, and shall forever waive any right to, monetary damages against City, but excluding, therefrom, the right to recover any fees or charges paid by Developer in excess of those permitted hereunder.

Section 10.7. Third Party Legal Challenge. In the event any legal action or special proceeding is commenced by any person or entity challenging this Agreement or any associated entitlement, permit, or approval granted by City to Developer for the Cannabis Business Project (collectively, "Project Litigation"), the Parties agree to cooperate with each other as set forth herein. City may elect to tender the defense of any lawsuit filed and related, in whole or in part, to Project Litigation with legal counsel selected by City.

Developer will indemnify, hold City harmless from, and defend City from all costs and expenses incurred in the defense of such lawsuit, including, but not limited to, damages, attorneys' fees, and expenses of litigation awarded to the prevailing Party or Parties in such litigation. Developer shall pay all litigation fees to City within thirty (30) days of receiving a written request and accounting of such fees and expenses from City. Notwithstanding the aforementioned, City may request, and Developer will provide to City within seven (7) days of any such request, a deposit to cover City's reasonably anticipated Project Litigation fees and costs.

Section 10.8. Constructive Notice and Acceptance. Every person who, after the Effective Date and recording of this Agreement, owns or acquires any right, title or interest to any portion of the Site is and shall be conclusively deemed to have consented and agreed to every provision contained herein, whether or not any reference to this Agreement is contained in the instrument by which such person acquired an interest in the Site and all rights and interests of such person in the Site shall be subject to the terms, requirements, and provisions of this Agreement.

Section 10.9. Statute of Limitations and Laches. City and Developer agree that each Party will undergo a change in position in detrimental reliance upon this Agreement from the time of its execution and subsequently. The Parties agree that Section 65009(c)(1)(D) of the California Government Code, which provides for a ninety (90) day statute of limitations to challenge the adoption of this Agreement, is applicable to this Agreement. In addition, any person who may challenge the validity of this Agreement is hereby put on notice that, should the legality or validity of this Agreement be challenged by any third party in litigation, which is filed and served more than ninety (90) days after the execution of this Agreement, City and Developer shall each assert the affirmative defense of laches with respect to such challenge, in addition to all other available defenses. This Section in no way limits the right of a Party, claiming that the other Party breached the terms of this Agreement, to bring a claim against the other Party within the four (4) year statute of limitations set forth in Section 337 of the California Civil Code.

Section 10.10. Joint and Several Liability. Developer shall be jointly and severally liable for any amount due under this Agreement, and any breach of this Agreement or failure to pay by one Party shall also constitute a breach of this Agreement by the other Party. Developer agrees that City may impose a lien and seek foreclosure on any parcel of the Site due to any default by Developer.

Section 10.11. Change in State Regulations. In no event shall Developer operate the Cannabis Business Project in violation of the Agreement, or State Cannabis Regulations, as may be amended from time to time.

Section 10.12. Standard Terms and Conditions.

(a) Venue. Venue for all legal proceedings shall be the JAMS Resolution Center in Sacramento, California.

(b) Waiver. A waiver by any Party of any breach of any term, covenant, or condition herein contained or a waiver of any right or remedy of such Party available hereunder, at law or in equity, shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

(c) Completeness of Instrument. This Agreement, together with its specific references, attachments, and Exhibits, constitutes all of the agreements, understandings, representations, conditions, warranties, and covenants made by and between the Parties hereto. Unless set forth herein, no Party to this Agreement shall be liable for any representations made, express or implied.

(d) Supersedes Prior Agreement. It is the intention of the Parties hereto that this Agreement shall supersede any prior agreements, discussions, commitments, or representations, written, electronic, or oral, between the Parties hereto with respect to the Site or Cannabis Business Project.

(e) Captions. The captions of this Agreement are for convenience and reference only and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Agreement.

(f) Number and Gender. In this Agreement, the neuter gender includes the feminine and masculine, and the singular includes the plural, and the word "person" includes corporations, partnerships, firms, or associations, wherever the context requires.

(g) Mandatory and Permissive. "Shall" and "will" and "agrees" are mandatory. "May" or "can" are permissive.

(h) Term Includes Extensions. All references to the Term of this Agreement shall include any extensions of such Term.

(i) Counterparts. This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

(j) Other Documents. The Parties agree that they shall cooperate in good faith to accomplish the objectives of this Agreement and, to that end, agree to execute and deliver such other instruments or documents as may be necessary and convenient to fulfill the purposes and intentions of this Agreement.

(k) Time is of the Essence. Time is of the essence in this Agreement in each covenant, term, and condition herein.

(l) Authority. All Parties to this Agreement warrant and represent that they have the power and authority to enter into this Agreement and the names, titles, and capacities herein stated on behalf of any entities, persons, states, or firms represented or purported to be represented by such entities, persons, states, or firms and that all former requirements necessary or required by state or federal law in order to enter into this Agreement had been fully complied with. Further, by entering into this Agreement, no Party hereto shall have breached the terms or conditions of any other contract or agreement to which such Party is obligated, which such breach would have a material effect hereon.

(m) Document Preparation. This Agreement will not be construed against the Party preparing it but will be construed as if prepared by all Parties.

(n) Advice of Legal Counsel. Each Party acknowledges that it has reviewed this Agreement with its own legal counsel and, based upon the advice of that counsel, freely entered into this Agreement.

(o) Attorneys' Fees and Costs. If any action at law or in equity, including action for declaratory relief, is brought to enforce or interpret provisions of this Agreement, the prevailing Party shall be entitled to reasonable attorneys' fees and costs, which may be set by the court in the same action or in a separate action brought for that purpose, in addition to any other relief to which such Party may be entitled.

(p) Calculation of Time Periods. All time referenced in this Agreement shall be calendar days, unless the last day falls on a legal holiday, Saturday, or Sunday, in which case the last day shall be the next business day.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, this Agreement has been entered into by and between Developer and City as of the Effective Date of the Agreement, as defined above.

“CITY”

CITY OF TURLOCK, a
California municipal corporation

By: _____
Robert Lawton
City Manager

Dated: _____

Attest:

By: _____
Jennifer Land
City Clerk

Approved to as Form

By _____
Douglas L. White
City Attorney

“DEVELOPER”

FIRE HOUSE COOPERATIVE, INC.

By: _____
Devin Stetler
Its: _____
Co-Owner/CTO

Dated: _____

California All-Purpose Acknowledgment

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

State of California)
)
County of _____)

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

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

Witness my hand and official seal.

(Signature)

(Seal)

California All-Purpose Acknowledgment

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

State of California)
)
County of _____)

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

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

Witness my hand and official seal.

(Signature)

(Seal)

Exhibit A

Cannabis Site Legal Description

Exhibit B

Cannabis Business Project Site Map

Exhibit C

Site Deed

{CW080817.5}

SITE DEED
CITY OF TURLOCK AND FIRE HOUSE COOPERATIVE, INC.

Exhibit C

Exhibit D

Notice of Non-Performance Penalty

DATE: _____, 2019

PARTIES: CITY OF TURLOCK
156 S Broadway
Turlock, CA 95380
Attention: City Manager

DEVELOPER
Fire House Cooperative, Inc.
2213 Patterson Rd.
Riverbank, CA 95367
Attention: Devin Stetler, Co-Owner/CTO

THIS NOTICE OF NON-PERFORMANCE PENALTY ("Penalty Notice") is being executed by the City of Turlock, a California municipal corporation ("City"), with reference to the following.

- A. By Instrument No. _____, which was recorded in the Official Records of Stanislaus County, California, on _____, 2019, City recorded a development agreement between City and Fire House Cooperative, Inc. ("Developer"), dated _____, 2019 (the "Development Agreement"), relating to the development and operation of a cannabis business.
- B. Pursuant to Section 4.2 of the Development Agreement, Developer agrees to pay to City a Public Benefit on the first business day of each month during the Term of the Development Agreement.
- C. On _____, 20__, the Public Benefit was due to City by Developer. City did not receive payment.
- D. Pursuant to Section 4.5 of the Development Agreement, if Developer fails to make payment when it is due, City may impose a penalty of ten percent (10%) of the total of the past due amounts ("Penalty"). As of _____, 20__, the past due amount equals \$_____. The Penalty owed by Developer equals \$_____ ("Penalty Amount").

- E. Pursuant to Section 4.5 of the Development Agreement, Developer shall make payment of the Penalty Amount in a single installment due within fifteen (15) days of delivery of this Penalty Notice ("Penalty Due Date").
- F. Pursuant to Section 4.6 of the Development Agreement, if Developer fails to pay the Penalty Amount before the Penalty Due Date, then, in addition to the Penalty Amount specified in subdivision (D), Developer shall pay City interest on the Penalty Amount, at the rate of eighteen percent (18%) per annum ("Penalty Interest Payment"), computed from the Penalty Due Date specified in subdivision (E). The Penalty Interest Payment is due fifteen (15) days following delivery of the Penalty Due Date. As of _____, 20____, the Penalty Interest Payment amount equals \$_____.
- G. Nothing contained herein shall constitute a waiver of City's future claims for the Public Benefit, Penalty, or interest on the Penalty.

NOW, THEREFORE, City hereby provides Developer the Penalty Notice required by Section 4.5 of the Development Agreement. This Penalty Notice shall be effective upon notice pursuant to Section 10.3 of the Development Agreement.

CITY OF TURLOCK,
a California municipal corporation

By: _____
City Manager

Exhibit E

INDEMNITY AGREEMENT FOR LAND USE ENTITLEMENT PROCESSING

THIS INDEMNITY AGREEMENT FOR LAND USE ENTITLEMENT PROCESSING ("Agreement") is made and entered into on this ____ day of _____ 2019, ("Effective Date") by and between the City of Turlock, a California municipal corporation, and ("City"), Fire House Cooperative, Inc., a California corporation ("Applicant"). City and Applicant may be referred to herein individually as a "Party" or collectively as the "Parties". There are no other parties to this Agreement.

RECITALS

A. In 1996, the people of the state of California approved Proposition 215, the Compassionate Use Act of 1996 ("CUA"). The CUA enables seriously ill Californians to legally possess, use, and cultivate marijuana for medical use under state law. In 2003, the California Legislature adopted Senate Bill 420, entitled the Medical Marijuana Program ("MMP"), which authorizes qualified patients and their primary caregivers to cultivate marijuana for medical purposes without being subject to criminal prosecution under the California Penal Code.

B. On October 9, 2015, Governor Jerry Brown signed three bills into law (Assembly Bill 266, Assembly Bill 243, and Senate Bill 643) which are collectively referred to as the Medical Cannabis Regulation and Safety Act ("MCRSA"). MCRSA establishes a statewide regulatory system for the cultivation, processing, transportation, testing, manufacturing, and distribution of medical marijuana to qualified patients and their primary caregivers.

C. On November 8, 2016, California voters passed Proposition 64, the Adult Use of Marijuana Act ("AUMA"). AUMA legalizes the cultivation, commercial sale, and possession of recreational cannabis for adults age 21 and older.

D. On June 27, 2017, Governor Jerry Brown signed into law the Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), which created a single regulatory scheme for both medicinal and adult-use cannabis businesses. MAUCRSA retains the provisions in the MCRSA and AUMA that granted local jurisdictions control over whether businesses engaged in commercial cannabis activity may operate in a particular jurisdiction.

E. On December 7, 2017, California state cannabis licensing authorities issued emergency regulations that apply to AUMA and MAUCRA and further regulate businesses engaged in commercial cannabis activity.

F. Turlock Municipal Code ("T.M.C.") Chapter 5.21 authorizes cannabis businesses to operate within the City under specified restrictions pursuant to a Cannabis Pilot Program.

G. Applicant intends to improve, develop, and use real property to operate a cannabis business (the "Project") within the City in strict compliance with MAUCRSA and T.M.C. chapter 5.60.

H. Applicant has an agreement to lease that certain real property located at 1601 West Main Street in the City of Turlock, identified as Stanislaus County Assessor's Parcel Number 089-015-006 (the "Project") Applicant intends to improve approximately 4,517 (four thousand five hundred seventeen) square feet of space and operate the Project on the Property.

I. As a condition of approval of the Land Use Entitlements, City has required Applicant to enter into this Agreement.

J. It is in the public interest for City and Applicant to enter into this Agreement, as Applicant will benefit from City's processing of the Project.

K. Applicant desires to enter into this Agreement to fulfill a condition of approval of the Project, which is a prerequisite for construction of the Project.

AGREEMENT

NOW, THEREFORE, in consideration of the promises, covenants and agreements set forth below, the Parties agree as follows:

Section 1. Recitals. The recitals set forth above ("Recitals") are true and correct and are hereby incorporated into and made part of this Agreement by this reference. In the event of any inconsistency between the Recitals and Sections 1 through 19 of this Agreement, Sections 1 through 19 shall prevail.

Section 2. Applicant's Indemnification Obligations.

2.1. Indemnification for Land Use Entitlements. To the fullest extent permitted by law, Applicant shall indemnify, and hold harmless City and its agents, elected and appointed officials, officers, employees, and volunteers (collectively, "City's Agents")

from any and all liability arising out of a claim, action, or proceeding against City, or City's Agents, to attack, set aside, void, or annul, an approval concerning the Land Use Entitlements by reason of the action or inaction of City, or City's Agents. Applicant's duty to indemnify and hold harmless shall not extend to any claim, action or proceeding arising from the gross negligence or willful misconduct of City, or City's Agents.

Applicant's obligations under this Agreement to indemnify City shall apply to any claim, lawsuit or challenge against City brought against the Project, specifically including, but not limited to, any legal challenge based on the California Environmental Quality Act, codified in California Public Resources Code section 21000 et seq.; actions or proceedings brought to challenge the validity of environmental documents prepared in conjunction with the approval of the Project or Land Use Entitlements, or the requirements of any other federal, state, or local laws, including, but not limited to, general plan, specific plan, and zoning requirements.

2.2. Tender of Defense. Upon receiving notice of a claim and pursuant to Article 6 of the Land Use Entitlements, Applicant shall assume the defense of the claim, action, or proceeding through the prompt payment of all attorneys' fees and costs, incurred in good faith and in the exercise of reasonable discretion, of City's counsel in defending such an action. Regardless of whether Applicant chooses to defend City pursuant to Section 6.4 of the Land Use Entitlements, City shall have the absolute and sole authority to control the litigation and make litigation decisions, including, but not limited to, selecting counsel to defend City and settlement or other disposition of the matter.

2.3. Deposit for Costs. Applicant shall make a refundable deposit to City within thirty (30) days of written notification from City ("Cost Deposit"), to cover the estimated fees and costs associated with City's defense of any claim, action or proceeding. Applicant shall make any and all additional payments to City to replenish the Cost Deposit within thirty (30) days of written notice from City.

2.4. Failure to Indemnify; Waiver. Failure to indemnify City, when required by this Agreement, shall constitute a material breach of this Agreement and of the Land Use Entitlements, which shall entitle City to all remedies available under law including, but not limited to, specific performance and damages. Failure to indemnify shall constitute grounds upon which City may rescind its approval of the Land Use Entitlements. Applicant's failure to indemnify City shall be a waiver by Applicant of any right to proceed with the Project, or any portion thereof, and a waiver of Applicant's right to file a claim, action or proceeding against City or City's Agents based on City's rescission or revocation of the Land Use Entitlements, or City's failure to defend any claim, action or proceeding based on Applicant's failure to indemnify City.

2.5. Satisfaction of Judgment. With respect to any claims, demands, acts, causes of action, damages, costs, expenses, settlements, losses or liabilities which Applicant has indemnified City against, Applicant shall pay and satisfy any judgment,

award, settlement or decree that may be rendered or agreed against City and City's Agents arising out of any final, non-appealable judicial or administrative action.

2.6. Payment of Costs and Fees. Applicant's obligations under this Agreement to defend and indemnify City shall include, but not be limited to, payment of all court costs and attorneys' fees, all litigation-related costs, all costs of any judgments or awards against City, or all settlement costs which arise out of City's processing or approval of the Project.

2.7. Continuing Obligation. Applicant shall be and remain personally obligated to all of the terms of this Agreement, notwithstanding any attempt to assign, delegate or otherwise transfer all or any of the rights or obligations of this Agreement, and notwithstanding a change in or transfer of ownership of the real property upon which the Project is located (or any interest therein). However, Applicant may be released from such obligations if Applicant obtains City's prior written consent to such transfer, which consent shall not be unreasonably withheld.

Section 3. City's Obligations. City shall notify Applicant of any claim, action or proceeding within ten (10) business days of receiving service of any claim, action or proceeding. If City fails to notify Applicant of any claim, action, or proceeding, Applicant shall not, thereafter, be responsible to defend, indemnify, or hold City harmless. City shall have and retain, in its sole discretion, the right to not participate in the defense of any claim, action, or proceeding. At its sole discretion, City may participate at its own expense in the defense, but such participation shall not relieve Applicant of any obligation imposed by this Agreement.

Section 4. Notice. Any notice or communication required hereunder between City and Applicant must be in writing and may be given either personally, by facsimile (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express, UPS or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by facsimile transmission, a notice or communication shall be deemed to have been given and received upon actual physical receipt of the entire document by the receiving Party's facsimile machine. Notices transmitted by facsimile after 5:00 p.m. on a normal business day, or on a Saturday, Sunday or holiday, shall be deemed to have been given and received on the next normal business day. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (a) actual receipt by any of the addressees designated below as the Party to whom notices are to be sent, or (b) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the

other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to City: City of Turlock
 156 S. Broadway
 Turlock, CA 95380
 Attention: City Manager

and Churchwell White LLP
 1414 K Street, 3rd Floor
 Sacramento, CA 95814
 Attention: City Attorney

If to Developer: Fire House Cooperative, Inc.
 2213 Patterson Rd.
 Riverbank, CA 95367

Section 5. Modification of Agreement. This Agreement may be supplemented, amended, or modified only by a writing signed by City and Applicant.

Section 6. Entire Agreement. This Agreement constitutes the final, complete, and exclusive statement of the terms of the agreement between the Parties pertaining to the action and supersedes all other prior or contemporaneous oral or written understandings and agreements of the Parties. No Party has been induced to enter into this Agreement by, nor is any Party relying on, any representation or warranty except those expressly set forth in this Agreement.

Section 7. Agreement is Voluntary. The Parties acknowledge that they have entered into this Agreement voluntarily, on the basis of their own judgment and without coercion, and not in reliance on any promises, representations, or statements made by the other Party other than those contained in this Agreement. This Agreement incorporates the entire understanding of the Parties and recites the sole consideration of the promises and agreements contained within it. The Parties have read this Agreement and are fully aware of its contents and legal effect.

Section 8. Time of Essence. Time is of the essence for this Agreement, and each section contained within this Agreement is made and declared to be a material, necessary, and essential part of this Agreement.

Section 9. Severability of Agreement. If a court or an arbitrator of competent

jurisdiction holds any section of this Agreement to be illegal, unenforceable, or invalid for any reason, the validity and enforceability of the remaining sections of this Agreement shall not be affected.

Section 10. Authority. All Parties to this Agreement warrant and represent that they have the power and authority to enter into this Agreement, and the names, titles, and capacities herein stated on behalf of any entities, persons, states, or firms represented or purported to be represented by such entities, persons, states, or firms and that all former requirements necessary or required by state or federal law in order to enter into this Agreement had been fully complied with. Further, by entering into this Agreement, neither Party hereto shall have breached the terms or conditions of any other contract or agreement to which such Party is obligated, which such breach would have a material effect hereon.

Section 11. Noninterference. No Party will do anything to interfere with or inhibit the ability of the other to comply with their respective obligations under the terms of this Agreement.

Section 12. Ambiguities. Each Party has participated fully in the review and revision of this Agreement. Any rule of construction that ambiguities are to be resolved against the drafting Party does not apply in interpreting this Agreement.

Section 13. Headings. The headings in this Agreement are included for convenience only, and neither affect the construction or interpretation of any section in this Agreement nor affect any of the rights or obligations of the Parties to this Agreement.

Section 14. Necessary Acts and Further Assurances. The Parties shall, at their own cost and expense, execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement. The Parties will act in good faith to carry out the intent of this Agreement.

Section 15. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of California.

Section 16. Venue. Venue for all legal proceedings shall be in the Superior Court of the State of California in and for the County of Stanislaus.

Section 17. Attorney's Fees and Costs. If any action at law or in equity, including action for declaratory relief, is brought to enforce or interpret sections of this Agreement, the prevailing Party shall be entitled to reasonable attorney's fees and costs, which may be set by the court in the same action or in a separate action brought for that purpose, in

addition to any other relief to which such Party may be entitled.

Section 18. Waiver. No covenant, term, or condition, or the breach thereof, shall be deemed waived, except by written consent of the Party against whom the waiver is claimed, and any waiver of the breach of any covenant, term, or condition shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant, term, or condition.

Section 19. Counterparts. This Agreement may be executed in counterparts and all so executed shall constitute an agreement which shall be binding upon the Parties hereto, notwithstanding that the signatures of all Parties and Parties' designated representatives do not appear on the same page.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS THEREOF, the Parties have executed this Agreement on the day, month and year first above written.

APPLICANT

FIRE HOUSE COOPERATIVE, INC.

By: _____
Devin Stetler

Its: _____
Co-Owner/CTO

Date: _____

CITY

City of Turlock, a California municipal corporation

By: _____
Robert Lawton, City Manager

Date: _____

FIRE HOUSE COOPERATIVE, INC.

By: _____

Its: _____
Co-Owner/CTO

Date: _____

APPROVED AS TO FORM:

By: _____
Douglas L. White, City Attorney

Exhibit F

Notice of Termination

RECORDING REQUESTED BY AND WHEN
RECORDED RETURN TO:

City of Turlock
156 S Broadway
Turlock, CA 95380
Attention: City Clerk

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

NOTICE OF TERMINATION AND RELEASE OF DEVELOPMENT AGREEMENT

DATE: _____, 20____

PARTIES: CITY OF TURLOCK
156 S Broadway
Turlock, CA 95380

Fire House Cooperative, Inc.
2213 Patterson Rd.
Riverbank, CA 95367
Attention: Devin Stetler, Co-Owner/CTO

THIS NOTICE OF TERMINATION AND RELEASE (the "Release") is being executed by the City of Turlock, a California municipal corporation ("City"), with reference to the following.

- A. By Instrument No. _____, which was recorded in the Official Records of Stanislaus County, California, on _____, 2019, City recorded a development agreement between City and _____, dated _____, 2019 (the "Development Agreement"), relating to the development and operation of a cannabis business.

- B. Pursuant to Sections 1.7 and 9.1 of the Development Agreement, the term of the Development Agreement expires five (5) years from _____, 2019, on _____, 20____.
- C. Pursuant to Section 9.1 of the Development Agreement, once terminated, the Development Agreement has no further force or effect, unless otherwise set forth in the Development Agreement.

NOW, THEREFORE, City hereby terminates, cancels, and otherwise releases Developer and Developer's heirs, executives, administrators, successors, and assigns from their obligations in the Development Agreement on this ____ of _____, 20____, and relinquishes any right it may hereafter have to enforce any of the terms and provisions set forth in the Development Agreement, unless otherwise set forth in the Development Agreement. This termination, cancellation, and release shall be effective upon the recordation of this Release in the office of the County Recorder for the County of Stanislaus, State of California.

CITY OF TURLOCK,
a California municipal corporation

By: _____
City Manager

{CW080817.5}

NOTICE OF TERMINATION AND
RELEASE OF DEVELOPMENT
AGREEMENT CITY OF TURLOCK AND
FIRE HOUSE COOPERATIVE, INC.
Exhibit F

Exhibit G

Assignment and Assumption Agreement

RECORDING REQUESTED BY AND WHEN
RECORDED RETURN TO:

City of Turlock
156 S Broadway
Turlock, CA 95380
Attention: City Clerk

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

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Agreement") is entered into this _____ day of _____, 20____, by and between _____ Fire House Cooperative, Inc., ("Assignors"), and _____ ("Assignee").

RECITALS

A. On _____, 2019, Assignor and the City of Turlock (the "City") entered into that certain agreement entitled "Development Agreement by and between the City of Turlock, a California municipal corporation and _____ Fire House Cooperative, Inc. relating to the improvement, development, and use of real property to operate a cannabis business (the "Development Agreement"), originally recorded upon Stanislaus County Assessor's Parcel Number 089-015-006 (the "Property").

B. Section 10.1 of the Development Agreement prohibits the sale, assignment, or transfer by Assignor of any portion of Assignor's interests, rights, or titles described in that section of the Development Agreement ("Assignable Rights") to a third party without prior written approval by the City Manager of the City of Turlock (the "City Manager").

C. Assignor intends to assign, and Assignee intends to assume, the Assignable Rights under the Development Agreement.

D. In accordance with the terms of the Development Agreement, Assignor has provided to the City Manager a written request for consent to assignment. The City Manager has received the information he or she deems appropriate and consulted with the City Attorney for the purpose of determining that Assignee is a qualified applicant for purposes of the foregoing terms of the Development Agreement. This Agreement is intended to meet the requirements of Section 10.1 of the Development Agreement for an

Assignment and Assumption Agreement and is executed with the consent of the City Manager as contemplated in the Development Agreement.

NOW, THEREFORE, Assignor and Assignee hereby agree as follows:

1. The foregoing Recitals are true and incorporated herein by this reference as though set forth in full.

2. Assignor hereby assigns to Assignee all of the Assignable Rights of Assignor under the Development Agreement.

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

4. This Agreement shall take effect and be binding only upon the City Manager's consent to and approval of the Agreement.

5. Assignee represents and warrants that it has reviewed and is familiar with the terms and conditions of the Development Agreement. Assignee acknowledges that the Assignable Rights are as set forth in Section 10.1 of the Development Agreement, and the duties of Assignor thereunder and the duties of Assignee hereunder, as between Assignee and City, shall be without reference to any underlying agreements or understandings that may exist between Assignee, Assignor, or any other party with respect to the subject matter hereof, and that City is not party to such other agreements.

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

IN WITNESS HEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

[Signatures on the Following Page]

APPLICANT

FIRE HOUSE COOPERATIVE, INC.

By: _____
Devin Stetler

Its: _____
Co-Owner/CTO

Date: _____

FIRE HOUSE COOPERATIVE, INC.

By: _____

Its: _____

Date: _____

CITY

City of Turlock, a California municipal
corporation

By: _____
Robert Lawton, City Manager

Date: _____

APPROVED AS TO FORM:

By: _____
Douglas L. White, City Attorney

City Council Staff Report

August 27, 2019



BB

From: Douglas L. White, City Attorney
Prepared by: Douglas L. White, City Attorney
Agendized by: Robert C. Lawton, City Manager

1. ACTION RECOMMENDED:

Ordinance: Introducing an Ordinance for first reading approving a Development Agreement by and between the City of Turlock and Fuego Azul, Inc. located at 495 South Golden State Boulevard, Turlock, CA, County of Stanislaus, Assessor's Parcel Number 043-051-016

2. SYNOPSIS:

At its June 11, 2019 meeting, the Turlock City Council ("City Council") adopted a commercial cannabis pilot program ("Cannabis Business Pilot Program") which, consistent with state law, established a framework and regulations for cannabis business activity within the City of Turlock ("City").

At its August 22, 2019 meeting, the Turlock Planning Commission ("Planning Commission") recommended adoption of an ordinance of the City Council of the City of Turlock approving a Development Agreement between the City of Turlock and Fuego Azul, Inc.

3. DISCUSSION OF ISSUE:

In November of 2016, the voters of California approved Proposition 64, entitled the "Control, Regulate and Tax Adult Use of Marijuana" ("AUMA"). AUMA legalized the adult-use, possession and retail sale of cannabis by persons 21 years of age and older.

On June 27, 2017, Governor Jerry Brown signed into law the Medicinal and Adult Use Cannabis Regulation and Safety Act ("MAUCRSA") which, combined with AUMA, creates a single regulatory scheme for both medicinal and adult-use cannabis businesses. MAUCRSA retains the provisions in AUMA that granted local jurisdictions control over whether businesses engaged in commercial cannabis activity may operate in their jurisdiction.

On June 11, 2019, the Turlock City Council ("City Council") adopted Ordinance 1255-CS enacting cannabis regulations for cannabis businesses pursuant to AUMA and MAUCRSA. On June 11, 2019, the City Council adopted Ordinance 1255-CS to establish a Cannabis Business Pilot Program (the "Pilot Program"). The Cannabis Business Pilot Program allows for the regulation of cannabis businesses through a development agreement and a conditional use permit process.

4. BASIS OF RECOMMENDATION:

Fuego Azul will be The Premier Group's (the "Group") first-ever cannabis cultivation, manufacturing, and distribution site. The Premier Group is owned and operated by CEO Bert Sarkis and CTO Devin Stetler—both residents of Stanislaus County. The Group plans to make Fuego Azul a cultivation and manufacturing hub, supplying their growing retail operations across the Central Valley. The Group's growth, customer satisfaction, and community commitment all play in favor of assessing their fitness in the City of Turlock ("City").

The Premier Group operates three retail locations in Ceres, Riverbank, and Modesto, opened in 2017, 2018, and 2019 respectively. They are in the process of opening a fourth dispensary in Merced. Their three dispensaries serve nearly 120,000 residents in the Stanislaus County area. Fuego Azul will be the Group's only facility processing and manufacturing cannabis products for all of their retail locations.

The Premier Group's retail locations provide a unique cannabis experience. They claim to hold two-dozen exclusive cannabis brand partnerships. Local cultivation and manufacturing operations will ensure that a significant share of their product is grown, packaged, and consumed in Stanislaus County.

The Group's various cannabis operations have contributed significantly to each community. In the month of June, Premier Group dispensaries paid over \$100,000 to each of Ceres, Riverbank, and Modesto. Not only can the City of Turlock expect to receive significant monthly public benefit amounts from Fuego Azul, but the facility promises to provide a number of new agricultural and manufacturing jobs to the City. The Group has emphasized its commitment to hiring locally within Turlock.

The Premier Group has a proven track record of caring for each community in which they operate. In its three years of operation, the Group has donated over \$180,000 to various charities across the Central Valley. The Group has arranged for its employees to volunteer at local city and nature improvement programs.

The Premier Group's tremendous growth, the sophistication with which they operate, and their community involvement are key in demonstrating Fuego Azul's

fitness for the City. Fuego Azul has already secured a vacant warehouse location in Turlock. Use of this space will provide jobs and business activity to a long-vacant stretch of Golden State Boulevard. City Staff is convinced that Fuego Azul is one of the best non-retail candidates ready to begin operations immediately. Staff believes that Fuego Azul has the ability to succeed and to thrive as a regional industry leader with its hub in Turlock.

The City seeks to enter into a Development Agreement with Fuego Azul, Inc. that leases real property located at 495 South Golden State Boulevard, Turlock, California, County of Stanislaus, Assessor's Parcel Number 043-051-016 (the "Property"), on which Fuego Azul, Inc. intends to operate a cannabis cultivation, distribution, and manufacturing business (the "Project"). The Property is zoned Industrial (I). Fuego Azul, Inc. has obtained the Property's owner's consent to operate the cannabis business on the Property. The major elements of the Development Agreement are summarized below:

- The term of the agreement is five (5) years.
- Fuego Azul, Inc. is required to begin operations no later than six (6) months after the Development Agreement and Conditional Use Permit are in effect.
- The Project will provide Fuego Azul, Inc. with substantial private benefits that will place burdens upon the City infrastructure, services, and neighborhoods. Fuego Azul, Inc. will offset these impacts through a monthly payment classified as a "Public Benefit" amount. The Public Benefit is designed and intended to offset or mitigate any potential impacts of the Project on the community.
- Fuego Azul, Inc. will pay to the City a Public Benefit pursuant to each of the following tables.

For **cultivation**, a Public Benefit amount based on the square footage approved under the Conditional Use Permit:

YEAR	PUBLIC BENEFIT AMOUNT PAID MONTHLY, AMORTIZED ANNUALLY
1 ST	\$10.00 sq/ft *
2 ND	\$10.00 sq/ft *
3 RD	\$10.00 sq/ft *
4 TH	\$10.00 sq/ft *
5 TH	\$10.00 sq/ft *

* Sq./ft. will be based on cultivation canopy. Cultivation canopy size will be the amount approved for use in the Conditional Use Permit.

For **manufacturing**, a Public Benefit amount based on the square footage of the site used for manufacturing under the Conditional Use Permit:

YEAR	PUBLIC BENEFIT AMOUNT PAID MONTHLY, AMORTIZED ANNUALLY
1 ST	\$10.00 sq/ft *
2 ND	\$10.00 sq/ft *
3 RD	\$10.00 sq/ft *
4 TH	\$10.00 sq/ft *
5 TH	\$10.00 sq/ft *

* Sq./ft. will be based on area of building set aside for manufacturing and ballistics use.

For **distribution**, a Public Benefit amount based on the percentage of gross receipts earned distributing to an entity not wholly owned and operated by the cannabis applicant:

YEAR	PUBLIC BENEFIT AMOUNT, PAID MONTHLY AMORTIZED ANNUALLY If distribution is from cultivation or manufacturing uses not subject to a City of Turlock Public Benefit Amount	If distribution is from cultivation or manufacturing uses subject to a City of Turlock Public Benefit Amount
1 ST	2.5% of gross receipts	No Public Benefit Amount owed
2 ND	2.5% of gross receipts	No Public Benefit Amount owed
3 RD	2.5% of gross receipts	No Public Benefit Amount owed
4 TH	2.5% of gross receipts	No Public Benefit Amount owed
5 TH	2.5% of gross receipts	No Public Benefit Amount owed

The first Public Benefit payment will be due following the first month Fuego Azul, Inc. begins operations.

- The Project will be subject to security protocols, including security cameras and an alarm system, odor control requirements, insurance requirements, and a waste management plan as required under the Turlock Municipal Code. These requirements will be set forth in the conditional use permit for the Project.

5. FISCAL IMPACT:

If the City Council adopts the ordinance, the City will have an agreement in place to offset any impacts the proposed cannabis business would have upon City services, infrastructure, and neighborhoods. The Development Agreement ensures that any costs to the City associated with the cannabis business are adequately addressed.

6. CITY MANAGER'S COMMENTS:

Recommend Approval.

7. ENVIRONMENTAL:

The Development Agreement is exempt from provisions of the California Environmental Quality Act ("CEQA"), pursuant to Public Resources Code Sections 21065 and 21068, and CEQA Guidelines Section 15061(b)(3) of Title 14 of the California Code of Regulations applicable to activities covered under the common sense exemption that have no potential for causing a significant effect on the environment.

8. CONCLUSION:

Staff recommends the adoption of an Ordinance of the City Council approving a Development Agreement by and between the City of Turlock and Fuego Azul, Inc.

ATTACHMENTS -

1. RFQ Submittal

EXHIBITS -

- A. Fuego Azul, Inc. Development Agreement

FUEGOazul

TABLE OF CONTENTS

BUSINESS PLAN	1
INTRODUCTION	1
ORGANIZATION STRUCTURE	2
A. PRINCIPAL BACKGROUND INFORMATION	3
B. LEGAL OWNERSHIP STRUCTURE	4
ATTACHMENT: ARTICLES OF INCORPORATION	
ATTACHMENT: SECRETARY OF STATE STATEMENT OF INFORMATION	
C. PROPOSED BUSINESS LOCATION	5
D. BUSINESS & OPERATION PLAN	7
E. PROPOSED PHILANTHROPY PLAN	9
ATTACHMENT: LETTERS OF RECOMMENDATION	
F. PRELIMINARY FLOOR PLAN	12
G. PRELIMINARY SECURITY PLAN	13
PERSONNEL/PROJECT TEAM	15
ECONOMICS	17

INTRODUCTION - FUEGOAZUL

Thank you for your consideration. We are Devin Stetler and Bert Sarkis, the two owners of **The Premier Group** comprising 16 state and local licenses and three currently operating dispensaries: Patient Care First in Ceres, Flavors of Riverbank, and Phenos in Modesto. These stores serve the Central Valley's largest market share of cannabis patients and lead in both gross sales and developer agreement payments to each city. Recognizing the importance of mitigating the use of city services, we proudly have little to no calls for service at any of our locations.

All of The Premier Group's dispensaries are licensed as both adult-use and medical. To remain competitive, a dispensary should have both license types. This request for qualification is for an adult-use and medical Cultivation, Volatile Manufacturing, and Distribution in the City of Turlock.

As demonstrated in our *Firehouse* application for a Retail Dispensary in the City of Turlock, our ownership structure includes five (5) retail dispensaries in the Central Valley and three (3) indoor cultivation licenses for adult-use and medical. We currently generate well over \$45M in sales in the Central Valley alone.

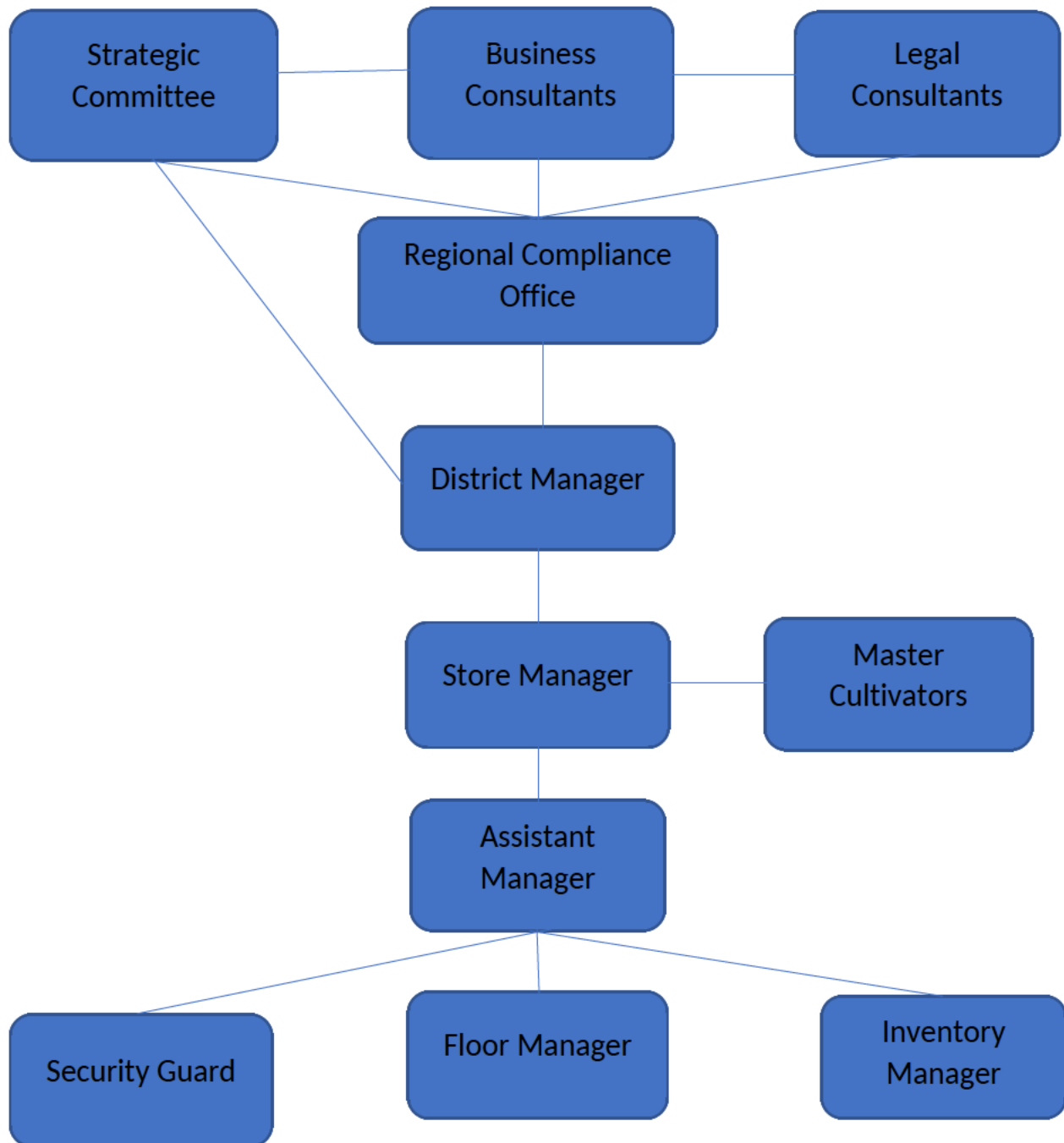
The rationale for such a business is to create a guaranteed flow of high-quality cannabis products that are grown locally in Turlock and distributed locally in the Central Valley. The advantage is 100% of the product grown can be internalized through our five (5) (and if successful in Turlock, six (6)) retail locations. Simply meaning, we do not have to rely on the distribution of these products to any dispensaries outside of The Premier Group.

Our organizational structure is continually evolving as we add elements necessary to stay ahead of the market. Part of our structure that provides a competitive advantage is having two on-site managers at all times and a District Manager overseeing all locations. We also have a dedicated compliance office with live video feeds of all stores which allows management to quickly test and understand effective strategies at one location and apply it to other locations immediately.

We have been working on the possibility of a Turlock license for over a year. The required state license for operation is an "Adult-Use and Medicinal Retailer License". Due to the Bureau of Cannabis Control backlog, we have pre-emptively submitted our state application for the City of Turlock and received a pending, placeholder status to expedite the 6-month wait.

FUEGOazul Cultivation in the City of Turlock would be an essential addition to The Premier Group's vertically integrated model and ensure an additional competitive advantage in the rapidly growing cannabis marketplace.

ORGANIZATION STRUCTURE



A) PRINCIPAL BACKGROUND INFORMATION

Principals

The applicants of this RFQ and principals of FUEGOazul cannabis cultivation, distribution, and manufacturing are Devin Stetler and Bert Sarkis, owners of 16 approved state and local licenses and three dispensaries setting the industry example in every category since 2017. Both owners live in Stanislaus County and currently operate Patient Care First in Ceres, Flavors of Riverbank, and Phenos in Modesto. They will be opening dispensaries in Merced and Stockton in the summer and fall of 2019, respectively. Devin and Bert have demonstrated their knowledge and expertise over the past thirty (30) months by creating and operating the largest developer agreement fee-contributing dispensaries in Northern California, serving over 118,000 patients and customers as of June 15, 2019. Gross sales determine city revenue and the best evidence of gross sales is sales tax receipts, thus these facts are evidenced by our sales tax receipts.

Devin and Bert's team has prepared for the future of the industry by selecting strategic locations in the most densely populated areas of the Central Valley. Their group has also secured four (4) distribution licenses and 167,000 sq ft of cultivation space to produce the most sought-after products and achieve vertical integration.

Devin and Bert's dispensaries are often referenced during city counsel hearings throughout the Central Valley due to their large payments made to Ceres, Riverbank, and Modesto.

Philosophy

Devin and Bert's mission is to continue to reduce the illegal black market by competing at a low price point. In addition to aggressive pricing, they will continue to offer unprecedented security, high-end exclusive variety, top quality brands, and exceptional customer experience. This will ensure a preferred alternative to black market, untested cannabis. They have now been doing so for over two years and their market share demonstrates they have successfully created a model to win over local law enforcement, cities, and communities. They also understand that their 16 licenses are not a *right to do business*, rather an *opportunity to prove themselves* and build successful partnerships within each city they operate. Many of the known applicants have come to us for advice, capital, or compliance support. As part of a small cannabis community in its infant stages, we are happy to contribute and help others elevate the standard in this industry.

B) LEGAL OWNERSHIP STRUCTURE

Fuego Azul, Inc. dba FUEGOazul

495 & 497 South Golden State Blvd. Turlock, CA 95380

Officers

Devin Stetler

Equal Partner/ CTO

(209) 442-3244

devin@thepremier.group

2213 Patterson Rd.

Riverbank, CA 95367

Angilbert (Bert) Sarkis

Equal Partner/ CEO

(209) 996-5959

bert@thepremier.group

1442 Angie Ave.

Modesto, CA 95351

Fuego Azul, Inc. is a corporation with two equal partners.

The following affiliates are owned and operated by Devin Stetler and Bert Sarkis and together make up The Premier Group:

1) Patient Care First (PCF) [Ceres]	A + M Retail	Since Dec 17, 2017
2) Flavors [Riverbank]	A + M Retail	Since March 14, 2018
3) Patient Care First Distribution [Ceres]	A + M Distribution	Since July 16, 2018
4) Phenos [Modesto]	A + M Retail	Since March 18, 2019
5) blueFIRE [Merced]	A + M Retail + Distribution	Coming Summer 2019
6) Phenos [Stan County]	A + M Cultivation + Distribution	Coming in 2020
7) FUEGOazul [Merced]	A + M Cultivation + Distribution	Coming in 2020
8) Firehouse [Turlock]	A + M Retail	<i>Application in progress</i>
9) FUEGOazul [Turlock]	A + M Cultivation	<i>Application in progress</i>

Attachments:

1. Fuego Azul, Inc. EIN Registration
2. Secretary of State Statement of Information
3. Fuego Azul Fictitious Name Statement (*Pending Approval*)

Date of this notice: 11-20-2018

Employer Identification Number:
[REDACTED]

Form: SS-4

Number of this notice: CP 575 A

FUEGO AZUL INC
% DEVIN STETLER
2213 PATTERSON RD
RIVERBANK, CA 95367

For assistance you may call us at:
1-800-829-4933

IF YOU WRITE, ATTACH THE
STUB AT THE END OF THIS NOTICE.

WE ASSIGNED YOU AN EMPLOYER IDENTIFICATION NUMBER

Thank you for applying for an Employer Identification Number (EIN). We assigned you EIN 83-2593476. This EIN will identify you, your business accounts, tax returns, and documents, even if you have no employees. Please keep this notice in your permanent records.

When filing tax documents, payments, and related correspondence, it is very important that you use your EIN and complete name and address exactly as shown above. Any variation may cause a delay in processing, result in incorrect information in your account, or even cause you to be assigned more than one EIN. If the information is not correct as shown above, please make the correction using the attached tear off stub and return it to us.

Based on the information received from you or your representative, you must file the following form(s) by the date(s) shown.

Form 1120

04/15/2019

If you have questions about the form(s) or the due date(s) shown, you can call us at the phone number or write to us at the address shown at the top of this notice. If you need help in determining your annual accounting period (tax year), see Publication 538, *Accounting Periods and Methods*.

We assigned you a tax classification based on information obtained from you or your representative. It is not a legal determination of your tax classification, and is not binding on the IRS. If you want a legal determination of your tax classification, you may request a private letter ruling from the IRS under the guidelines in Revenue Procedure 2004-1, 2004-1 I.R.B. 1 (or superseding Revenue Procedure for the year at issue). Note: Certain tax classification elections can be requested by filing Form 8832, *Entity Classification Election*. See Form 8832 and its instructions for additional information.

IMPORTANT INFORMATION FOR S CORPORATION ELECTION:

If you intend to elect to file your return as a small business corporation, an election to file a Form 1120-S must be made within certain timeframes and the corporation must meet certain tests. All of this information is included in the instructions for Form 2553, *Election by a Small Business Corporation*.



Secretary of State
Articles of Incorporation of a
General Stock Corporation

ARTS-GS

IMPORTANT — Read instructions before completing this form.

Filing Fee - \$100.00

Copy Fees - First page \$1.00; each attachment page \$0.50;
 Certification Fee - \$5.00

Note: Corporations may have to pay minimum \$800 tax to the California Franchise Tax Board each year. For more information, go to <https://www.ftb.ca.gov>.

FILED *CAB*
Secretary of State
State of California

MAR 19 2018

IPC
 This Space For Office Use Only

1. Corporate Name (Go to www.sos.ca.gov/business/be/name-availability for general corporate name requirements and restrictions.)

The name of the corporation is Fuego Azul, Inc.

2. Business Addresses (Enter the **complete** business addresses.)

a. Initial Street Address of Corporation - Do not list a P.O. Box	City (no abbreviations)	State	Zip Code
1975 W. Olive Avenue	Merced	CA	95348
b. Initial Mailing Address of Corporation, if different than item 2a	City (no abbreviations)	State	Zip Code
2213 Patterson Road	Riverbank	CA	95367

3. Service of Process (Must provide either Individual **OR** Corporation.)

INDIVIDUAL – Complete Items 3a and 3b only. Must include agent's full name and California street address.

a. California Agent's First Name (if agent is not a corporation)	Middle Name	Last Name	Suffix
Arthur	D.	Hodge	
b. Street Address (if agent is not a corporation) - Do not enter a P.O. Box	City (no abbreviations)	State	Zip Code
701 Palomar Airport Road, Suite 300	Carlsbad	CA	92011

CORPORATION – Complete Item 3c. Only include the name of the registered agent Corporation.

c. California Registered Corporate Agent's Name (if agent is a corporation) – Do not complete Item 3a or 3b

4. Shares (Enter the **number of shares** the corporation is authorized to issue. **Do not** leave blank or enter zero (0).)

This corporation is authorized to issue only one class of shares of stock.

The total number of shares which this corporation is authorized to issue is 10,000,000.

5. Purpose Statement (Do not alter the Purpose Statement.)

The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

6. Read and Sign Below (This form must be signed by each incorporator. See instructions for signature requirements.)

Signature

Arthur D. Hodge

Type or Print Name

C) PROPOSED BUSINESS LOCATION



495 S. Golden State Blvd. Turlock, CA 95380 / APN 043-051-016, zoned CC

* Due to this being a work in progress, we have yet to project a full scope of services prior to the City's approval of this location.

Proposed Location

The Premier Group's unique history of being the highest community benefit taxpayer in every city we operate revealed the critical elements that are important for a location to be able to achieve significant revenues. Out of all 16 licenses held, our group is most excited about 495 & 497 S. Golden State Blvd. in Turlock, CA. It satisfies all necessary elements to be a successful cultivation, distribution and manufacturing facility while remaining sensitive to Turlock's community. An executed lease agreement and legal right to occupy are available upon request.

Qualities of a successful building/ location:

- Stand-alone building with no adjacent tenants, shared walls, or shared ventilation
- Industrial-zoned property designed for heavy traffic
- Centrally-located
- Freeway-accessible
- Significant parking
- ADA compliant building w/ ADA-access ramps
- Physical structure that is easy to secure
- ADA-compliant bathrooms

FUEGOazul has secured a stand-alone building which is an ideal location for a Turlock cultivation facility. The 56,168 sq ft sole-tenancy building is located in a industrial zone (CC) with ample distance from all sensitive areas: churches, schools, and residential.

D) BUSINESS & OPERATION PLAN

Real-world Performance

Three years ago, Devin and Bert started a application processes with four cities. Each of these cities asked for business and operation plans. The cities of Ceres, Merced, Riverbank, and Modesto not only approved each application but ranked us number one overall based on our application, operations, and our ability to run successful businesses.

Now that these cannabis businesses are established with reputations, the City of Turlock has the ability to evaluate Firehouse based on real-world gross sales evidenced by sales tax receipts. This is a far better metric than attempting to judge a business merely by its application put together by an hired third-party. These applications may or may not be speculation. Our applications are produced internally by our two owners and provide evidence of our performance through tax receipts. The attachment on the following page shows an annual report from our Ceres dispensary showing \$27M in sales.

The Premier Group's dispensaries lead in every city and expects to do so in the City of Turlock. An outline of our business plan is provided, however to appreciate the full scope of our operations, a comprehensive binder (approximately 300 pages) with extensive details about our business practices and procedures will be provided upon request.

Strategy and Exclusivity

What separates The Premier Group is its customer base. The three operating dispensaries currently serve over 118,000 residents and that count is growing daily. The ability to remain the Central Valley's top performer in overall sales is made possible by 2-dozen exclusive national cannabis-brand partnerships. To put this in context, this would be like owning a supermarket and being the exclusive carrier of brands like Pepsi and CocaCola. This achievement is due to multi-million dollar bulk-purchase contracts with these national brands. The majority of the local market chooses to shop at our stores due to brand selection, variety, quality, and pricing.

Prepared to Open

FUEGOazul has staffed in preparation to roll out a new cultivation operation. Similarly, the company has acquired and prepared computers, FireKing safes, camera surveillance systems, and other hardware necessary to begin operating the next facility. The CDFA application process is already underway as well which will mitigate additional licensing delays from the State.

Business & Operation Plan

Ideally, we are asking for indoor cultivation, a four-stacked 10,000 sq ft licenses (Type 2A- Small Indoor Cultivation), Volatile Manufacturing (Type 7), Distribution (Type 11). Our business plan is detailed in our *Firehouse* Application.

This is a vertically integrated “farm-to-table” plan that would allow our team to create a consistent, high-quality product to be grown in the City of Turlock and sold in the Central Valley. This plan eliminates the cost of a dozen refrigerated vans and sales people driving from the top of California to San Diego in an effort to peddle a few pounds per retail location. The advantages of reducing the costs of such a structure would allow this facility to remain competitive and prosperous in an unstable, developing industry.

Business & Operation Plan Outline

Due to the 20-page limitation, only an outline of our business plan is provided. A full, detail business plan is available upon request.

1. Management & Employment Structure
 - a. Cultivation Manager, Assistant Manager, Floor Manager, Inventory Manager
 - b. Security personnel is on site 24 hours a day/ 7 days a week
2. Recordkeeping
 - a. Track-and-Trace
 - b. Inventory, Security, and Recordkeeping
 - c. Record, Reports, and Manifest Storage
 - d. Vendor and Purchase Tracking
 - e. Transaction Records
 - f. Confidentiality
 - g. Denials of Sale
3. Product Transfer & Transport
4. Disposal of Unused Products
5. Air Treatment System
6. Operating Plan
 - a. Day-to-Day Operations Plan
 - b. Inventory Control
 - c. Training Plan
 - d. Hiring and Employment Practices
7. Compliance
8. Security and Safety Procedures

E) PROPOSED PHILANTHROPY PLAN

Charitable Contributions and Local Involvement

The Premier Group continually strives to improve the perception of the cannabis industry. To facilitate giving back to the community, fish bowls were placed on our display counters promoting donations to local charities. This was later named “Project Fishbowl” and in just five months, our patients and customers contributed \$17,100. The Premier Group pledged to match the amount the community contributed and donated a total of **\$34,200** to local charitable organizations. The program has become a tradition at our dispensaries and will be implemented at future locations.

Community and Charity Contributions & Donations:

2018 The United Way	\$5,120
2018 Focus on Prevention	\$5,120
2018 Modesto Gospel Mission	\$6,280
2018 Society for Disabilities	\$6,280
2018 Community Hospice	\$6,280
2018 Stanislaus County Senior Foundation	\$5,120
2018 Veterans of Foreign Wars	\$1,428
2018 Boys & Girls Club	\$1,000
2017 Measure T in the City of Modesto:	\$29,000+
2018 Measure Y in the City of Merced:	\$50,000+
2018 Riverbank’s annual Cheese & Wine event	\$5,000
2018 Modesto Spirit of Giving	\$5,000 + volunteer employees
2019 Riverbank’s annual Cheese & Wine event	\$1,500
2019 Riverbank’s Summer Concert Series	\$750
2019 Riverbank Historical Society	\$1,500
2019 Great Valley Museum	\$548
2019 Connecting Waters Charter School	Equipment donation (\$50k value)
2018, 2019 Love Modesto’s city improvement program	Volunteered 6 employees’ time
2019 (July) Modesto Hetch Hetchy Trail Cleanup	Volunteered 13 employees’ time

TOTAL: \$180,926+



\$5,120



\$6,280



\$6,280



\$6,280



\$5,120



\$5,120



**Cheese & Wine
Exposition**

\$6,500



\$548



**Veterans of Foreign Wars
Post #3199**

\$1,428



\$29,000+



**BOYS & GIRLS CLUBS
OF AMERICA**

\$1,000



\$50,000+

Community Contributions

The Premier Group contributes to our communities in the following ways:

- Create significantly higher tax revenues
- Donate more charitable contributions to local organizations
- Help law enforcement by providing low-cost cannabis to suppress the black market
- Elevate the industry standard
- No negative consequences
- Track record of ZERO service calls to any existing store (PCF, Flavors, Phenos)
- Largest cannabis employer
- Added security and surveillance
- Aesthetic improvements

Measure T and Measure Y Contributions

The Premier Group was the top contributor to the City of Modesto's Measure T and the City of Merced's Measure Y. The group donated over \$30,000 to Measure T and \$50,000 to Measure Y, registered over 2,000 patients, paid for posters and 60,000 flyers, created an online sign-up site to facilitate communication with the cannabis community, and visited 25 retail cannabis stores in the county multiple times per week for 6 weeks. Both Measures passed with over 80% majority, signifying a tangible impact the group has made to advance cannabis business in Modesto and Merced.

Highest Tax Contributors

Our organization has shown the ability to consistently and sustainably generate 4-6 times as much annual revenue as the average dispensary:

Riverbank "Flavors"	\$500,000.00
Ceres "Patient Care First"	\$1,200,000.00
Modesto "Phenos"	\$1,200,000.00 +
Turlock "Firehouse"	

- ☒ **Attachments:** 1) Letters of Recommendation from City of Ceres Mayor Vierra and City Manager Mr. Toby Wells
- 2) Letters of Recommendation from Riverbank Mayor O'Brien and City Manager Sean Scully

OFFICE OF THE MAYOR

CITY OF CERES
2720 SECOND STREET
CERES, CA 95307-3292
(209) 538-5692
FAX: (209) 538-5650
chris.vierra@ci.ceres.ca.us

CITY COUNCIL

Chris Vierra, Mayor
Ken Lane Bret Durossette
Mike Kline Linda Ryno

February 27, 2018

LETTER OF RECOMMENDATION

To whom it may concern,

In efforts to pick the very best cannabis business partners for the City of Ceres, we toured several locations in our due diligence process.

We discovered there was a clear industry leader when it came to gross sales, organizational structure, management team, security, technology, and their willingness to take extra measures to exceed city requirements.

They have taken the necessary steps to make sure they are good neighbors to the surrounding businesses, continue to improve security protocols, and have made all three of their city tax payments ahead of schedule.

The team led by Devin Stetler and Bert Sarkis has proven to be a great choice for the City of Ceres. As the mayor, I couldn't be more pleased.

Sincerely,

Chris T. Vierra
Mayor, City of Ceres

OFFICE OF THE CITY MANAGER

CITY COUNCIL

Chris Vierra, Mayor
Ken Lane Bret Durossette
Mike Kline Linda Ryno

CITY OF CERES
2720 SECOND STREET
CERES, CA 95307-3292
(209) 538-5692
FAX: (209) 538-5650
chris.vierra@ci.ceres.ca.us

February 27, 2018

To Whom it May Concern

Subject: Letter of Recommendation – Pacafi (PCF)

Over the course of the past fifteen months, the City of Ceres has thoroughly researched and evaluated the impact and benefits associated with allowing commercial cannabis activities in our City. After very close scrutiny, the City Council provided direction to allow for a very limited pilot program to permit three development agreements.

With the limited pilot program, it was absolutely imperative to ensure that the partners the City was choosing to do business with were clear leaders in the industry and able to commit and follow through on meeting the Council's clear direction.

I have met with numerous representatives from all parts of the cannabis industry and PCF is clearly one of the leaders in the industry. They are approachable, open and answer all questions, especially adept at working with elected officials to mitigate concerns.

Since opening a retail dispensary in Ceres, we have not been disappointed. PCF staff have been very quick to address any concerns and have gone out of their way to meet with our public safety staff and continued to keep open lines of communication with myself and other City staff. The PCF team has exceeded expectations and we look forward to a long mutually beneficial partnership with them.

Please feel free to contact me with any questions.

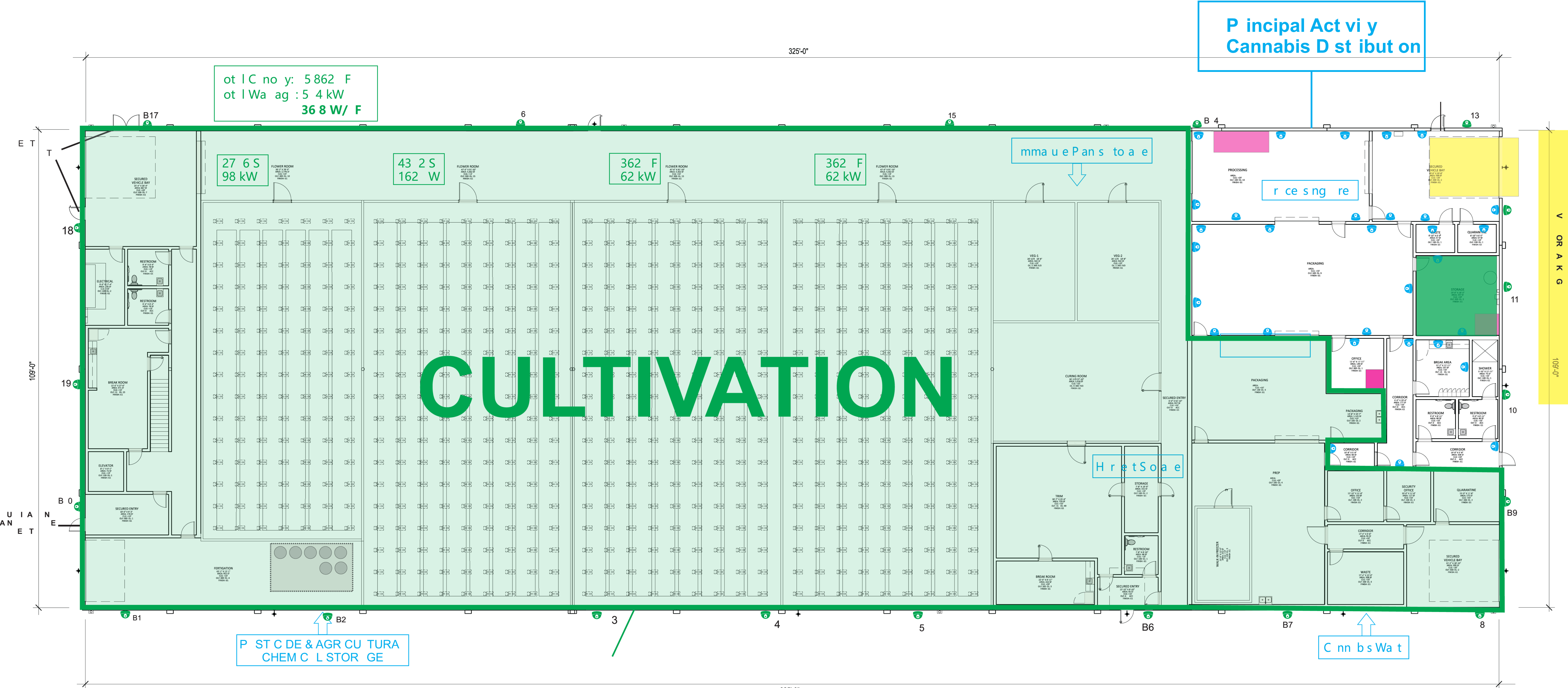
Sincerely,

Toby Wells, P.E.
City Manager
City of Ceres

ATTACHMENT: LETTERS OF RECOMMENDATION, CITY OF RIVERBANK

ATTACHMENT: LETTERS OF RECOMMENDATION, CITY OF RIVERBANK

FUEGO AZUL INC
495 & 497 S GOLDEN STATE BLVD
TURLOCK CA 95380



CALE 1 = 8 FT

S Code Sae B d

G) PRELIMINARY SECURITY PROPOSAL

Security Plan

The Premier Group is actively improving security measures at all locations to stay ahead of all local and state requirements and to continue to set the standard in dispensary security. A comprehensive version of this security proposal is available upon request.

This plan was developed in cooperation with two licensed industry professionals: *Knight Protection, Inc.* and *Stone Protection Services*. Each company has provided a security plan specific to their provided services, monitored real-time video surveillance and armed security guards. Phenos, our latest store to open in Modesto has 104 security cameras. A Modesto cannabis consultant stated it was set up better than a casino.

Security Camera Types, Capabilities and Locations

Firehouse's video surveillance system utilizes three (3) distinct high-end commercial systems. Two (2) camera systems are utilized by our management team and security personnel. Security footage is kept on premises for ninety (90) days to meet CA state requirements. These systems use 4mp cameras and are viewable locally on a 4k HD output system or by authorized remote access personnel or authorities on any mobile device or personal computer. The purpose of these two systems is to monitor every area of the premises both inside and out. A Video Surveillance Audit is performed weekly to ensure all cameras are operating properly and footage properly recorded for the specified duration of time.

A third system is installed, maintained, and managed by a third-party surveillance company Knight Protection. 24/7 live monitoring is provided with instant alerts to our personnel in case of any suspicious activities. Knight Protection has the ability to remotely sound an exterior alarm and additionally speak to and hear someone at the facility. Ninety (90) days of footage is stored off-site at the company's own datacenters.

All surveillance equipment, records and recordings are stored in a secure area only accessible by select management staff.

Alarm System and Door Locks

- Commercial Alarm System
- Retail floor door remains locked- requires ID verification for entry
- Auto Locking Passcode Door Locks
- Panic Buttons

Perimeter and Ingress/ Egress Security

Every access point is secured with multiple layers of protection. All windows and doors are covered on the inside with our proprietary steel security mesh and externally with a security film which protects the glass from being broken or scratched. Armed security guards are stationed by each exterior access door during business hours and authorize each visitor by prompting for identification prior to being allowed building entry. High-intensity lighting is installed around the entire premises for adequate visuals by security personnel and on recorded video footage. Specially designated distributor parking and entrances are used to completely separate distributors from retail customers.

Internal Security for Area-Specific Access

All on-premises employees are required to wear their employee identification badge displaying a photo of their face, full name, name of the dispensary, employee id, and state cannabis license number. Within the facility, each and every limited-access area is protected with a passcode door-lock. Limited access areas include all areas where cannabis or cash are located. Only personnel with limited-access permissions are given the passcodes. Entry into any limited-access areas by non-managers must be accompanied by a Manager.

Product Security

Forty-five (45) FireKing safes totaling 19,575lbs are used for cannabis storage on the retail floor. All safes remain closed during business hours & locked outside business hours for secure overnight storage.

Employee Theft Deterrence and Prevention

All Firehouse staff shall be well-informed of our zero-tolerance policy regarding theft. Any evidence of theft will result in immediate termination. All employees bags and pockets are checked each and every time entering or exiting the building or the retail floor by a third-party security guard provided by Stone Protection Services.

Building Improvements

Additional layers of security shall be added specifically to the structure itself at 1601 West Main Street.

- Custom Steel Mesh Window and Door Panels
- Security Film on windows exterior
- Built-in Vault Rooms
- Secure & Separate Entrance for Distributor Deliveries
- Security Rooms/ Security Glass
- High-Intensity LED Perimeter + Parking Lot Lighting

FUEGOAZUL TEAM

Bert Sarkis - CEO

Fifteen (15) years of experience in retail sales management and employee development. Built and managed a multi-location auto sales business for ten (10) years.

Bert is masterful at training new employees and motivating his teams to grow into management positions. He is also responsible for our distributor relationships and exclusive partnerships with the top twenty-four (24) name brands in the cannabis industry, one of the most crucial reasons for our success. Bert's cannabis expertise has been demonstrated by producing the three largest dispensaries in the county.

Devin Stetler - CTO

Engineering Degree from Cal Poly 2004 and eighteen (18) years of experience in hardware and software technology over multiple industries. Devin leverages and manages a wide range of technologies to improve compliance, safety, and efficiency for all retail locations and corporate operations.

Devin has created software for the cannabis industry in the following categories:

- **Security:** Provides verification of cannabis transit personnel to local police.
- **Distribution:** A distribution marketplace to connect licensed distributors to retail dispensaries.
- **Analytics:** Forecasts product buying trends in the cannabis market.
- **Communications:** Tools to stay in touch with our organization's customer base.
- **Registration:** Paperless and efficient sign-up and sign-in process for all customers

Natasha Parra - District Manager

Fifteen (15) years of retail sales management, five (5) years experience in merchandising at a \$900M retail company.

- Oversees internal operations at all retail locations, specializing in merchandising.
- General Manager of PCF Distribution, sales cycle analytics, delivery logistics.
- Oversee State and local compliance for all operations

Our Master Cultivators

David Wherry - 20+ years experience

Uriel Mendoza – 20+ years experience

Diego Malagon - 10+ years experience

Business, Strategic, and Financial Consultants

Business Consultants: Shay Roberts and Ray Krieger

CPA: Richard Spaulding

Legal Representation

Michael Warda: 2350 W Monte Vista Ave, Turlock, CA 95382

Art Hodges: 701 Palomar Airport Rd #300, Carlsbad, CA 92011

Availability: All members of the Firehouse team are full-time employees and are readily available.

References: Please see attached letters of recommendation from City Mayors and City Managers of Ceres and Riverbank in section *E) Proposed Philanthropy Plan*.

ECONOMICS

Financial Overview

Our organization currently owns three dispensaries that have **zero debt**. We have paid for all tenant improvements to the buildings as well as computers, registers, display counters, office chairs, and all other resources required to run our retail operations. We currently have over [REDACTED] of product inventory in our stores and two lines of credit through Jamke and RT Financial totaling [REDACTED].

Hiring Forecast

Upon approval of the proposed cultivation at 495 & 497 S. Golden State Blvd., FUEGOazul anticipates hiring **fifteen (15)** new employees from the local community, preferencing applicants residing nearest to the facility. FUEGOazul expects to create **twenty-two (22)** new full-time jobs over the next three years.

2019 Revenue and Projections

Considering that 100% of the product will be wholesaled to our own retail dispensaries, the wholesale projection is ambiguous as we could sell it for any rate to ourselves. The industry average currently is \$2000 per pound. From cultivation alone, this has the ability to produce [REDACTED] in annual sales.

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

**IN THE MATTER OF ADOPTING AN
ORDINANCE APPROVING A
DEVELOPMENT AGREEMENT BY AND
BETWEEN THE CITY OF TURLOCK AND
FUEGO AZUL, INC. LOCATED AT
495 SOUTH GOLDEN STATE BOULEVARD,
TURLOCK, CA, COUNTY OF STANISLAUS,
ASSESSOR'S PARCEL NUMBER 043-051-016**

}
}
}
}
}
}
}
}

ORDINANCE NO. -CS

WHEREAS, on October 9, 2015, Governor Jerry Brown signed three bills into law (Assembly Bill 266, Assembly Bill 243, and Senate Bill 643), which are collectively referred to as the Medical Cannabis Regulation and Safety Act ("MCRSA"). MCRSA established the first statewide regulatory system for medical cannabis businesses; and

WHEREAS, in 2016, the voters of California approved Proposition 64 entitled the "Control, Regulate and Tax Adult Use of Marijuana" ("AUMA"). AUMA legalized the adult-use and possession of cannabis by persons 21 years of age and older and the personal cultivation of up to six (6) cannabis plants within a private residence; and

WHEREAS, on June 27, 2017, Governor Jerry Brown signed into law the Medicinal and Adult-use Cannabis Regulation and Safety Act ("MAUCRSA"), which created a single regulatory scheme for both medicinal and adult-use cannabis businesses. MAUCRSA retains the provisions in the MCRSA and AUMA that granted local jurisdictions control over whether businesses engaged in commercial cannabis activity may operate in a particular jurisdiction; and

WHEREAS, in January, 2019, the Bureau of Cannabis Control, the Department of Food and Agriculture, and the Department of Public Health issued final emergency regulations for all medicinal and adult-use cannabis businesses allowed under MAUCRSA. The regulations require, among other things, background checks of business owners and employees, a plan of business operation, a security plan, and environmental pollution and waste plans; and

WHEREAS, on June 11, 2019, the Turlock City Council (the "City Council") adopted Ordinance No. 1255-CS to enact cannabis regulations as defined under Turlock Municipal Code Chapter 5-21 pursuant to AUMA and MAUCRSA; and

WHEREAS, on June 11, 2019, the City adopted Ordinance No. 1255-CS amending the City's cannabis business regulations and establishing a Cannabis Business Pilot Program (the "Pilot Program") to regulate the operation of commercial cannabis businesses within the City; and

WHEREAS, the City Council finds that establishing a structure to regulate all cannabis businesses contemplated by state law is in the best interest of the health, welfare, and safety of the public; and

WHEREAS, on June 11, 2019, following the adoption of the Pilot Program, the City issued and circulated a request for qualifications ("RFQ") for participation in the Pilot Program. Fuego Azul, Inc. has completed the RFQ requirements; and

WHEREAS, Government Code section 65864 et seq. (the "Development Agreement Statute") permits the City to contract with private interests for their mutual benefits in a manner not otherwise available to the contracting parties, and such agreements assure property developers that they may proceed with their projects with the assurance that approvals granted by the City will not change during the period of development and the City is equally assured that public benefit interests will be protected and properly administrated at the time development projects are proposed; and

WHEREAS, Fuego Azul, Inc. proposes to enter into a Development Agreement to operate a cannabis cultivation, manufacturing and distribution business as defined under Turlock Municipal Code Chapter 5-21 in strict accordance with applicable state and local law, at 495 South Golden State Blvd., Turlock, California, County of Stanislaus Assessor's Parcel Number 043-051-0116 (the "Project"), consistent with the General Plan, as amended; and

WHEREAS, on August 22, 2019, the City of Turlock Planning Commission ("Planning Commission") held a duly noticed public hearing to consider the Project and Development Agreement; and

WHEREAS, environmental impacts for the Project have been reviewed and assessed by the City pursuant to the California Environmental Quality Act ("CEQA") (Public Resources Code section 21000 et seq. and California Code of Regulations, title 14, section 15000 et seq.). The Project is exempt from CEQA pursuant to section 15061(b)(3), title 14, of the California Code of Regulations applicable to projects where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

WHEREAS, on August 27, 2019, the City Council will hold a duly noticed public hearing for Fuego Azul, Inc. to consider the Project and Development Agreement; and

WHEREAS, the City Council, based on its independent review and analysis of staff's recommendations, oral and written testimony, and the record as a whole, finds, after due study, deliberation, and public hearing, and based on its independent judgment, that the following circumstances exist:

1. The Project is consistent with the goals, policies, and standards of the City's General Plan and all other applicable standards and ordinances of the City.
2. In accordance with the Development Agreement Statute, the City Council finds that the Development Agreement:
 - a. Will not be detrimental to the health, safety, and general welfare of persons residing in the immediate area nor detrimental to the general welfare of the residents of the City as a whole;

- b. Will not adversely affect the orderly development of property or the preservation of property values;
- c. Is consistent with the provisions of Government Code sections 65864 through 65869.5; and
- d. Contains a legal description of the property.

WHEREAS, that the City Council finds that the Development Agreement conforms to Development Agreement Statute.

NOW, THEREFORE, BE IT RESOLVED, that the City Council approves this Ordinance adopting the Development Agreement to which the Fuego Azul, Inc. Development Agreement is incorporated by reference.

BE IT FURTHER RESOLVED, THAT THE CITY COUNCIL OF THE CITY OF TURLOCK DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. The project is in compliance with the General Plan, Zoning Code Amendment, and the Turlock Municipal Code as amended, including Chapter 5-21 Cannabis Business Pilot Program as it has been adopted by the City Council.

Section 2. The City Manager hereby certifies that the Fuego Azul, Inc. has deposited with the City all associated fees and executed all necessary applications at this time associated with the processing of the Development Agreement.

Section 3. The City Council approves a Development Agreement by and between Fuego Azul, Inc. and the City for the development of the Project and instructs the City Manager to execute the Development Agreement subject to final, technical revisions as required and approved by the City Attorney.

Section 4. The City shall review the Development Agreement for compliance with its terms and conditions not less than once every twelve (12) months from the effective date of the Development Agreement.

Section 5. Notice of the public hearing on the proposed Development Agreement was published in the Turlock Journal, a newspaper of general circulation, printed and published in the City.

Section 6. Environmental impacts for the Project have been reviewed and assessed by the City pursuant to CEQA (Public Resources Code section 21000 et seq. and California Code of Regulations, title 14, section 15000 et seq.). The Project is exempt from CEQA pursuant to section 15061(b)(3), title 14, of the California Code of Regulations applicable to projects where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

Section 7. If any section, subsection, sentence, clause, phrase, or word of this Ordinance is for any reason held by a court of competent jurisdiction to be unconstitutional or invalid

for any reason, such decision shall not affect the validity of the remaining portions of the Ordinance. The City Council hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more section(s), subsection(s), sentence(s), clause(s), phrase(s), or word(s) be declared invalid.

Section 8. Upon the passage of this Ordinance, the City Manager is authorized to execute the Development Agreement on behalf of the City. Within ten (10) days of the execution, but no earlier than thirty (30) days after passage of this Ordinance, the City Clerk shall cause the Development Agreement to be recorded in the Office of the County Recorder as provided for by Government Code section 65868.5. The Development Agreement shall not take effect for thirty (30) days following passage and adoption of this Ordinance.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Turlock this 10th day of September, 2019, by the following vote:

AYES:

NOES:

NOT PARTICIPATING:

ABSENT:

Signed and approved this ____ day of _____, 2019.

AMY BUBLAK, Mayor

ATTEST:

Jennifer Land, City Clerk,
City of Turlock, County of Stanislaus,
State of California

Attachments:

Attachment A FUEGO AZUL, INC. Development Agreement (with associated exhibits)

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL
TO:**

City of Turlock
156 S Broadway
Turlock, CA 95380
Attention: City Clerk

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

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT ("Agreement") is made and entered into this _____ (____) day of _____, 2019 (the "Effective Date"), by and between the **CITY OF TURLOCK**, a California municipal corporation ("City"), and **Fuego Azul, Inc.**, a California corporation ("Developer"). City and Developer may be referred to herein individually as a "Party" or collectively as the "Parties." There are no other parties to this Agreement.

RECITALS

- A. On October 9, 2015, Governor Jerry Brown signed three bills into law (Assembly Bill 266, Assembly Bill 243, and Senate Bill 643) which are collectively referred to as the Medical Cannabis Regulation and Safety Act ("MCRSA"). MCRSA establishes a statewide regulatory system for the cultivation, processing, transportation, testing, manufacturing and distribution of medical marijuana to qualified patients and their primary caregivers.
- B. On November 8, 2016, California voters enacted Proposition 64, the Control, Regulate and Tax Adult Use of Marijuana Act, also known as the Adult Use of Marijuana Act ("AUMA"), which establishes a comprehensive system to legalize, control, and regulate the cultivation, processing, manufacture, distribution, testing, and sale of nonmedical cannabis, including cannabis products, for use by adults 21 years and older and to tax the growth and retail sale of cannabis for nonmedical use.
- C. On June 27, 2017, Governor Jerry Brown signed into law the Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), which creates a single regulatory scheme for both medicinal and adult-use cannabis businesses. MAUCRSA retains the provisions in MCRSA and AUMA that granted local jurisdictions control over whether businesses engaged in Commercial Cannabis Activity, as defined in Section 1.4 of this Agreement, may operate in a particular jurisdiction.

- D. On June 11, 2019, the Turlock City Council (the "City Council") adopted Ordinance No. 1255-CS to enact cannabis regulations as defined under Turlock Municipal Code section 5.21 pursuant to AUMA and MAUCRSA; and
- E. On June 11, 2019, the City adopted Ordinance No. 1255-CS amending the City's cannabis business regulations and establishing a Cannabis Business Pilot Program (the "Pilot Program") to regulate the operation of commercial cannabis businesses within the City; and
- F. The City Council finds that establishing a structure to regulate all cannabis businesses contemplated by state law is in the best interest of the health, welfare, and safety of the public; and
- G. Developer proposes to improve, develop and use real property to operate a Cannabis Business Project, as defined below, in strict accordance with California Cannabis Laws, as defined in Section 1.4 of this Agreement and the T.M.C., as each may be amended from time to time.
- H. To strengthen the public planning process, encourage private participation in comprehensive planning and reduce the economic risk of development, the California Legislature adopted Government Code section 65864 et seq. (the "Development Agreement Statute"), which authorizes City and an individual or business entity with an interest in real property to enter into a development agreement that establishes certain development rights in real property that is subject to a development agreement application.
- I. On June 11, 2019, following the adoption of the Pilot Program, the City issued and circulated a request for qualifications ("RFQ"). The purpose of the RFQ was to form the basis for a selection process of qualified cannabis operators for participation in the Pilot Program.
- J. Developer submitted an application to the City Planning Commission Department for consideration of a development agreement for a commercial cannabis business.
- K. Developer has leased property located at 495 South Golden State Blvd., Turlock, California, County of Stanislaus Assessor's Parcel Number 043-051-016 of which Developer intends to improve approximately X,XXX (X,XXX) square feet of space (the "Site") to operate the Cannabis Business Project, more particularly described in the legal description attached hereto as **Exhibit A** ("Legal Description") and the Cannabis Business Project Site Map attached hereto as **Exhibit B**.
- L. Developer has leased the Site for the purpose of carrying out the Cannabis Business Project. A copy of the deed to the Site is attached hereto as **Exhibit C**, within satisfaction of the requirement of T.M.C. Chapter 5.21.

- M. On August 22, 2019, the Turlock Planning Commission ("Planning Commission"), in a duly noticed and conducted public hearing, considered Developer's application for this Agreement. At that public hearing, the Planning Commission recommended the City Council adopt Ordinance No. 2019-19 which would allow Developer to operate the Cannabis Business Project at the Site.
- N. On August 27, 2019, pursuant to Government Code section 65867.5, and following a duly noticed and conducted public hearing, the City Council reviewed, considered, adopted, and entered into this Agreement pursuant to Ordinance No. _____.
- O. This Agreement is entered into pursuant to the Development Agreement Statute.
- P. City and Developer desire to enter into this Agreement to (i) facilitate the orderly development of the Site; (ii) create a physical environment that is consistent with and complements the City's goals and visions; (iii) protect natural resources from adverse impacts; (iv) improve, upgrade and create additional community facilities and infrastructure, enhance services and assist in implementing the goals of the General Plan; and (vi) reduce the economic risk of development of the Site to both City and Developer.
- Q. The Parties intend, through this Agreement, to allow Developer to develop and operate the Cannabis Business Project in accordance with the terms of this Agreement.
- R. The City Council has determined that this Agreement is consistent with the City's General Plan and has conducted all necessary proceedings in accordance with the T.M.C. for the approval of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

AGREEMENT

ARTICLE 1 GENERAL PROVISIONS

Section 1.1. Findings. City hereby finds and determines that entering into this Agreement furthers the public health, safety and general welfare and is consistent with the City's General Plan, including all text and maps in the General Plan.

Section 1.2. Recitals. The Recitals above are true and correct and are hereby incorporated into and made a part of this Agreement. In the event of any inconsistency between the Recitals and the provisions of Articles 1 through 10 of this Agreement, the provisions of Articles 1 through 10 shall prevail.

Section 1.3. Exhibits. The following "Exhibits" are attached hereto and incorporated into this Agreement:

<u>Designation</u>	<u>Description</u>
Exhibit A	Cannabis Site Legal Description
Exhibit B	Cannabis Business Project Site Map
Exhibit C	Site Lease
Exhibit D	Notice of Non-Performance Penalty
Exhibit E	Indemnification Agreement
Exhibit F	Notice of Termination
Exhibit G	Assignment and Assumption Agreement

Section 1.4. Definitions. In this Agreement, unless the context otherwise requires, the terms below have the following meaning:

- (a) "Additional Insureds" has the meaning set forth in Section 6.1.
- (b) "Additional Licenses" has the meaning set forth in Section 2.4.
- (c) "Adult-use cannabis" means a product containing cannabis, including, but not limited to, concentrates and extractions, intended for use by adults 21 years of age and older in California pursuant to the California Cannabis Laws.
- (d) "Agreement" means this Development Agreement, inclusive of all Exhibits attached hereto.
- (e) "Application" has the meaning set forth in Recital G.
- (f) "Assignment and Assumption Agreement" has the meaning set forth in Section 10.1.
- (g) "AUMA" means the Adult Use of Marijuana Act (Proposition 64) approved by California voters on November 8, 2016.
- (h) "Authorized License" has the meaning set forth in Section 2.3.
- (i) "Bureau" means the Bureau of Cannabis Control within the Department of Consumer Affairs, formerly named the Bureau of Marijuana Control, the Bureau of Medical Cannabis Regulation, and the Bureau of Medical Marijuana Regulation.
- (j) "California Building Standards Codes" means the California Building Code, as amended from time to time, in Part 2, Volumes 1 and 2, as part of Title 24 of the California Code of Regulations, as may be adopted by the T.M.C.

(k) "California Cannabis Laws" includes AUMA, MAUCRSA, CUA (as defined below), the Medical Marijuana Program Act of 2004 codified as Health and Safety Code sections 11362.7 through 1162.83 and any other applicable laws that may be enacted or approved.

(l) "Cannabis" means all parts of the plant *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant, and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. "Cannabis" also means the separated resin, whether crude or purified, obtained from cannabis. "Cannabis" does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination. For the purpose of this division, "cannabis" does not mean "industrial hemp" as defined by Section 11018.5 of the Health and Safety Code. Cannabis and the term "marijuana" may be used interchangeably.

(m) "Cannabis Business Pilot Program" means the cannabis business program established and authorized by T.M.C. Chapter 5.21.

(n) "Cannabis Business Project" means the cannabis retail business operated by Developer on the Site pursuant to the Authorized License.

(o) "Cannabis Manufacturing Business" means a business engaged in commercial cannabis activity pursuant to a state approved Type 6 or 7 license, Type A and M licenses designated as a Cannabis business.

(p) "Cannabis product" means cannabis that has undergone a process whereby the plant material has been transformed into a concentrate, including, but not limited to, concentrated cannabis, or an edible or topical product containing cannabis or concentrated cannabis and other ingredients.

(q) "CEQA" means the California Environmental Quality Act, as set forth in Division 13 (Commencing with Section 21000) of the California Public Resources Code, and the CEQA Guidelines, as set forth in Title 14 (Commencing with Section 15000) of the California Code of Regulations.

(r) "City" means the City of Turlock, a California municipal corporation having general police powers.

(s) "City Council" means the City of Turlock City Council, as defined in T.M.C. Section 2.1.

(t) "City Manager" means the City Manager of the City of Turlock or his or her designee, as described in T.M.C. Section 2.4.

- (u) "Charged Party" has the meaning set forth in Section 8.1.
- (v) "Charging Party" has the meaning set forth in Section 8.1
- (w) "Commercial Cannabis Activity" includes cultivation, possession, manufacture, processing, storing, laboratory testing, labeling, transporting, distribution, delivery, or sale of cannabis or a cannabis product that requires a state license pursuant to MAUCRSA.
- (x) "Planning Commission" means the City of Turlock Planning Commission, as established by T.M.C. Section 9.5.
- (y) "Conditional Use Permit" means a conditional use permit issued by City pursuant to T.M.C. Section 9.3.
- (z) "CUA" means the Compassionate Use Act (Proposition 215) approved by California voters on November 5, 1996.
- (aa) "Developer" means Fuego Azul, Inc. Developer also has the meaning set forth in Section 6.1.
- (bb) "Development Agreement Statute" has the meaning set forth in Recital E.
- (cc) "Exhibits" has the meaning set forth in Section 1.3.
- (dd) "Gross Receipts from Operations" means total revenue actually received or receivable from operation of the Cannabis Business Project, including: all sales; the total amount of 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 part of or in connection with the sale of materials, goods, wares, or merchandise; and gains realized from trading in stocks or bonds, interest discounts, rents, royalties, fees, commissions, dividends, or other remunerations, 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:
1. Cash discounts allowed and taken on sales;
 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";
 3. Any tax required by law to be included in or added to the purchase price and collected from the consumer or purchaser;

4. Such part of the sale price of property returned by purchasers upon rescission of a contract of sale as is refunded either in cash or by credit; and
5. Receipts of refundable deposits, except that such deposits when forfeited and taken into income of the business shall not be excluded.

The intent of this definition is to ensure that in calculating the payment required under Section 4.2. all sales of cannabis products through the Cannabis Business Project are captured. This definition shall therefore be given the broadest possible interpretation consistent with this intent.

(ee) "Indemnification Agreement" has the meaning set forth in Section 6.3.

(ff) "Major Amendment" means an amendment that shall have a material effect on the terms of this Agreement. A Major Amendment also has the meaning set forth in Section 2.4. Major Amendments shall require approval by the City Council.

(gg) "Marijuana" has the same meaning as cannabis and those terms may be used interchangeably.

(hh) "MAUCRSA" means the Medicinal and Adult-Use Cannabis Regulation and Safety Act, codified as Business and Professions Code section 26000 et seq., as may be amended from time to time.

(ii) "MCRSA" has the meaning set forth in Recital A.

(jj) "Ministerial Fee" or "Ministerial Fees" has the meanings set forth in Section 4.1.

(kk) "Minor Amendment" means a clerical amendment to this Agreement that shall not materially affect the terms of this Agreement and any amendment described as minor herein. A Minor Amendment also has the meaning set forth in Section 1.7.

(ll) "Mortgage" has the meaning set forth in Article 7.

(mm) "Non-Performance Penalty" has the meaning set forth in Section 4.5.

(nn) "Notice of Non-Performance Penalty" has the meaning set forth in Section 4.5.

(oo) "Notice of Termination" has the meaning set forth in Section 9.1.

(pp) "Processing Costs" has the meaning set forth in Section 1.11.

(qq) "Project Litigation" has the meaning set forth in Section 10.7.

(rr) "Public Benefit" has the meaning set forth in Section 4.2.

- (ss) "Public Benefit Amount" has the meaning set forth in Section 4.2.
- (tt) "State Licensing Authority" means the state agency responsible for the issuance, renewal or reinstatement of a state cannabis license or the state agency authorized to take disciplinary action against a business licensed under the California Cannabis Laws.
- (uu) "State Cannabis Regulations" means the regulations promulgated by the State Licensing Authority pursuant to the California Cannabis Laws (3 CCR § 8000 *et seq.*, 17 CCR § 40100 *et seq.*, 42 CCR 35000 *et seq.*, or their respective successors).
- (vv) "State Taxing Authority" has the meaning set forth in Section 4.2.
- (ww) "Subsequent City Approvals" has the meaning set forth in Section 3.1.
- (xx) "Term" has the meaning set forth in Section 1.7.
- (yy) "Type 1A license" or "Specialty Indoor" means a state license issued by the Department of Agriculture pursuant to the California Cannabis Laws for indoor cultivation using exclusively artificial lighting of between 501 and 5,000 square feet of total canopy size on one premises.
- (zz) "Type 2A license" or "Small Indoor" means a state license issued by the Department of Agriculture pursuant to the California Cannabis Laws for indoor cultivation using exclusively artificial lighting between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.
- (aaa) "Type 3A license" or "Indoor" means a state license issued by the Department of Agriculture pursuant to the California Cannabis Laws for indoor cultivation using exclusively artificial lighting between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises.
- (bbb) "Type 4 license" or "Nursery" means a state license issued by the Department of Agriculture pursuant to the California Cannabis Laws for cultivation.
- (ccc) "Type 6 license" or "Manufacturer 1" means a state license issued by the Department of Public Health pursuant to the California Cannabis Laws for manufacturing sites that produce cannabis products using nonvolatile solvents.
- (ddd) "Type 7 license" or "Manufacturer 2" means a state license issued by the Department of Public Health pursuant to the California Cannabis Laws for manufacturing sites that produce cannabis products using volatile solvents.
- (eee) "Type 10 license" or "Retailer" means a state license issued by the Bureau of Cannabis Control pursuant to the California Cannabis Laws authorizing the

retail sales of cannabis and cannabis products. Retail sale includes sales at a storefront and by delivery, pursuant to all state and local laws and regulations.

(fff) “Type 11 license” or “Distributor” means a state license issued by the Bureau of Cannabis Control pursuant to the California Cannabis Laws for the distribution of cannabis and cannabis products from manufacturer to dispensary.

(ggg) “Type 12 license” or “Microbusiness” means a state license issued by a State Licensing Authority pursuant to the California Cannabis Laws relating to cannabis manufacturing, retail and distribution.

(hhh) “Type 13 license” or “Distribution Transport-Only” means a state license issued by the Bureau of Cannabis Control pursuant to the California Cannabis Laws for distribution cannabis and cannabis products.

Section 1.5. Project is a Private Undertaking. The Parties agree that the Cannabis Business Project is a private development and that City has no interest therein, except as authorized in the exercise of its governmental functions. City shall not for any purpose be considered an agent of Developer or of the Cannabis Business Project.

Section 1.6. Effective Date of Agreement. This Agreement shall become effective upon the date that the ordinance approving this Agreement becomes effective (the “Effective Date”).

Section 1.7. Term. The “Term” of this Agreement is five (5) years from the Effective Date, unless terminated or extended earlier, as set forth in this Agreement

(a) Government Tolling or Termination. City may provide written notice to Developer to cease all Commercial Cannabis Activity, upon which Developer shall immediately comply if City is required, directed or believes, in its sole and absolute discretion, it must temporarily halt or terminate Commercial Cannabis Activity within the City to comply with federal or state law. If City temporarily halts this Agreement to comply with federal or state law, this Agreement shall be tolled for no longer than one (1) calendar year (the “Tolling Period”). Developer shall not accrue or be liable to City for any Ministerial Fees or Public Benefit Amount during the Tolling Period. Developer shall resume paying any applicable fees after the Tolling Period ends. City and Developer shall discuss in good faith the termination of this Agreement if the Tolling period exceeds one (1) calendar year to comply with federal or state law.

(b) Developer Tolling or Termination. Developer may not temporarily halt or terminate this Agreement for any purpose without causing a default of this Agreement, except as otherwise allowed by this Agreement or by mutual agreement of the Parties.

Section 1.8. Priority of Enactment. In the event of a conflict between the various land use documents referenced in this Agreement, the Parties agree that the following sequence of approvals establishes the relative priority of the approvals, each approval superior to the approvals listed thereafter: (a) General Plan, (b) Agreement, (c) Specific

Plan, (d) Conditional Use Permit, (e) Indemnification Agreement, and (f) Subsequent City Approvals.

Section 1.9. Amendment of Agreement. This Agreement shall be amended only by mutual consent of the Parties. All amendments shall be in writing. The City Council hereby expressly authorizes the City Manager to approve a Minor Amendment to this Agreement, upon notification of the City Council. A Major Amendment to this Agreement shall be approved by the City Council. The City Manager shall, on behalf of City, have sole discretion for City to determine if an amendment is a Minor Amendment or a Major Amendment. Nothing in this Agreement shall be construed as requiring a noticed public hearing, unless required by law.

Section 1.10. Recordation of Development Agreement. The City Clerk shall cause a copy of this Agreement to be recorded against the title of the Site within ten (10) business days of the Effective Date.

Section 1.11. Funding Agreement for Processing Costs. Developer has deposited Thirty Thousand Dollars (\$30,000) with City to pay for all actual fees and expenses incurred by City that are related to the preparation and processing of this Agreement, and creation and implementation of the City's Cannabis Pilot Program, including recording fees, publishing fees, staff time, and consultant and attorneys' fees and costs (collectively, "Processing Costs"). The Processing Costs are refundable solely to the extent of non-expended Processing Costs. Developer shall be entitled to a refund of available Processing Costs only after City determines all financial obligations associated with the Cannabis Business Project have been received and paid by City.

(a) Apportionment of Processing Costs. If the amount deposited for purposes of Processing Costs is insufficient to cover all Processing Costs, Developer shall deposit with City such additional funds necessary to pay for all Processing Costs within thirty (30) days. The failure to timely pay any such additional amounts requested by City shall be considered a material default of this Agreement and City may terminate this Agreement.

(b) Accounting. Developer may request, and City shall issue within a reasonable time not to exceed thirty (30) days, an accounting and written acknowledgement of Processing Costs paid to City.

ARTICLE 2 DEVELOPMENT OF PROPERTY

Section 2.1. Vested Right of Developer. During the Term, in developing the Site consistent with the Cannabis Business Project described herein, Developer is assured that the development rights, obligation terms, and conditions specified in this Agreement, including, without limitation, the terms, conditions, and limitations set forth in the Exhibits, are fully vested in Developer and may not be modified or terminated by City except as set forth in this Agreement or with Developer's written consent.

Section 2.2. Vested Right to Develop. In accordance with Section 2.1, Developer shall have the vested right to develop and use the Cannabis Business Project consistent with this Agreement, the Conditional Use Permit, and Subsequent City Approvals.

Section 2.3. Permitted Uses and Development Standards. Developer shall be authorized to develop, construct, and use the Site for Commercial Cannabis Activity consistent with the following license type (the "Authorized License"):

Type 1A, 2A, 3A Type 6, 7 Type 11	Cultivation Manufacturer Distribution
---	---

Pursuant to this Agreement, Developer shall be permitted to use the Site consistent with the Authorized License for the Term of this Agreement and during the time Developer is applying for the Authorized License with the applicable State Licensing Authority. Developer shall begin operations of the Cannabis Business Project under the Authorized License within six (6) months of the issuance of a Conditional Use Permit or adoption of the operative ordinance approving this Agreement, whichever is later, unless Developer is prevented from doing so due to any event or circumstance set forth in Section 8.6 of this Agreement. Notwithstanding the foregoing, Developer is required to apply for and obtain the Authorized License from the State of California. If the State Licensing Authority does not grant the Authorized License to Developer, Developer shall immediately cease Commercial Cannabis Activity and any other operations on the respective site. Developer shall also, within thirty (30) days of receiving notice from the State Licensing Authority, notify City of the State Licensing Authority's denial or rejection of the Authorized License. In this situation, this Agreement shall terminate immediately. The Parties intend for this Agreement and the Conditional Use Permit to serve as the definitive and controlling documents for all subsequent actions, discretionary or ministerial, relating to development of the Site and the Cannabis Business Project.

Section 2.4. Major Amendment to Permitted Uses. Developer may request to add to the Authorized License additional license types once that license is applied for or obtained from the appropriate State Licensing Authority (the "Additional Licenses"). Such request shall be a Major Amendment to this Agreement.

Section 2.5. Conditional Use Permit. Developer shall obtain a Conditional Use Permit for the Commercial Cannabis Activity and Authorized License contemplated herein for the Project and at the Site. No Commercial Cannabis Activity may occur at the Site until Developer has obtained a Conditional Use Permit to use and operate the Authorized License at the Site. This Conditional Use Permit must be maintained in good standing throughout the Term. This Agreement shall immediately terminate if the Conditional Use Permit for the Authorized License is revoked by City for any reason.

Section 2.6. Subsequent Entitlements, Approvals, and Permits. Successful implementation of the Cannabis Business Project shall require Developer to obtain additional approvals and permits from City and other local and state agencies. City shall

comply with CEQA in the administration of all Subsequent City Approvals. In acting upon any Subsequent City Approvals, City's exercise of discretion and permit authority shall conform to this Agreement. Notwithstanding the foregoing, in the course of taking action on the Subsequent City Approvals, City will exercise discretion in adopting mitigation measures as part of the Conditional Use Permit. The exercise of this discretion is not prohibited or limited in any way by this Agreement. Nothing in this Agreement shall preclude the evaluation of impacts or consideration of mitigation measures or alternatives, as required by CEQA.

(a) Contemplated City Rules and Guidelines. City anticipates issuing additional rules and administrative guidelines associated with implementation of the Cannabis Business Pilot Program. City may establish requirements that are identical to or place a higher standard of care as existing provisions of the California Cannabis Laws, State Cannabis Regulations, or any amendments thereto. City reserves the right to adopt additional categories of rules or guidelines that are not listed in this Section as part of the Cannabis Business Pilot Program. Developer shall comply with any and all administrative guidelines adopted by City that govern or pertain to the Cannabis Business Project.

Section 2.7. Initiatives and Referenda. If any City ordinance, rule or regulation, or addition to the T.M.C. is enacted or imposed by a citizen-sponsored initiative or referendum after the Effective Date that would conflict with this Agreement, an associated Conditional Use Permit, Subsequent City Approvals, or reduce the development rights or assurances provided to Developer in this Agreement, such T.M.C. changes shall not be applied to the Site or the Cannabis Business Project; provided, however, the Parties acknowledge that City's approval of this Agreement is a legislative action subject to referendum. City shall cooperate with Developer and shall undertake such reasonable actions as may be appropriate to ensure this Agreement remains in full force and effect and is implemented in accordance with its terms to the fullest extent permitted by state or federal law.

Section 2.8. Regulation by Other Government Entities. Developer acknowledges that City does not have authority or jurisdiction over any other government entities' ability to grant governmental approvals or permits or to impose a moratorium or other limitations that may negatively affect the Cannabis Business Project or the ability of City to issue a permit to Developer or comply with the terms of this Agreement. Any moratorium imposed by another government entity, including the State Licensing Authority, on City shall not cause City to be in breach of this Agreement.

Section 2.9. Developer's Right to Rebuild. Developer may renovate portions of the Site any time within the Term of this Agreement consistent with the T.M.C. Any such renovation or rebuild shall be subject to all design, building code, and other requirements imposed on the Cannabis Business Project by this Agreement.

Section 2.10. Changes in California Building Standards Codes. Notwithstanding any provision of this Agreement to the contrary, development of the Cannabis Business Project shall be subject to changes occurring from time to time to the California Building Standards Codes.

Section 2.11. Changes Mandated by Federal or State Law. The Site and the Cannabis Business Project shall be subject to subsequently enacted state or federal laws or regulations that may preempt the T.M.C., or mandate the adoption or amendment of local regulations or are in conflict with this Agreement or local rules or guidelines associated with the Cannabis Business Pilot Program. As provided in Section 65869.5 of the Development Agreement Statute, in the event state or federal laws or regulations enacted after the Effective Date prevent or preclude compliance with one or more provisions of this Agreement, such provisions shall be modified or suspended as may be necessary to comply with such state or federal laws or regulations. Upon discovery of a subsequently enacted federal or state law meeting the requirements of this Section, City or Developer shall provide the other Party with written notice of the state or federal law or regulation, and a written statement of the conflicts thereby raised with the provisions of the T.M.C. or this Agreement. Promptly thereafter, City and Developer shall meet and confer in good faith in a reasonable attempt to modify this Agreement, as necessary, to comply with such federal or state law or regulation provided City shall not be obligated to agree to any modification materially increasing its obligations or materially adversely affecting its rights and benefits hereunder. In such discussions, City and Developer will attempt to preserve the terms of this Agreement and the rights of Developer derived from this Agreement to the maximum feasible extent while resolving the conflict. If City, in its judgment, determines it necessary to modify this Agreement to address such conflict, City shall have the right and responsibility to do so, and shall not have any liability to Developer for doing so or be considered in breach or default of this Agreement. City also agrees to process, in accordance with the provisions of this Agreement, Developer's proposed changes to the Cannabis Business Project that are necessary to comply with such federal or state law and that such proposed changes shall be conclusively deemed to be consistent with this Agreement without further need for any amendment to this Agreement.

Section 2.12. Health and Safety Emergencies. In the event that any future public health and safety emergencies arise with respect to the Cannabis Business Project contemplated by this Agreement, City agrees that it shall attempt, if reasonably possible as determined by City in its discretion, to address such emergency in a way that does not have a material adverse impact on the Cannabis Business Project. If City determines, in its discretion, that it is not reasonably possible to so address such health and safety emergency in a way that does not have a material adverse impact on the Cannabis Business Project, City may select an option which, in its discretion, minimizes, so far as reasonably possible, the impact on development and use of the Cannabis Business Project in accordance with this Agreement, while still addressing such health and safety emergency in a manner acceptable to City.

ARTICLE 3

ENTITLEMENT AND PERMIT PROCESSING, INSPECTIONS

Section 3.1. Subsequent City Approvals. City shall permit the development, construction, and conditionally permitted use contemplated in this Agreement. City agrees to timely grant, pursuant to the terms of this Agreement, the T.M.C., and any Subsequent City Approvals reasonably necessary to complete the goals, objectives, policies, standards, and plans described in this Agreement. The Subsequent City Approvals shall include any applications, permits, and approvals required to complete the improvements necessary to develop the Site, in general accordance with this Agreement ("Subsequent City Approvals"). Nothing herein shall require City to provide Developer with Subsequent City Approvals prior to, or without complying with, all of the requirements in this Agreement, the T.M.C., and any applicable state law.

Section 3.2. Timely Processing. City shall use its reasonable best efforts to process and approve, within a reasonable time, any Subsequent City Approvals or environmental review requested by Developer during the Term of this Agreement.

Section 3.3. Cooperation Between City and Developer. Consistent with the terms set forth herein, City agrees to cooperate with Developer, on a timely basis, in securing all permits or licenses that may be required by City or any other government entity with permitting or licensing jurisdiction over the Cannabis Business Project.

Section 3.4. Further Consistent Discretionary Actions. The exercise of City's authority and independent judgment is recognized under this Agreement and nothing in this Agreement shall be interpreted as limiting City's discretion or obligation to hold legally required public hearings. Except as otherwise set forth herein, such discretion and action taken by City shall, however, be consistent with the terms of this Agreement and not prevent, hinder, or compromise development or use of the Site as contemplated by the Parties in this Agreement.

ARTICLE 4

PUBLIC BENEFIT, PROCESSING, AND OVERSIGHT

Section 4.1. Processing Fees and Charges. Developer shall pay to City those processing, inspection, plan checking and monitoring fees and charges required by City which are in force and effect at the time those fees and charges are incurred (including any post-Effective Date increases in such fees and charges) for processing applications and requests for building permits, inspections, other permits, approvals and actions, and monitoring compliance with any permits issued or approvals granted or the performance of any conditions (each a "Ministerial Fee" and collectively, the "Ministerial Fees").

Section 4.2. Public Benefit.

(a) The Parties acknowledge and agree that this Agreement, and the Cannabis Business Project, confers substantial private benefits upon Developer that will place burdens upon City infrastructure, services, and neighborhoods. Accordingly, the

Parties intend to provide consideration to City to offset these impacts that commensurate with the private benefits conferred on Developer (the "Public Benefit"). In consideration of the foregoing, Developer shall remit to City as follows (the "Cannabis Business Public Benefit"):

CULTIVATION

YEAR	PUBLIC BENEFIT AMOUNT PAID MONTHLY, AMORTIZED ANNUALLY
1 ST	\$10.00 sq/ft *
2 ND	\$10.00 sq/ft *
3 RD	\$10.00 sq/ft *
4 TH	\$10.00 sq/ft *
5 TH	\$10.00 sq/ft *

* Sq./ft. will be based on cultivation canopy. Cultivation canopy size will be the amount approved for use in the Conditional Use Permit.

MANUFACTURING

YEAR	PUBLIC BENEFIT AMOUNT PAID MONTHLY, AMORTIZED ANNUALLY
1 ST	\$10.00 sq/ft *
2 ND	\$10.00 sq/ft *
3 RD	\$10.00 sq/ft *
4 TH	\$10.00 sq/ft *
5 TH	\$10.00 sq/ft *

* Sq./ft. will be based on area of building set aside for manufacturing and ballistics use.

DISTRIBUTION

YEAR	PUBLIC BENEFIT AMOUNT, PAID MONTHLY AMORTIZED ANNUALLY If distribution is from cultivation or manufacturing uses not subject to a City of Turlock Public Benefit Amount	If distribution is from cultivation or manufacturing uses subject to a City of Turlock Public Benefit Amount
1 ST	2.5% of gross receipts	No Public Benefit Amount owed
2 ND	2.5% of gross receipts	No Public Benefit Amount owed
3 RD	2.5% of gross receipts	No Public Benefit Amount owed
4 TH	2.5% of gross receipts	No Public Benefit Amount owed
5 TH	2.5% of gross receipts	No Public Benefit Amount owed

(b) Collectively, these amounts shall be known as the "Public Benefit Amount." The Public Benefit Amounts for each of the aforementioned uses shall be due monthly, beginning on the first business day following the first month in which Developer commences Commercial Cannabis Activity. Payment of the Public Benefit Amount shall continue for a period of five (5) years thereafter.

(c) Developer shall file an applicable statement that complies with the California State Board of Equalization, California Department of Tax and Fee Administration, or either's successor agency (the "State Taxing Authority") for sales tax

purposes showing the true and correct amount of Gross Receipts from Operations of the Cannabis Business Project during the applicable time period. Developer shall provide a copy of such statement to City upon request by City.

Section 4.3. Reporting. Developer shall provide City with copies of any reports provided to a State Licensing Authority within forty-five (45) days of that submission.

Any failure or refusal of Developer to provide any statement or report to City, the State Taxing Authority, or any other State Licensing Authority, as required within the time required, or to pay such sums due hereunder when the same are due and payable in accordance with the provisions of this Agreement, may constitute full and sufficient grounds for the revocation or suspension of the Conditional Use Permit.

Section 4.4. Records. Developer shall keep records of all Commercial Cannabis Activity in accordance with Chapter 16 (commencing with Section 26160) of Division 10 of the Business and Professions Code and the applicable State Cannabis Regulations. All records required by this Section shall be maintained and made available for City's examination and duplication (physical or electronic) at the Site or at an alternate facility as approved in writing by the City Manager, or his or her designee.

Section 4.5. Penalty. Developer acknowledges that to ensure proper compliance with the terms of this Agreement and any applicable laws, City must engage in costly compliance review, inspections, and, if necessary, enforcement actions to protect the health, safety, and welfare of its residents. Penalty and interest provisions are necessary to assist City in compliance review and enforcement actions. If Developer fails to make any payment when due, as required by this Agreement, including the Public Benefit Amount, City may impose a "Non-Performance Penalty." A Non-Performance Penalty of ten percent (10%) shall be applied to all past due payments. City shall deliver to Developer a "Notice of Non-Performance Penalty," attached hereto as **Exhibit D**. Payment of the Non-Performance Penalty shall be in a single installment due on or before a date fifteen (15) days following delivery of the Notice of Non-Performance Penalty.

Section 4.6. Interest on Unpaid Non-Performance Penalty. If Developer fails to pay the Non-Performance Penalty after City has delivered the Notice of Non-Performance Penalty, then, in addition to the principal amount of the Non-performance Penalty, Developer shall pay City interest at the rate of eighteen percent (18%) per annum, computed on the principal amount of the Non-Performance Penalty, from a date fifteen (15) days following delivery of the Notice of Non-performance Penalty.

Section 4.7. Protections from City Tax. Notwithstanding Section 4.2, for the Term of this Agreement, Developer shall be exempt from any City tax specific to commercial cannabis businesses. Notwithstanding the foregoing, Developer and the Cannabis Business Project shall be subject to any and all taxes, assessments, or similar charges or fees of general applicability enacted by the federal government, state government, County of Stanislaus, including any tax applicable to an area greater than the City limits to which City may be a party (i.e., county tax sharing agreement with City).

ARTICLE 5 PUBLIC FACILITIES, SERVICES, AND UTILITIES

City shall use the Public Benefit Amount in any way the City Council deems appropriate to offset the impacts of the project or to benefit the City.

ARTICLE 6 INSURANCE AND INDEMNITY

Section 6.1. Insurance. Developer shall require all persons doing work on the Cannabis Business Project and, including its contractors and subcontractors (collectively, "Developer" for purposes of this Article 6 only), to obtain and maintain insurance of the types and in the amounts described in this Article with carriers reasonably satisfactory to City.

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

(i) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as "Additional Insureds" by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insured.

(ii) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives.

(iii) Contain standard separation of insured provisions.

(b) Automotive Liability Insurance. Developer shall maintain business automobile liability insurance or equivalent form with a limit of not less than One Million Dollars (\$1,000,000) for each accident. Such insurance shall include coverage for owned, hired and non-owned automobiles. Such insurance shall also:

(i) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as Additional Insureds by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed Additional Insureds.

(ii) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives.

(iii) Contain standard separation of insured provisions.

(c) Workers' Compensation Insurance. Developer shall take out and maintain during the Term of this Agreement, workers' compensation insurance for all of Developer's employees employed at or on the Cannabis Business Project and, should any of the work be subcontracted, Developer shall require any general contractor or subcontractor similarly to provide workers' compensation insurance for such contractor's or subcontractor's employees, unless such employees are covered by the protection afforded by Developer. In case any class of employee engaged in work on the Cannabis Business Project and is not protected under any workers' compensation law, Developer shall provide and shall cause each contractor and subcontractor to provide adequate insurance for the protection of employees not otherwise protected. Developer hereby indemnifies City for any damage resulting from failure of Developer, its agents, employees, contractors or subcontractors to take out or maintain such insurance. Workers' compensation insurance with statutory limits and employer's liability insurance with limits of not less than One Million Dollars (\$1,000,000) for each accident shall be maintained by Developer.

Section 6.2. Other Insurance Requirements. Developer shall do all of the following:

(a) Prior to taking any actions under this Agreement, furnish City with properly executed certificates of insurance that clearly evidence all insurance required in this Article, including evidence that such insurance will not be canceled, allowed to expire or materially reduced in coverage without thirty (30) days prior written notice to City.

(b) Provide to City, upon request, and within seven (7) days of said request, certified copies of endorsements and policies and properly executed certificates of insurance evidencing the insurance required herein.

(c) Replace or require the replacement of certificates, policies, and endorsements for any insurance required herein expiring prior to the termination of this Agreement.

(d) Maintain all insurance required herein from the Effective Date of this Agreement to the earlier of the expiration of the Term or the mutual written termination of this Agreement.

(e) Place all insurance required herein with insurers licensed to do business in California with a current Best's Key Rating Guide reasonably acceptable to City.

Section 6.3. Indemnity. To the fullest extent permitted by law, Developer shall defend, indemnify, and hold harmless City, and its agents, elected and appointed officials, officers, employees, consultants, and volunteers (collectively, "City's Agents") from any and all liability arising out of a claim, action, or proceeding against City, or City's Agents, to attack, set aside, void, or annul an approval concerning the Cannabis Business Project and this Agreement, any applicable Conditional Use Permit or Subsequent City Approvals. Developer shall execute the indemnification agreement ("Indemnification Agreement") attached hereto as **Exhibit E**.

Section 6.4. Failure to Indemnify; Waiver. Failure by Developer to indemnify City, when required by this Agreement and the Indemnification Agreement, shall constitute a material breach of this Agreement and of any applicable Conditional Use Permit and Subsequent City Approvals, which shall entitle City to all remedies available under law, including, but not limited to, specific performance and damages. Failure to indemnify shall constitute grounds upon which City may rescind its approval of any applicable Conditional Use Permit. Developer's failure to indemnify City shall be a waiver by Developer of any right to proceed with the Cannabis Business Project, or any portion thereof, and a waiver of Developer's right to file a claim, action, or proceeding against City, or City's Agents, based on City's rescission or revocation of any Conditional Use Permit, Subsequent City Approvals, or City's failure to defend any claim, action, or proceeding based on Developer's failure to indemnify City.

Section 6.5. Waiver of Damages. Notwithstanding anything in this Agreement to the contrary, the Parties acknowledge that City would not have entered into this Agreement had it been exposed to liability for damages from Developer and, therefore, Developer hereby waives all claims for damages against City for breach of this Agreement. Developer further acknowledges that under the Development Agreement Statute, land use approvals (including development agreements) must be approved by the City Council and that, under law, the City Council's discretion to vote in any particular way may not be constrained by contract. Developer therefore waives all claims for damages against City in the event that this Agreement or any Project approval is: (1) not approved by the City Council; or (2) is approved by the City Council but with new changes, amendments, conditions, or deletions to which Developer is opposed. Developer further acknowledges that, as an instrument which must be approved by ordinance, a development agreement is subject to referendum; and that, under law, the City Council's discretion to avoid a referendum by rescinding its approval of the underlying ordinance may not be constrained by contract, and Developer waives all claims for damages against City in this regard.

ARTICLE 7 MORTGAGEE PROTECTION

This Agreement, once executed and recorded, shall be superior and senior to any lien placed upon the Site or any portion thereof following recording of this Agreement, including the lien of any deed of trust or mortgage ("Mortgage"). Notwithstanding the foregoing, no breach hereof shall defeat, render invalid, diminish, or impair the lien of any Mortgage made in good faith and for value. This Agreement shall immediately be deemed in default and immediately terminate upon the foreclosure or transfer of any interest in the Site or Project, whether by operation of law or any other method of interest change or transfer, unless the City Manager has authorized such change or transfer in advance, in writing. City agrees to not unreasonably withhold its authorization.

ARTICLE 8 DEFAULT

Section 8.1. General Provisions.

(a) Subject only to any extensions of time by mutual consent in writing, or as otherwise provided herein, the failure or delay by any Party to perform in accordance with the terms and provisions of this Agreement shall constitute a default. Any Party alleging a default or breach of this Agreement ("Charging Party") shall give the other Party ("Charged Party") not less than ten (10) days written notice, which shall specify the nature of the alleged default and the manner in which the default may be cured. During any such ten (10) calendar day period, the Charged Party shall not be considered in default for purposes of termination of this Agreement or institution of legal proceedings for the breach of this Agreement.

(b) After expiration of the ten (10) calendar day period, if such default has not been cured or is not in the process of being diligently cured in the manner set forth in the notice or if the breach cannot reasonably be cured within ten (10) days, the Charging Party may, at its option, institute legal proceedings pursuant to this Agreement, and give notice of its intent to terminate this Agreement pursuant to Government Code section 65868. In the event City is the Charging Party, City may, in its sole discretion, give notice, as required by law, to the Charged Party of its intent to revoke or rescind any operable Conditional Use Permit related to or concerning the Cannabis Business Project.

(c) Prior to the Charging Party giving notice to the Charged Party of its intent to terminate, or prior to instituting legal proceedings, the matter shall be scheduled for consideration and review by City in the manner set forth in Government Code sections 65865, 65867 and 65868 within thirty (30) days from the expiration of the ten (10) day notice period.

(d) Following consideration of the evidence presented and said review before City, and after providing the Charged Party an additional five (5) calendar day period to cure, the Charging Party may institute legal proceedings against the Charged Party or may give written notice of termination of this Agreement to the Charged Party.

(e) Evidence of default may arise in the course of a regularly scheduled periodic review of this Agreement pursuant to Government Code section 65865.1, as set forth in Section 8.2. If any Party determines that another Party is in default following the completion of the normally scheduled periodic review, without reference to the procedures specified in Section 8.1(c), said Party may give written notice of termination of this Agreement, specifying in the notice the alleged nature of the default and potential actions to cure said default where appropriate. If the alleged default is not cured in ten (10) days or within such longer period specified in the notice or the defaulting Party is not diligently pursuing a cure, or if the breach cannot reasonably be cured within the period or the defaulting Party waives its right to cure such alleged default, this Agreement may be terminated by the non-defaulting Party by giving written notice. An extension of the ten (10) day cure period may be given by mutual consent of the Parties.

(f) In the event Developer is in default under the terms and conditions of this Agreement, no permit application shall be accepted by City, nor will any permit be issued to Developer until the default is cured or the Agreement is terminated.

Section 8.2. Annual Review. City shall, at least every twelve (12) months during the Term of this Agreement, review the extent of good faith, substantial compliance of Developer and City with the terms of this Agreement. Such periodic review by City shall be limited in scope to compliance with the terms of this Agreement pursuant to California Government Code section 65865.1. City shall deposit in the mail or fax to Developer a copy of all staff reports and, to the extent practical, related exhibits concerning this Agreement or the Cannabis Business Project's performance, at least seven (7) days prior to such periodic review. Developer shall be entitled to appeal a determination of City or the City Manager to the City Council. Any appeal must be filed within ten (10) days of the decision of City or the City Manager, respectively. Developer shall be permitted an opportunity to be heard orally or in writing regarding its performance under this Agreement before City, the City Manager, or the City Council, as applicable. The reasonable cost for City's annual review of this Agreement shall be paid by Developer, not to exceed the actual costs incurred by City in connection with the review.

Section 8.3. Estoppel Certificates.

(a) City shall, with at least twenty (20) days prior written notice, execute, acknowledge, and deliver to Developer, Developer's lender, potential investors, or assignees, an Estoppel Certificate in writing which certifies that this Agreement is in full force and effect, that there are no breaches or defaults under the Agreement, and that the Agreement has not been modified or terminated and is enforceable in accordance with its terms and conditions.

(b) At Developer's option, City's failure to deliver such Estoppel Certificate within the stated time period shall be conclusive evidence that the Agreement is in full force and effect, that there are no uncured breaches or defaults in Developer's performance of the Agreement or violation of any City ordinances, regulations, and policies regulating the use and development of the Site, the Cannabis Business Project, or the subject to this Agreement.

Section 8.4. Default by City. In the event City does not accept, review, approve, or issue any permits or approvals in a timely fashion, as defined by this Agreement, or if City otherwise defaults under the terms of this Agreement, City agrees that Developer shall not be obligated to proceed with or complete the Cannabis Business Project and shall constitute grounds for termination or cancellation of this Agreement by Developer.

Section 8.5. Cumulative Remedies of Parties. In addition to any other rights or remedies, City or Developer may institute legal or equitable proceedings to cure, correct, or remedy any default, enforce any covenant, or enjoin any threatened or attempted violation of the provisions of this Agreement, so long as any such action conforms to Section 9.1(c) of this Agreement.

Section 8.6. Forced Delay, Extension of Times of Performance. Delays in performance, by either Party, shall not be deemed a default if such delays or defaults are due to war, terrorism, insurrection, strikes, walkouts, riots, floods, earthquakes, fires,

casualties, acts of God, governmental restrictions imposed where mandated by governmental entities other than City, enactment of conflicting state or federal laws or regulations, new or supplementary environmental regulations enacted by the state or federal government, litigation, or other force majeure events. An extension of time for such cause shall be in effect for the period of forced delay or longer, as may be mutually agreed upon.

Section 8.7. Appeals. Developer may appeal any adverse decision or action of City pursuant to the T.M.C, as may be amended from time to time.

ARTICLE 9 TERMINATION

Section 9.1. Termination Upon Completion of Development. This Agreement shall terminate upon the expiration of the Term, unless it is terminated earlier pursuant to the terms of this Agreement. Upon termination of this Agreement, City shall record a notice of such termination in substantial conformance with the "Notice of Termination" attached hereto as **Exhibit F**, and this Agreement shall be of no further force or effect except as otherwise set forth in this Agreement.

Section 9.2. Effect of Termination on Developer's Obligations. Termination of this Agreement shall eliminate any further obligation of Developer to comply with this Agreement, or some portion thereof, if such termination relates to only part of the Site or Project. Termination of this Agreement, in whole or in part, shall not, however, eliminate the rights of Developer to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

Section 9.3. Effect of Termination on City's Obligations. Termination of this Agreement shall eliminate any further obligation of City to comply with this Agreement, or some portion thereof. Termination of this Agreement shall not, however, eliminate the rights of City to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

Section 9.4. Survival After Termination. The rights and obligations of the Parties set forth in this Section 9.4, Section 2.8, Section 6.3, Section 10.3, Section 10.4, Section 10.5, Section 10.7, and Section 10.10, and any right or obligation of the Parties in this Agreement which, by its express terms or nature and context is intended to survive termination of this Agreement, will survive any such termination.

ARTICLE 10 OTHER GENERAL PROVISIONS

Section 10.1. Assignment and Assumption. Developer shall not have the right to sell, assign or transfer all or any part of its rights, title, and interests in all or a portion of the Site or Project, subject to or a part of this Agreement, to any person, firm, corporation or

entity during the Term of this Agreement without the advance written consent of the City Manager. This assignment prohibition applies to the corporate and business entities of Developer that are a Party to this Agreement. Any assignment or transfer prohibited by this Agreement will be considered an immediate breach of this Agreement and City may elect to immediately terminate this Agreement. If the City Manager approves an assignment or transfer of any interest detailed in this Section 10.1, City and Developer shall execute an "Assignment and Assumption Agreement" in the form attached hereto as **Exhibit J**.

Section 10.2. Covenants Running with the Land. All of the provisions contained in this Agreement shall be binding upon the Parties and their respective heirs, successors and assigns, representatives, lessees, and all other persons acquiring all or a portion of interest in the Site or Project, whether by operation of law or in any manner whatsoever. All of the provisions contained in this Agreement shall be enforceable as equitable servitudes and shall constitute covenants running with the land pursuant to California law, including California Civil Code section 1468. Each covenant herein to act or refrain from acting is for the benefit of or a burden upon the Cannabis Business Project and, as appropriate, runs with the Site and is binding upon Developer.

Section 10.3. Notices. Any notice or communication required hereunder between City and Developer must be in writing and may be given either personally, by facsimile (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express, UPS, or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by facsimile transmission, a notice or communication shall be deemed to have been given and received upon actual physical receipt of the entire document by the receiving Party's facsimile machine. Notices transmitted by facsimile after 5:00 p.m. on a normal business day, or on a Saturday, Sunday, or holiday, shall be deemed to have been given and received on the next normal business day. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the Party to whom notices are to be sent; or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered, as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to City: City of Turlock
 156 S. Broadway
 Turlock, CA 95380

Attention: Robert Lawton, City Manager

and Churchwell White, LLP
1414 K Street, 3rd Floor
Sacramento, CA
Attention: Douglas L. White, City Attorney

If to Developer: Fuego Azul, Inc.
2213 Patterson Rd.
Riverbank, CA 95367
Attention: Devin Stetler

Section 10.4. Governing Law and Binding Arbitration. The validity, interpretation, and performance of this Agreement shall be controlled by and construed pursuant to the laws of the state of California. Any dispute, claim, or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation, or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate, shall be determined by binding arbitration in Sacramento, California, before one arbitrator. The arbitration shall proceed pursuant to the Comprehensive Arbitration Rules and Procedures of the Judicial Arbitration and Mediation Services ("JAMS"). Judgment on the award may be entered in any court having jurisdiction thereof.

Section 10.5. Invalidity of Agreement/Severability. If this Agreement, in its entirety, is determined by an arbitrator or court of competent jurisdiction to be invalid or unenforceable, this Agreement shall automatically terminate as of the date of final entry of judgment. If any term or provision of this Agreement shall be determined by an arbitrator or court of competent jurisdiction to be invalid and unenforceable, or if any term or provision of this Agreement is rendered invalid or unenforceable according to the terms of any federal or state statute, any provisions that are not invalid or unenforceable shall continue in full force and effect and shall be construed to give effect to the intent of this Agreement. The Parties expressly agree that each Party is strictly prohibited from failing to perform any and all obligations under this Agreement on the basis that this Agreement is invalid, unenforceable, or illegal. By entering into this Agreement, each Party disclaims any right to tender an affirmative defense in any arbitration or court of competent jurisdiction, that performance under this Agreement is not required because the Agreement is invalid, unenforceable, or illegal.

Section 10.6. Cumulative Remedies. In addition to any other rights or remedies, City and Developer may institute legal or equitable proceedings to cure, correct, or remedy any default, to specifically enforce any covenant or agreement herein, or to enjoin any threatened or attempted violation of the provisions of this Agreement. The prevailing Party in any such action shall be entitled to reasonable attorneys' fees and costs.

Notwithstanding the foregoing or any other provision of this Agreement, in the event of City default under this Agreement, Developer agrees that it may not seek, and shall forever waive any right to, monetary damages against City, but excluding, therefrom, the right to recover any fees or charges paid by Developer in excess of those permitted hereunder.

Section 10.7. Third Party Legal Challenge. In the event any legal action or special proceeding is commenced by any person or entity challenging this Agreement or any associated entitlement, permit, or approval granted by City to Developer for the Cannabis Business Project (collectively, "Project Litigation"), the Parties agree to cooperate with each other as set forth herein. City may elect to tender the defense of any lawsuit filed and related, in whole or in part, to Project Litigation with legal counsel selected by City. Developer will indemnify, hold City harmless from, and defend City from all costs and expenses incurred in the defense of such lawsuit, including, but not limited to, damages, attorneys' fees, and expenses of litigation awarded to the prevailing Party or Parties in such litigation. Developer shall pay all litigation fees to City within thirty (30) days of receiving a written request and accounting of such fees and expenses from City. Notwithstanding the aforementioned, City may request, and Developer will provide to City within seven (7) days of any such request, a deposit to cover City's reasonably anticipated Project Litigation fees and costs.

Section 10.8. Constructive Notice and Acceptance. Every person who, after the Effective Date and recording of this Agreement, owns or acquires any right, title or interest to any portion of the Site is and shall be conclusively deemed to have consented and agreed to every provision contained herein, whether or not any reference to this Agreement is contained in the instrument by which such person acquired an interest in the Site and all rights and interests of such person in the Site shall be subject to the terms, requirements, and provisions of this Agreement.

Section 10.9. Statute of Limitations and Laches. City and Developer agree that each Party will undergo a change in position in detrimental reliance upon this Agreement from the time of its execution and subsequently. The Parties agree that Section 65009(c)(1)(D) of the California Government Code, which provides for a ninety (90) day statute of limitations to challenge the adoption of this Agreement, is applicable to this Agreement. In addition, any person who may challenge the validity of this Agreement is hereby put on notice that, should the legality or validity of this Agreement be challenged by any third party in litigation, which is filed and served more than ninety (90) days after the execution of this Agreement, City and Developer shall each assert the affirmative defense of laches with respect to such challenge, in addition to all other available defenses. This Section in no way limits the right of a Party, claiming that the other Party breached the terms of this Agreement, to bring a claim against the other Party within the four (4) year statute of limitations set forth in Section 337 of the California Civil Code.

Section 10.10. Joint and Several Liability. Developer shall be jointly and severally liable for any amount due under this Agreement, and any breach of this Agreement or failure to pay by one Party shall also constitute a breach of this Agreement by the other

Party. Developer agrees that City may impose a lien and seek foreclosure on any parcel of the Site due to any default by Developer.

Section 10.11. Change in State Regulations. In no event shall Developer operate the Cannabis Business Project in violation of the Agreement, or State Cannabis Regulations, as may be amended from time to time.

Section 10.12. Standard Terms and Conditions.

(a) Venue. Venue for all legal proceedings shall be the JAMS Resolution Center in Sacramento, California.

(b) Waiver. A waiver by any Party of any breach of any term, covenant, or condition herein contained or a waiver of any right or remedy of such Party available hereunder, at law or in equity, shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

(c) Completeness of Instrument. This Agreement, together with its specific references, attachments, and Exhibits, constitutes all of the agreements, understandings, representations, conditions, warranties, and covenants made by and between the Parties hereto. Unless set forth herein, no Party to this Agreement shall be liable for any representations made, express or implied.

(d) Supersedes Prior Agreement. It is the intention of the Parties hereto that this Agreement shall supersede any prior agreements, discussions, commitments, or representations, written, electronic, or oral, between the Parties hereto with respect to the Site or Cannabis Business Project.

(e) Captions. The captions of this Agreement are for convenience and reference only and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Agreement.

(f) Number and Gender. In this Agreement, the neuter gender includes the feminine and masculine, and the singular includes the plural, and the word "person" includes corporations, partnerships, firms, or associations, wherever the context requires.

(g) Mandatory and Permissive. "Shall" and "will" and "agrees" are mandatory. "May" or "can" are permissive.

(h) Term Includes Extensions. All references to the Term of this Agreement shall include any extensions of such Term.

(i) Counterparts. This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

(j) Other Documents. The Parties agree that they shall cooperate in good faith to accomplish the objectives of this Agreement and, to that end, agree to execute and deliver such other instruments or documents as may be necessary and convenient to fulfill the purposes and intentions of this Agreement.

(k) Time is of the Essence. Time is of the essence in this Agreement in each covenant, term, and condition herein.

(l) Authority. All Parties to this Agreement warrant and represent that they have the power and authority to enter into this Agreement and the names, titles, and capacities herein stated on behalf of any entities, persons, states, or firms represented or purported to be represented by such entities, persons, states, or firms and that all former requirements necessary or required by state or federal law in order to enter into this Agreement had been fully complied with. Further, by entering into this Agreement, no Party hereto shall have breached the terms or conditions of any other contract or agreement to which such Party is obligated, which such breach would have a material effect hereon.

(m) Document Preparation. This Agreement will not be construed against the Party preparing it but will be construed as if prepared by all Parties.

(n) Advice of Legal Counsel. Each Party acknowledges that it has reviewed this Agreement with its own legal counsel and, based upon the advice of that counsel, freely entered into this Agreement.

(o) Attorneys' Fees and Costs. If any action at law or in equity, including action for declaratory relief, is brought to enforce or interpret provisions of this Agreement, the prevailing Party shall be entitled to reasonable attorneys' fees and costs, which may be set by the court in the same action or in a separate action brought for that purpose, in addition to any other relief to which such Party may be entitled.

(p) Calculation of Time Periods. All time referenced in this Agreement shall be calendar days, unless the last day falls on a legal holiday, Saturday, or Sunday, in which case the last day shall be the next business day.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, this Agreement has been entered into by and between Developer and City as of the Effective Date of the Agreement, as defined above.

“CITY”

CITY OF TURLOCK, a
California municipal corporation

By: _____
Robert Lawton
City Manager

Dated: _____

Attest:

By: _____
Jennifer Land
City Clerk

Approved to as Form

By _____
Douglas L. White
City Attorney

“DEVELOPER”

FUEGO AZUL, INC.

By: _____

Name: Devin Stetler

Its: Owner

Dated: _____

California All-Purpose Acknowledgment

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

State of California)
)
County of _____)

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

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

Witness my hand and official seal.

(Signature)

(Seal)

California All-Purpose Acknowledgment

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

State of California)
)
County of _____)

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

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

Witness my hand and official seal.

(Signature)

(Seal)

{CW081343.1}

DEVELOPMENT AGREEMENT
CITY OF TURLOCK AND FUEGO AZUL, INC.

Exhibit A

Cannabis Site Legal Description

Exhibit B

Cannabis Business Project Site Map

Exhibit C

Site Deed

Exhibit D

Notice of Non-Performance Penalty

DATE: _____, 2019

PARTIES: CITY OF TURLOCK
156 S Broadway
Turlock, CA 95380
Attention: City Manager

DEVELOPER
Fuego Azul, Inc.
2213 Patterson Rd.
Riverbank, CA 95367
Attention: Devin Stetler

THIS NOTICE OF NON-PERFORMANCE PENALTY ("Penalty Notice") is being executed by the City of Turlock, a California municipal corporation ("City"), with reference to the following.

- A. By Instrument No. _____, which was recorded in the Official Records of Stanislaus County, California, on _____, 2019, City recorded a development agreement between City and _____ Fuego Azul, Inc. ("Developer"), dated _____, 2019 (the "Development Agreement"), relating to the development and operation of a cannabis business.
- B. Pursuant to Section 4.2 of the Development Agreement, Developer agrees to pay to City a Public Benefit on the first business day of each month during the Term of the Development Agreement.
- C. On _____, 20__, the Public Benefit was due to City by Developer. City did not receive payment.
- D. Pursuant to Section 4.5 of the Development Agreement, if Developer fails to make payment when it is due, City may impose a penalty of ten percent (10%) of the total of the past due amounts ("Penalty"). As of _____, 20__, the past due amount equals \$_____. The Penalty owed by Developer equals \$_____ ("Penalty Amount").

- E. Pursuant to Section 4.5 of the Development Agreement, Developer shall make payment of the Penalty Amount in a single installment due within fifteen (15) days of delivery of this Penalty Notice ("Penalty Due Date").
- F. Pursuant to Section 4.6 of the Development Agreement, if Developer fails to pay the Penalty Amount before the Penalty Due Date, then, in addition to the Penalty Amount specified in subdivision (D), Developer shall pay City interest on the Penalty Amount, at the rate of eighteen percent (18%) per annum ("Penalty Interest Payment"), computed from the Penalty Due Date specified in subdivision (E). The Penalty Interest Payment is due fifteen (15) days following delivery of the Penalty Due Date. As of _____, 20____, the Penalty Interest Payment amount equals \$____.
- G. Nothing contained herein shall constitute a waiver of City's future claims for the Public Benefit, Penalty, or interest on the Penalty.

NOW, THEREFORE, City hereby provides Developer the Penalty Notice required by Section 4.5 of the Development Agreement. This Penalty Notice shall be effective upon notice pursuant to Section 10.3 of the Development Agreement.

CITY OF TURLOCK,
a California municipal corporation

By: _____
City Manager

Exhibit E

INDEMNITY AGREEMENT FOR LAND USE ENTITLEMENT PROCESSING

THIS INDEMNITY AGREEMENT FOR LAND USE ENTITLEMENT PROCESSING ("Agreement") is made and entered into on this ____ day of _____ 2019, ("Effective Date") by and between the City of Turlock, a California municipal corporation, and ("City"), and Fuego Azul, Inc. a California corporation ("Applicant"). City and Applicant may be referred to herein individually as a "Party" or collectively as the "Parties". There are no other parties to this Agreement.

RECITALS

A. In 1996, the people of the state of California approved Proposition 215, the Compassionate Use Act of 1996 ("CUA"). The CUA enables seriously ill Californians to legally possess, use, and cultivate marijuana for medical use under state law. In 2003, the California Legislature adopted Senate Bill 420, entitled the Medical Marijuana Program ("MMP"), which authorizes qualified patients and their primary caregivers to cultivate marijuana for medical purposes without being subject to criminal prosecution under the California Penal Code.

B. On October 9, 2015, Governor Jerry Brown signed three bills into law (Assembly Bill 266, Assembly Bill 243, and Senate Bill 643) which are collectively referred to as the Medical Cannabis Regulation and Safety Act ("MCRSA"). MCRSA establishes a statewide regulatory system for the cultivation, processing, transportation, testing, manufacturing, and distribution of medical marijuana to qualified patients and their primary caregivers.

C. On November 8, 2016, California voters passed Proposition 64, the Adult Use of Marijuana Act ("AUMA"). AUMA legalizes the cultivation, commercial sale, and possession of recreational cannabis for adults age 21 and older.

D. On June 27, 2017, Governor Jerry Brown signed into law the Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), which created a single regulatory scheme for both medicinal and adult-use cannabis businesses. MAUCRSA retains the provisions in the MCRSA and AUMA that granted local jurisdictions control over whether businesses engaged in commercial cannabis activity may operate in a particular jurisdiction.

E. On December 7, 2017, California state cannabis licensing authorities issued emergency regulations that apply to AUMA and MAUCRA and further regulate businesses engaged in commercial cannabis activity.

F. Turlock Municipal Code ("T.M.C.") Chapter 5.21 authorizes cannabis businesses to operate within the City under specified restrictions pursuant to a Cannabis Pilot Program.

G. Applicant intends to improve, develop, and use real property to operate a cannabis business (the "Project") within the City in strict compliance with MAUCRSA and T.M.C. chapter 5.60.

H. Applicant has an agreement to lease that certain real property located at 495 South Golden State Blvd. in the City of Turlock, identified as Stanislaus County Assessor's Parcel Number 043-051-016 (the "Project") Applicant intends to improve approximately X,XXX (X,XXX) square feet of space and operate the Project on the Property.

I. As a condition of approval of the Land Use Entitlements, City has required Applicant to enter into this Agreement.

J. It is in the public interest for City and Applicant to enter into this Agreement, as Applicant will benefit from City's processing of the Project.

K. Applicant desires to enter into this Agreement to fulfill a condition of approval of the Project, which is a prerequisite for construction of the Project.

AGREEMENT

NOW, THEREFORE, in consideration of the promises, covenants and agreements set forth below, the Parties agree as follows:

Section 1. Recitals. The recitals set forth above ("Recitals") are true and correct and are hereby incorporated into and made part of this Agreement by this reference. In the event of any inconsistency between the Recitals and Sections 1 through 19 of this Agreement, Sections 1 through 19 shall prevail.

Section 2. Applicant's Indemnification Obligations.

2.1. Indemnification for Land Use Entitlements. To the fullest extent permitted by law, Applicant shall indemnify, and hold harmless City and its agents, elected and appointed officials, officers, employees, and volunteers (collectively, "City's Agents")

from any and all liability arising out of a claim, action, or proceeding against City, or City's Agents, to attack, set aside, void, or annul, an approval concerning the Land Use Entitlements by reason of the action or inaction of City, or City's Agents. Applicant's duty to indemnify and hold harmless shall not extend to any claim, action or proceeding arising from the gross negligence or willful misconduct of City, or City's Agents.

Applicant's obligations under this Agreement to indemnify City shall apply to any claim, lawsuit or challenge against City brought against the Project, specifically including, but not limited to, any legal challenge based on the California Environmental Quality Act, codified in California Public Resources Code section 21000 et seq.; actions or proceedings brought to challenge the validity of environmental documents prepared in conjunction with the approval of the Project or Land Use Entitlements, or the requirements of any other federal, state, or local laws, including, but not limited to, general plan, specific plan, and zoning requirements.

2.2. Tender of Defense. Upon receiving notice of a claim and pursuant to Article 6 of the Land Use Entitlements, Applicant shall assume the defense of the claim, action, or proceeding through the prompt payment of all attorneys' fees and costs, incurred in good faith and in the exercise of reasonable discretion, of City's counsel in defending such an action. Regardless of whether Applicant chooses to defend City pursuant to Section 6.4 of the Land Use Entitlements, City shall have the absolute and sole authority to control the litigation and make litigation decisions, including, but not limited to, selecting counsel to defend City and settlement or other disposition of the matter.

2.3. Deposit for Costs. Applicant shall make a refundable deposit to City within thirty (30) days of written notification from City ("Cost Deposit"), to cover the estimated fees and costs associated with City's defense of any claim, action or proceeding. Applicant shall make any and all additional payments to City to replenish the Cost Deposit within thirty (30) days of written notice from City.

2.4. Failure to Indemnify; Waiver. Failure to indemnify City, when required by this Agreement, shall constitute a material breach of this Agreement and of the Land Use Entitlements, which shall entitle City to all remedies available under law including, but not limited to, specific performance and damages. Failure to indemnify shall constitute grounds upon which City may rescind its approval of the Land Use Entitlements. Applicant's failure to indemnify City shall be a waiver by Applicant of any right to proceed with the Project, or any portion thereof, and a waiver of Applicant's right to file a claim, action or proceeding against City or City's Agents based on City's rescission or revocation of the Land Use Entitlements, or City's failure to defend any claim, action or proceeding based on Applicant's failure to indemnify City.

2.5. Satisfaction of Judgment. With respect to any claims, demands, acts, causes of action, damages, costs, expenses, settlements, losses or liabilities which Applicant has indemnified City against, Applicant shall pay and satisfy any judgment,

award, settlement or decree that may be rendered or agreed against City and City's Agents arising out of any final, non-appealable judicial or administrative action.

2.6. Payment of Costs and Fees. Applicant's obligations under this Agreement to defend and indemnify City shall include, but not be limited to, payment of all court costs and attorneys' fees, all litigation-related costs, all costs of any judgments or awards against City, or all settlement costs which arise out of City's processing or approval of the Project.

2.7. Continuing Obligation. Applicant shall be and remain personally obligated to all of the terms of this Agreement, notwithstanding any attempt to assign, delegate or otherwise transfer all or any of the rights or obligations of this Agreement, and notwithstanding a change in or transfer of ownership of the real property upon which the Project is located (or any interest therein). However, Applicant may be released from such obligations if Applicant obtains City's prior written consent to such transfer, which consent shall not be unreasonably withheld.

Section 3. City's Obligations. City shall notify Applicant of any claim, action or proceeding within ten (10) business days of receiving service of any claim, action or proceeding. If City fails to notify Applicant of any claim, action, or proceeding, Applicant shall not, thereafter, be responsible to defend, indemnify, or hold City harmless. City shall have and retain, in its sole discretion, the right to not participate in the defense of any claim, action, or proceeding. At its sole discretion, City may participate at its own expense in the defense, but such participation shall not relieve Applicant of any obligation imposed by this Agreement.

Section 4. Notice. Any notice or communication required hereunder between City and Applicant must be in writing and may be given either personally, by facsimile (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express, UPS or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by facsimile transmission, a notice or communication shall be deemed to have been given and received upon actual physical receipt of the entire document by the receiving Party's facsimile machine. Notices transmitted by facsimile after 5:00 p.m. on a normal business day, or on a Saturday, Sunday or holiday, shall be deemed to have been given and received on the next normal business day. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (a) actual receipt by any of the addressees designated below as the Party to whom notices are to be sent, or (b) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered as shown on a receipt issued by the

courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to City: City of Turlock
 156 S. Broadway
 Turlock, CA 95380
 Attention: City Manager

and Churchwell White LLP
 1414 K Street, 3rd Floor
 Sacramento, CA 95814
 Attention: City Attorney

If to Developer: Fuego Azul, Inc.
 2213 Patterson Rd.
 Riverbank, CA 95367
 Attention: Devin Stetler

Section 5. Modification of Agreement. This Agreement may be supplemented, amended, or modified only by a writing signed by City and Applicant.

Section 6. Entire Agreement. This Agreement constitutes the final, complete, and exclusive statement of the terms of the agreement between the Parties pertaining to the action and supersedes all other prior or contemporaneous oral or written understandings and agreements of the Parties. No Party has been induced to enter into this Agreement by, nor is any Party relying on, any representation or warranty except those expressly set forth in this Agreement.

Section 7. Agreement is Voluntary. The Parties acknowledge that they have entered into this Agreement voluntarily, on the basis of their own judgment and without coercion, and not in reliance on any promises, representations, or statements made by the other Party other than those contained in this Agreement. This Agreement incorporates the entire understanding of the Parties and recites the sole consideration of the promises and agreements contained within it. The Parties have read this Agreement and are fully aware of its contents and legal effect.

Section 8. Time of Essence. Time is of the essence for this Agreement, and each section contained within this Agreement is made and declared to be a material, necessary, and essential part of this Agreement.

Section 9. Severability of Agreement. If a court or an arbitrator of competent jurisdiction holds any section of this Agreement to be illegal, unenforceable, or invalid for any reason, the validity and enforceability of the remaining sections of this Agreement shall not be affected.

Section 10. Authority. All Parties to this Agreement warrant and represent that they have the power and authority to enter into this Agreement, and the names, titles, and capacities herein stated on behalf of any entities, persons, states, or firms represented or purported to be represented by such entities, persons, states, or firms and that all former requirements necessary or required by state or federal law in order to enter into this Agreement had been fully complied with. Further, by entering into this Agreement, neither Party hereto shall have breached the terms or conditions of any other contract or agreement to which such Party is obligated, which such breach would have a material effect hereon.

Section 11. Noninterference. No Party will do anything to interfere with or inhibit the ability of the other to comply with their respective obligations under the terms of this Agreement.

Section 12. Ambiguities. Each Party has participated fully in the review and revision of this Agreement. Any rule of construction that ambiguities are to be resolved against the drafting Party does not apply in interpreting this Agreement.

Section 13. Headings. The headings in this Agreement are included for convenience only, and neither affect the construction or interpretation of any section in this Agreement nor affect any of the rights or obligations of the Parties to this Agreement.

Section 14. Necessary Acts and Further Assurances. The Parties shall, at their own cost and expense, execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement. The Parties will act in good faith to carry out the intent of this Agreement.

Section 15. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of California.

Section 16. Venue. Venue for all legal proceedings shall be in the Superior Court of the State of California in and for the County of Stanislaus.

Section 17. Attorney's Fees and Costs. If any action at law or in equity, including action for declaratory relief, is brought to enforce or interpret sections of this Agreement,

the prevailing Party shall be entitled to reasonable attorney's fees and costs, which may be set by the court in the same action or in a separate action brought for that purpose, in addition to any other relief to which such Party may be entitled.

Section 18. Waiver. No covenant, term, or condition, or the breach thereof, shall be deemed waived, except by written consent of the Party against whom the waiver is claimed, and any waiver of the breach of any covenant, term, or condition shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant, term, or condition.

Section 19. Counterparts. This Agreement may be executed in counterparts and all so executed shall constitute an agreement which shall be binding upon the Parties hereto, notwithstanding that the signatures of all Parties and Parties' designated representatives do not appear on the same page.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS THEREOF, the Parties have executed this Agreement on the day, month and year first above written.

APPLICANT

Fuego Azul, Inc.

By: _____

Name: Devin Stetler

Its: Owner

Date: _____

CITY

City of Turlock, a California municipal corporation

By: _____

Robert Lawton, City Manager

Date: _____

APPROVED AS TO FORM:

By: _____

Douglas L. White, City Attorney

Exhibit F

Notice of Termination

RECORDING REQUESTED BY AND WHEN
RECORDED RETURN TO:

City of Turlock
156 S Broadway
Turlock, CA 95380
Attention: City Clerk

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

NOTICE OF TERMINATION AND RELEASE OF DEVELOPMENT AGREEMENT

DATE: _____, 20__

PARTIES: CITY OF TURLOCK
156 S Broadway
Turlock, CA 95380

Fuego Azul, Inc.
2213 Patterson Rd.
Riverbank, CA 95367
Attention: Devin Stetler

THIS NOTICE OF TERMINATION AND RELEASE (the "Release") is being executed by the City of Turlock, a California municipal corporation ("City"), with reference to the following.

- A. By Instrument No. _____, which was recorded in the Official Records of Stanislaus County, California, on _____, 2019, City recorded a development agreement between City and _____, dated _____, 2019 (the "Development Agreement"), relating to the development and operation of a cannabis business.

{CW081343.1}

NOTICE OF TERMINATION AND
RELEASE OF DEVELOPMENT
AGREEMENT CITY OF TURLOCK AND
FUEGO AZUL, INC.

Exhibit F

- B. Pursuant to Sections 1.7 and 9.1 of the Development Agreement, the term of the Development Agreement expires five (5) years from _____, 2019, on _____, 20____.
- C. Pursuant to Section 9.1 of the Development Agreement, once terminated, the Development Agreement has no further force or effect, unless otherwise set forth in the Development Agreement.

NOW, THEREFORE, City hereby terminates, cancels, and otherwise releases Developer and Developer's heirs, executives, administrators, successors, and assigns from their obligations in the Development Agreement on this ____ (day) of ____ (month), 20____, and relinquishes any right it may hereafter have to enforce any of the terms and provisions set forth in the Development Agreement, unless otherwise set forth in the Development Agreement. This termination, cancellation, and release shall be effective upon the recordation of this Release in the office of the County Recorder for the County of Stanislaus, State of California.

CITY OF TURLOCK,
a California municipal corporation

By: _____
City Manager

Exhibit G

Assignment and Assumption Agreement

RECORDING REQUESTED BY AND WHEN
RECORDED RETURN TO:

City of Turlock
156 S Broadway
Turlock, CA 95380
Attention: City Clerk

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

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Agreement") is entered into this _____ day of _____, 20____, by and between _____ Fuego Azul, Inc. ("Assignors"), and _____ ("Assignee").

RECITALS

A. On _____, 2019, Assignor and the City of Turlock (the "City") entered into that certain agreement entitled "Development Agreement by and between the City of Turlock, a California municipal corporation and _____ Fuego Azul, Inc. relating to the improvement, development, and use of real property to operate a cannabis business (the "Development Agreement"), originally recorded upon Stanislaus County Assessor's Parcel Number 043-151-016 (the "Property").

B. Section 10.1 of the Development Agreement prohibits the sale, assignment, or transfer by Assignor of any portion of Assignor's interests, rights, or titles described in that section of the Development Agreement ("Assignable Rights") to a third party without prior written approval by the City Manager of the City of Turlock (the "City Manager").

C. Assignor intends to assign, and Assignee intends to assume, the Assignable Rights under the Development Agreement.

D. In accordance with the terms of the Development Agreement, Assignor has provided to the City Manager a written request for consent to assignment. The City Manager has received the information he or she deems appropriate and consulted with the City Attorney for the purpose of determining that Assignee is a qualified applicant for purposes of the foregoing terms of the Development Agreement. This Agreement is intended to meet the requirements of Section 10.1 of the Development Agreement for an

Assignment and Assumption Agreement and is executed with the consent of the City Manager as contemplated in the Development Agreement.

NOW, THEREFORE, Assignor and Assignee hereby agree as follows:

1. The foregoing Recitals are true and incorporated herein by this reference as though set forth in full.

2. Assignor hereby assigns to Assignee all of the Assignable Rights of Assignor under the Development Agreement.

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

4. This Agreement shall take effect and be binding only upon the City Manager's consent to and approval of the Agreement.

5. Assignee represents and warrants that it has reviewed and is familiar with the terms and conditions of the Development Agreement. Assignee acknowledges that the Assignable Rights are as set forth in Section 10.1 of the Development Agreement, and the duties of Assignor thereunder and the duties of Assignee hereunder, as between Assignee and City, shall be without reference to any underlying agreements or understandings that may exist between Assignee, Assignor, or any other party with respect to the subject matter hereof, and that City is not party to such other agreements.

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

IN WITNESS HEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

[Signatures on the Following Page]

APPLICANT

Fuego Azul, Inc.

By: _____

Name: Devin Stetler

Its: Owner

Date: _____

CITY

City of Turlock, a California municipal corporation

By: _____
Robert Lawton, City Manager

Date: _____

APPROVED AS TO FORM:

By: _____
Douglas L. White, City Attorney

City Council Staff Report

August 27, 2019



EC

From: Douglas L. White, City Attorney
Prepared by: Douglas L. White, City Attorney
Agendized by: Robert C. Lawton, City Manager

1. ACTION RECOMMENDED:

Ordinance: Introducing an Ordinance for first reading approving a Development Agreement by and between the City of Turlock and Cal State Ventures2 located at 501 West F Street, Turlock, CA, County of Stanislaus, Assessor's Parcel Number 043-018-006

2. SYNOPSIS:

At its June 11, 2019 meeting, the Turlock City Council ("City Council") adopted a commercial cannabis pilot program ("Cannabis Business Pilot Program") which, consistent with state law, established a framework and regulations for cannabis business activity within the City of Turlock ("City").

At its August 22, 2019 meeting, the Turlock Planning Commission ("Planning Commission") recommended adoption of an ordinance of the City Council of the City of Turlock approving a Development Agreement between the City of Turlock and Cal State Ventures2.

3. DISCUSSION OF ISSUE:

In November of 2016, the voters of California approved Proposition 64, entitled the "Control, Regulate and Tax Adult Use of Marijuana" ("AUMA"). AUMA legalized the adult-use, possession and retail sale of cannabis by persons 21 years of age and older.

On June 27, 2017, Governor Jerry Brown signed into law the Medicinal and Adult Use Cannabis Regulation and Safety Act ("MAUCRSA") which, combined with AUMA, creates a single regulatory scheme for both medicinal and adult-use cannabis businesses. MAUCRSA retains the provisions in AUMA that granted local jurisdictions control over whether businesses engaged in commercial cannabis activity may operate in their jurisdiction.

On June 11, 2019, the Turlock City Council ("City Council") adopted Ordinance 1255-CS enacting cannabis regulations for cannabis businesses pursuant to AUMA and MAUCRSA. On June 11, 2019, the City Council adopted Ordinance 1255-CS to establish a Cannabis Business Pilot Program (the "Pilot Program"). The Cannabis Business Pilot Program allows for the regulation of cannabis businesses through a development agreement and a conditional use permit process.

4. BASIS OF RECOMMENDATION:

Cal State Ventures2's ("Ventures2") proposed distribution operation will be the first Turlock business for owners Careli Galvan-Sulamo ("Galvan-Sulamo") and Anna Karapetyan ("Karapetyan"). Galvan-Sulamo and Karapetyan will bring a combined decades of experience to Ventures2. Ventures2 will also be one of the few wholly women-owned cannabis businesses in California.

Karapetyan has been a consultant for numerous cannabis businesses through California's Proposition 215-era. Currently, she is the CEO of one of the largest cannabis licensing and compliance consulting firms in the state. This resume demonstrates her detailed understanding of the state's constantly changing cannabis laws. Galvan-Sulamo is a skilled entrepreneur that has built a thriving CBD business. Galvan-Sulamo is currently developing a 75,000 square foot manufacturing and distribution facility in Woodland. The experience and demonstrated success of both of these applicants will help ensure that Ventures2 will be an asset to the City's business culture.

Ventures2 will hire Turlock residents, including qualified veterans, women, and other minority groups. Company employees will receive competitive pay and are eligible for health and dental benefits. Ventures2 is committed to allocating up to \$10,000 annually or 1% of net profits (whichever is higher) to local Turlock-based charities.

Galvan-Sulamo and Karapetyan's mastery of, and adherence to, state and local laws and regulations signify an excellent fit for their distribution business in the City. Accordingly, Staff believes that Cal State Ventures2 has the ability to succeed and to thrive as a cannabis industry leader here in Turlock.

The City seeks to enter into a Development Agreement with Cal State Ventures2, Inc. that leases real property located at 501 West F Street, Turlock, California, County of Stanislaus, Assessor's Parcel Number 043-018-006 (the "Property"), on which Cal State Ventures2, Inc. intends to operate a cannabis distribution business (the "Project"). The Property is zoned Industrial (I). Cal State Ventures2, Inc. has obtained the Property's owner's consent to operate the cannabis business on the Property. The major elements of the Development Agreement are summarized below:

- The term of the agreement is five (5) years.
- Cal State Ventures2, Inc. is required to begin operations no later than six (6) months after the Development Agreement and Conditional Use Permit are approved.
- The Project will provide Cal State Ventures2, Inc. with substantial private benefits that will place burdens upon the City infrastructure, services, and neighborhoods. Cal State Ventures2, Inc. will offset these impacts through a negotiated agreed upon monthly payment classified as a "Public Benefit." The Public Benefit is annually designed and intended to offset or mitigate any potential impacts of the Project on the community.
- Cal State Ventures2, Inc. will pay to the City a Public Benefit of 2.5% of gross receipts from its distribution operations amortized annually and paid on a monthly basis, beginning on the first business day following the first month in which Developer commences commercial cannabis activity and for a period of five (5) years thereafter.
- The Project will be subject to security protocols, including security cameras and an alarm system, odor control requirements, insurance requirements, and a waste management plan as required under the Turlock Municipal Code. These requirements will be set forth in the conditional use permit for the Project.

5. FISCAL IMPACT:

If the City Council adopts the ordinance, the City will have an agreement in place to offset any impacts the proposed cannabis business would have upon City services, infrastructure, and neighborhoods. The Development Agreement ensures that any costs to the City associated with the cannabis business are adequately addressed.

6. CITY MANAGER'S COMMENTS:

Recommend Approval.

7. ENVIRONMENTAL:

The Development Agreement is exempt from provisions of the California Environmental Quality Act ("CEQA"), pursuant to Public Resources Code Sections 21065 and 21068, and CEQA Guidelines Section 15061(b)(3) of Title 14 of the California Code of Regulations applicable to activities covered under the common sense exemption that have no potential for causing a significant effect on the environment.

8. CONCLUSION:

Staff recommends the adoption of an Ordinance of the City Council approving a Development Agreement by and between the City of Turlock and Cal State Ventures2, Inc.

ATTACHMENTS -

1. RFQ Submittal

EXHIBITS -

- A. Cal State Ventures2, Inc. Development Agreement



Description

Cal State Ventures2, INC. is applying for a Cannabis Distribution license and will be conducting business in Turlock, California.

The company is dedicated to creating relationships with high quality, reliable and compliant vendors.

Cal State Ventures2, INC. is dedicated to distributing the finest quality cannabis and cannabis products between our vendors and Dispensaries.

The Company wishes to make Cal State Ventures2, INC. a leading name for cannabis distribution in California.

Cal State Ventures2, Inc.

RFQ PACKET

Application Category: Cannabis Distribution

Date Created:

July 2019



Executive Summary

Company Summary

Cal State Ventures2, INC intends to begin operations in the year 2020 after received approval from both the City of Turlock and the State of California. The distribution is dedicated to building relations with cultivators and manufactures across the state in order to maintain a consistent stock of cannabis products for both the Medical and Recreational market. The stock will include an extensive line of products which include flowers, concentrates, dosables, edibles, and accessories.

Main Goals

- ✓ Own and operate cannabis Storefront Distribution in Turlock, California.
- ✓ To distribute both Medicinal and Recreational cannabis and cannabis products.
- ✓ To be fully compliant with all state and local municipalities.
- ✓ To supply high-grade cannabis and cannabis products to dispensaries.

Mission

- ✓ To set a standard for compliant operations while becoming a top provider of high-quality products.

Main Objectives

- ✓ Securing a Distribution license that allows for both Medical and Recreational Use.
- ✓ Net annual income to support operational expenses.
- ✓ Continue to build on reputation, and sales profitability and loyalty

Products & Services

- ✓ Flower
- ✓ Concentrates
- ✓ Infused edibles and topicals
- ✓ Accessories

Principle Background Information

Company Owners:

- Careli Galvan-Sulamo
Chief Executive Officer – Chief Financial Officer - Director
- Anna Karapetyan
Secretary – Director

Company Managers:

- Andreas Hendriksson
Operations Manager
- Ryan DeArkland
Operations Manager

Legal Ownership Structure

Cal State Ventures2, INC is to be formed as an Incorporation. Included in this RFQ is a copy of the, Statement of Information. (*Due to the RFQ page limit our Article of Incorporation and Bylaws are immediately available upon request)

Proposed Business Location

Proposed Project Location:

Address: 501 West F Street, Turlock, CA 95380
APN: 050-031-045-000

Property Owner Information:

Evidence of the legal right to occupy is included in this RFQ, as well as a notarized Letter of Authorization from the property owner, stating their acknowledgement of cannabis operations within its parameters.

Name: CATIZONE 2012 TRUST
Address: PO BOX 3896 Modesto, CA 95353
Contact: Frank Catizone (209) 471 – 9931 frank_catizone@comcast.net

Statement of Information



State of California Secretary of State

S

Statement of Information

(Domestic Stock and Agricultural Cooperative Corporations)

FEES (Filing and Disclosure): \$25.00.

If this is an amendment, see instructions.

IMPORTANT – READ INSTRUCTIONS BEFORE COMPLETING THIS FORM

G785040**FILED**

In the office of the Secretary of State
of the State of California

JUL-09 2019**1. CORPORATE NAME**

CAL STATE VENTURES2, INC.

2. CALIFORNIA CORPORATE NUMBER

C4293096

This Space for Filing Use Only

No Change Statement (Not applicable if agent address of record is a P.O. Box address. See instructions.)

3. If there have been any changes to the information contained in the last Statement of Information filed with the California Secretary of State, or no statement of information has been previously filed, this form must be completed in its entirety.

☐ If there has been no change in any of the information contained in the last Statement of Information filed with the California Secretary of State, check the box and proceed to Item 17.

Complete Addresses for the Following (Do not abbreviate the name of the city. Items 4 and 5 cannot be P.O. Boxes.)

4. STREET ADDRESS OF PRINCIPAL EXECUTIVE OFFICE	CITY	STATE	ZIP CODE
920 J STREET, SACRAMENTO, CA 95814			
5. STREET ADDRESS OF PRINCIPAL BUSINESS OFFICE IN CALIFORNIA, IF ANY	CITY	STATE	ZIP CODE
715 LANDER AVENUE, TURLOCK, CA 95380			
6. MAILING ADDRESS OF CORPORATION, IF DIFFERENT THAN ITEM 4	CITY	STATE	ZIP CODE
CAL STATE VENTURES2, INC. 920 J STREET, SACRAMENTO, CA 95814			

Names and Complete Addresses of the Following Officers (The corporation must list these three officers. A comparable title for the specific officer may be added; however, the preprinted titles on this form must not be altered.)

7. CHIEF EXECUTIVE OFFICER/	ADDRESS	CITY	STATE	ZIP CODE
CARELI GALVAN-SULAMO	770 JASMINE COURT, OAKDALE, CA 95361			
8. SECRETARY	ADDRESS	CITY	STATE	ZIP CODE
ANNA KARAPETYAN	920 J STREET, SACRAMENTO, CA 95814			
9. CHIEF FINANCIAL OFFICER/	ADDRESS	CITY	STATE	ZIP CODE
CARELI GALVAN-SULAMO	770 JASMINE COURT, OAKDALE, CA 95361			

Names and Complete Addresses of All Directors, Including Directors Who are Also Officers (The corporation must have at least one director. Attach additional pages, if necessary.)

10. NAME	ADDRESS	CITY	STATE	ZIP CODE
CARELI GALVAN-SULAMO	770 JASMINE COURT, OAKDALE, CA 95361			
11. NAME	ADDRESS	CITY	STATE	ZIP CODE
ANNA KARAPETYAN	920 J STREET, SACRAMENTO, CA 95814			
12. NAME	ADDRESS	CITY	STATE	ZIP CODE

13. NUMBER OF VACANCIES ON THE BOARD OF DIRECTORS, IF ANY: 0

Agent for Service of Process If the agent is an individual, the agent must reside in California and Item 15 must be completed with a California street address, a P.O. Box address is not acceptable. If the agent is another corporation, the agent must have on file with the California Secretary of State a certificate pursuant to California Corporations Code section 1505 and Item 15 must be left blank.

14. NAME OF AGENT FOR SERVICE OF PROCESS [Note: The person designated as the corporation's agent MUST have agreed to act in that capacity prior to the designation.]	
ANNA KARAPETYAN	
15. STREET ADDRESS OF AGENT FOR SERVICE OF PROCESS IN CALIFORNIA, IF AN INDIVIDUAL	CITY STATE ZIP CODE
920 J STREET, SACRAMENTO, CA 95814	

Type of Business

16. DESCRIBE THE TYPE OF BUSINESS OF THE CORPORATION
RETAIL

17. BY SUBMITTING THIS STATEMENT OF INFORMATION TO THE CALIFORNIA SECRETARY OF STATE, THE CORPORATION CERTIFIES THE INFORMATION CONTAINED HEREIN, INCLUDING ANY ATTACHMENTS, IS TRUE AND CORRECT.

07/09/2019	ANNA KARAPETYAN	SECRETARY	
DATE	TYPE/PRINT NAME OF PERSON COMPLETING FORM	TITLE	SIGNATURE

By Laws

BYLAWS OF Cal State Ventures2, Inc
(the "Corporation")

SHAREHOLDERS (the "Shareholders")

Annual Meeting

1. A meeting of the Shareholders will be held annually for the purpose of electing directors (the "Directors") of the Corporation and for the purpose of doing other business as may come before the meeting. If the day fixed for the annual meeting is a legal holiday in the State of California, the annual meeting will be held on the next succeeding business day or on a date determined by the board of directors for the Corporation (the "Board") that is no later than two weeks after the date specified in the meeting notice.
2. The Corporation must hold its annual meeting within: a) 60 days after the date designated for the annual meeting or if no date was designated; b) 15 months after its last regular meeting. If the annual meeting is not held within that time period then any shareholder entitled to participate in the meeting may apply to the superior court of the proper county to fix the time and place of the meeting.

Special Meetings

3. Unless otherwise prescribed by statute, special meetings of the Shareholders may only be called for any purpose or purposes in the following ways:
 - a. By a majority of the Board; or
 - b. By the president of the Corporation (the "President"); or
 - c. By the holders of shares entitled to cast in total not less than 10 percent of the votes on any issue proposed for the meeting where written request(s) describing the purpose or purposes for the special meeting are signed, dated and delivered to a member of the Board or other Officer of the Corporation.
4. The Board will determine the time, place and date of any special meeting provided that, in the case of a special meeting called by the requisite percentage of Shareholders in accordance with these Bylaws, the Board will issue notice of the special meeting within 20 days of receipt of the written demand(s) by the relevant Officer of the Corporation. The Board will schedule the meeting for a date not less than 35 nor more than 60 days after the receipt of the request.

Place of Meeting

5. The annual meetings or special meetings of the Shareholders may be held at any place in or out of the State of California at a place to be determined at the discretion of the Board. If no designation of the location is made for any annual or special meeting of the Shareholders, the place of the meeting will be the Principal Executive Office of the Corporation.

Notice of Meetings

6. The written notice of any meeting will be given not less than 10 days, but not more than 60 days before the date of the meeting to each Shareholder entitled to vote at that meeting. The written notice of the meeting will state the place, date and hour of the meeting, the means of remote communications, if any, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.
7. If mailed, notice is given when the notice is deposited in the United States mail, postage prepaid, and directed to the Shareholder at the address of the Shareholder as it appears on the records of the Corporation. An affidavit of the secretary (the "Secretary") of the Corporation that the notice has been given will, in the absence of fraud, be prima facie evidence of the facts stated in the notice.
8. A written waiver, signed by the person entitled to a notice of meeting, or a waiver by electronic transmission by the person entitled to that notice, whether before or after the time stated in the notice, will be deemed equivalent to the person receiving the notice. Further, attendance of a person at a meeting will constitute a waiver of notice of that meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

Consent of Shareholders in Lieu of Meeting

9. Any action to be taken at any annual or special meeting of Shareholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action to be taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote on the matter were present and voted is delivered to the Corporation. Every written consent will bear the date of signature of each Shareholder who signs the consent. However, no written consent will be effective unless the consent is delivered, either by hand or by certified or registered mail, within 90 days of the earliest dated consent, to the Corporation for inclusion in the minutes or filing with the corporate records.

Remote Communication Meetings

10. Remote communication means any electronic communication including conference telephone, video conference, the Internet, or any other method currently available or developed in the future by which Shareholders not present in the same physical location may simultaneously communicate with each other.
11. Where permitted under the statutes and regulations of the State of California, and in the sole and reasonable discretion of the Board of Directors, a meeting of Shareholders of the Corporation may be held at a specific location or may be held by any means of remote communication. Where a meeting will employ remote communication, one or more Shareholders may participate by means of remote communication or the meeting may be held solely by means of remote communication at the sole discretion of the Board of Directors. Where any remote communication is used in a Shareholder meeting, all persons authorized to vote or take other action at the meeting must be able to hear each other during the meeting and each person will have a reasonable opportunity to participate. This remote participation in a meeting will constitute presence in person at the meeting. All votes or other actions taken at the meeting by means of electronic transmission must be maintained as a matter of record by the Corporation.

List of Shareholders Entitled to Vote

12. The Officer who has charge of the Record of Shareholders of the Corporation will prepare and make, 10 to 60 days before every meeting of the Shareholders, a complete list of the Shareholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each Shareholder and the number of shares of stock registered in the name of each Shareholder. The list must be available for inspection by any Shareholder. The list must be provided for any purpose related to the meeting:
 - a. On a reasonably accessible electronic network, so long as the information required to access the list is provided with the notice of the meeting; or
 - b. During ordinary business hours, at the Registered Office of the Corporation in this state.
13. If the Corporation decides to make the list available on an electronic network, the Corporation will ensure that this information is available only to Shareholders of the Corporation. If the meeting is to be held at a physical location, then the list will be produced and kept at the time and place of the meeting during the whole time of the meeting and may be inspected by any Shareholder who is present.

14. If the meeting is to be held solely by means of remote communication, then the list will also be open to the examination of any Shareholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access the list will be provided with the notice of the meeting.
15. If any Director willfully neglects or refuses to produce the list of Shareholders at any meeting for the election of Directors, or to open such a list to examination on a reasonably accessible electronic network during any meeting for the election of Directors held solely by means of remote communication, those Directors will be ineligible for election to any office at that meeting.
16. The Record of Shareholders will be the only evidence as to who are the Shareholders entitled by this section to examine the list required by this section or to vote in person or by proxy at any meeting of Shareholders.

Quorum and Required Vote

17. A minimum of 51 percent of the shares entitled to vote, present in person or represented by proxy, will constitute a quorum entitled to take action at a meeting of Shareholders.
18. In all matters other than the election of Directors, any act of the Shareholders must be passed by an affirmative vote of the majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter.
19. Directors will be elected by a majority of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of Directors.
20. Where a separate vote by a class or series or classes or series of shares ("Eligible Shares") is required, 51 percent of the outstanding Eligible Shares present in person or represented by proxy, will constitute a quorum entitled to take action with respect to that vote on that matter. Any act to be taken must be passed by an affirmative vote of the majority of the outstanding Eligible Shares present in person or represented by proxy.

Shareholders Voting Rights and Proxies

21. Subject to the Articles of Incorporation, each Shareholder will be entitled to one vote for each share of stock held by that Shareholder.

22. Each Shareholder entitled to vote at a meeting of Shareholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for that Shareholder by proxy, but no proxy will be valid after 11 months from the date of its execution unless the proxy provides for a longer period.
23. Execution of a proxy may be accomplished by the Shareholder or by the authorized Officer, Director, employee or agent of the Shareholder, signing the writing or causing that person's signature to be affixed to the writing by any reasonable means including, but not limited to, by facsimile signature.
24. A duly executed proxy will be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the shares or an interest in the Corporation generally.

Voting Rights of Fiduciaries, Pledgers and Joint Owners of Shares

25. Persons holding shares in a fiduciary capacity will be entitled to vote the shares so held. Persons whose shares are pledged will be entitled to vote, unless, in the transfer by the pledger on the books of the Corporation, that person has expressly empowered the pledgee to vote the shares, in which case only the pledgee, or that pledgee's proxy, may represent and vote the shares.

Voting Trusts and Other Voting Agreements

26. Two or more Shareholders may, by agreement in writing, create a voting trust by depositing their shares with a voting trustee, who will have the authority to vote the shares in accordance with the terms and conditions of the voting trust agreement. To be valid, the voting trustee must deliver copies of the list of Shareholders and the voting trust agreement to the Secretary of the Corporation. Upon receiving the voting trust agreement, the Corporation will issue new share certificates in the name of the trustee and cancel the old share certificates. The new share certificates issued will state that they are issued pursuant to a voting trust agreement.
27. Any amendment to a voting trust agreement will be made by a written agreement, a copy of which will be filed with the Secretary of the Corporation.
28. The right of inspection of any voting trust agreement or related amendment by a Shareholder of record or a holder of a voting trust certificate, in person or by agent, will be the same right of inspection that applies to the securities register of the Corporation.

29. An agreement between two or more Shareholders, if in writing and signed by the parties to the agreement, may provide that in exercising any voting rights, the shares held by them will be voted as provided by the agreement, or as the parties may agree, or as determined in accordance with a procedure agreed upon by them.
30. The above provisions concerning voting trusts and voting agreements will not be deemed to invalidate any voting or other agreement among Shareholders or any irrevocable proxy which is not otherwise illegal.

Cumulative Voting

31. Shareholders may use cumulative voting elections when electing Directors.

BOARD OF DIRECTORS

General Powers

32. The business and affairs of the Corporation will be managed by or under the direction of the Board.

Number, Tenure and Quorum

33. The Board will consist of two members, each of whom will be a natural person. Directors need not be Shareholders. Each Director will hold office until that Director's successor is elected and qualified or until that Director's earlier resignation or removal. Any Director may resign at any time upon notice given in writing or by electronic transmission to the Corporation. In order to transact business at a meeting of the Directors, a quorum of 2 percent of the total number of Directors eligible to vote will be required. The vote of the majority of the Directors present at a meeting at which a quorum is present will be the act of the Board.

Regular Meetings

34. By resolution, the Board may provide the time and place, either within or without the State of California, for the holding of regular meetings without any notice other than that resolution.

Special Meetings

35. Special meetings of the Board may be called by or at the request of the President or by a majority of the Directors. The person or persons calling that special meeting of the Board may fix any date, time or place, either within or without the State of California, to be the date, time and place for holding that special meeting.

Notice

36. Written notice of the date, time, and place of a special meeting of the Board will be given at least 2 days prior to the date set for that meeting. The written notice can be given personally, by mail, by private carrier, by telegraph, by telephone facsimile, or by any other manner as permitted by the California General Corporation Law. The notice will be given by the Secretary or one of the persons authorized to call Directors' meetings.
37. If written notice is mailed, correctly addressed to a Director's address as provided in the Corporation's current records, the notice will be deemed to have been given to that Director at the time of mailing. If written notice is sent by private carrier or if the written notice is sent by United States mail, postage prepaid and by registered or certified mail, return receipt requested, the notice will be deemed to have been given to a Director on the date shown on the return receipt. Otherwise notice is effective when received by a Director.
38. Notice of any Directors' meeting may be waived by a Director before or after the date and time of the meeting. The waiver must be in writing, must be signed by a Director, and must be delivered to the Corporation for inclusion in the minutes or filing with the corporate records. The attendance of a Director at a meeting of the Board will constitute a waiver of notice of that meeting except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully convened.

Action by Directors Without a Meeting

39. Any action to be taken at any meeting of the Board or of any committee of the Board may be taken without a meeting if all members of the Board or committee, as the case may be, consent to it in writing, or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board, or committee. This filing will be in paper form if the minutes are maintained in paper form and will be in electronic form if the minutes are maintained in electronic form.

Remote Communication Meetings

40. Remote communication means any electronic communication including conference telephone, video conference, the Internet, or any other method currently available or developed in the future by which Directors not present in the same physical location may simultaneously communicate with each other.

41. A meeting of the Board may be held by any means of remote communication by which all persons authorized to vote or take other action at the meeting can hear each other during the meeting and each person has a reasonable opportunity to participate. This remote participation in a meeting will constitute presence in person at the meeting.

Vacancies and Newly Created Directorships

42. When vacancies or newly created directorships resulting from any increase in the authorized number of Directors occur, a majority of the Directors then in office, although less than a quorum, or a sole remaining Director will have the power to appoint new Directors to fill this vacancy or vacancies. Each new Director so chosen will hold office until the next annual meeting of the Shareholders.
43. If at any time, by reason of death or resignation or other cause, the Corporation should have no Directors in office, then any Officer or any Shareholder or an executor, administrator, trustee or guardian of a Shareholder, or other fiduciary entrusted with like responsibility for the person or estate of a Shareholder, may call a special meeting of Shareholders for an election to fill the vacancy.
44. When one or more Directors resign from the Board and the resignation is to become effective at a future date, a majority of the Directors then in office, including those who have so resigned, will have the power to appoint new Directors to fill this vacancy or vacancies. The appointments of these new Directors will take effect when the resignation or resignations are to become effective, and each new Director so chosen will hold office until the next annual meeting of the Shareholders.

Removal

45. Any Director or the entire Board may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of Directors at a special meeting of the Shareholders called for that purpose. No director may be removed when the votes cast against removal would be sufficient to elect the director if voted cumulatively at an election where the same total number of votes were cast.

Organization

46. Meetings of the Board will be presided over by the President, or in the President's absence by a Director chosen at the meeting. The Secretary will act as secretary of the meeting, but in the absence of the Secretary, the person presiding at the meeting may appoint any person to act as

secretary of the meeting.

Chairman of the Board

47. The Chairman of the Board, if present, will preside at all meetings of the Board, and exercise and perform any other authorities and duties as may be from time to time delegated by the Board.

Compensation

48. The Board will, by resolution, fix the fees and other compensation for the Directors for their services as Directors, including their services as members of committees of the Board. All changes to Director compensation are subject to ratification by the Shareholders.

Presumption of Assent

49. A Director of the Corporation who is present at a meeting of the Board will be presumed to have assented to an action taken on any corporate matter at the meeting unless:
- a. The Director objects at the beginning of the meeting, or promptly upon the Director's arrival, to holding the meeting or transacting business at the meeting;
 - b. The Director's dissent or abstention from the action taken is entered in the minutes of the meeting; or
 - c. The Director delivers written notice of the Director's dissent or abstention to the presiding officer of the meeting before the adjournment of the meeting or to the Corporation within a reasonable time after adjournment of the meeting.
50. Any right to dissent or abstain from the action will not apply to a Director who voted in favor of that action.

COMMITTEES

Appointment

51. The Board may designate one or more committees, each committee to consist of one or more of the Directors of the Corporation. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

52. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not that member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any absent or disqualified member.
53. The committee or committees, to the extent provided in the resolution of the Board will have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. No such committee will have the power or authority in reference to the following matters:
- a. Approving or adopting, or recommending to the Shareholders, any action or matter (other than the election or removal of Directors) expressly required by the California General Corporation Law to be submitted to Shareholders for approval; or
 - b. Adopting, amending or repealing any Bylaw of the Corporation.

Tenure

54. Each member of a committee will serve at the pleasure of the Board.

Meetings and Notice

55. The method by which Directors' meetings may be called and the notice requirements for these meetings as set out in these Bylaws will apply to any committee designated by the Board as appropriate.

Quorum

56. The requirements for a quorum for the Board as set out in these Bylaws will apply to any committee designated by the Board as appropriate.

Action Without a Meeting

57. The requirements and procedures for actions without a meeting for the Board as set out in these Bylaws will apply to any committee designated by the Board as appropriate.

Resignation and Removal

58. Any member of a committee may be removed at any time, with or without cause, by a resolution adopted by a majority of the full Board. Any member of a committee may resign from the committee at any time by giving written notice to the Chairman of the Board of the Corporation, and unless otherwise specified in the notice, the acceptance of this resignation will not be necessary to make it effective.

Vacancies

59. Any vacancy in a committee may be filled by a resolution adopted by a majority of the full Board.

Committee Rules of Procedure

60. A committee will elect a presiding officer from its members and may fix its own rules of procedure provided they are not inconsistent with these Bylaws. A committee will keep regular minutes of its proceedings, and report those minutes to the Board at the first subsequent meeting of the Board.

OFFICERS**Appointment of Officers**

61. The Officers of the Corporation (individually the "Officer" and collectively the "Officers") will consist of the President, a treasurer (the "Treasurer") and the Secretary.
62. The Officers will be appointed by the Board at the first meeting of the Directors or as soon after the first meeting of the Directors as possible, if Officers have not already been appointed. Any appointee may hold one or more offices.

Term of Office

63. Each Officer will hold office until a successor is duly appointed and qualified or until the Officer's death or until the Officer resigns or is removed as provided in these Bylaws.

Removal

64. Any Officer or agent appointed by the Board or by the Incorporators may be removed by the Board at any time with or without cause, provided, however, any contractual rights of that person, if any, will not be prejudiced by the removal.

Vacancies

65. The Board may fill a vacancy in any office because of death, resignation, removal, disqualification, or otherwise.

President

66. Subject to the control and supervisory powers of the Board and its delegate, the powers and duties of the President will be:
- a. To have the general management and supervision, direction and control of the business and affairs of the Corporation;
 - b. To preside at all meetings of the Shareholders when the Chairman of the Board is absent;
 - c. To call meetings of the Shareholders to be held at such times and at such places as the President will deem proper within the limitations prescribed by law or by these Bylaws;
 - d. To ensure that all orders and resolutions of the Board are effectively carried out;
 - e. To maintain records of and certify, whenever necessary, all proceedings of the Board and the Shareholders;
 - f. To put the signature of the Corporation to all deeds, conveyances, mortgages, guarantees, leases, obligations, bonds, certificates and other papers and instruments in writing which have been authorized by the Board or which, in the opinion of the President, should be executed on behalf of the Corporation; to sign certificates for the Corporation's shares; and, subject to the instructions of the Board, to have general charge of the property of the Corporation and to supervise and manage all Officers, agents and employees of the Corporation; and
 - g. To perform all other duties and carry out other responsibilities as determined by the Board.

Treasurer

67. Subject to the control and supervisory powers of the Board and its delegate, the powers and duties of the Treasurer will be:
- a. To keep accurate financial records for the Corporation;

- b. To deposit all money, drafts and checks in the name of and to the credit of the Corporation in the banks and depositories designated by the Board;
- c. To endorse for deposit all notes, checks and drafts received by the Corporation as instructed by the Board, making proper vouchers for them;
- d. To disburse corporate funds and issue checks and drafts in the name of the Corporation, as instructed by the Board;
- e. To submit to the President and the Board, as requested, an account of all transactions by the Treasurer and the financial condition of the Corporation;
- f. To prepare and submit to the Board annual reports detailing the financial status of the Corporation; and
- g. To perform all other duties and carry out other responsibilities as prescribed by the Board or the President.

Secretary

68. The Secretary will perform the following duties:

- a. Prepare the minutes of the meetings of the Shareholders and meetings of the Board and keep those minutes in one or more books provided for that purpose;
- b. Authenticate the records of the Corporation as will from time to time be required;
- c. Ensure that all notices are duly given in accordance with the provisions of these Bylaws or as required by law;
- d. Act as custodian of the corporate records and of the corporate seal, if any, and ensure that the seal of the Corporation, if any, is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized;
- e. Keep a register of the post office address of each Shareholder;

- f. Sign, along with the President, certificates for shares of the Corporation, the issuance of which will have been authorized by resolution of the Board;
- g. Have general charge of the Record of Shareholders of the Corporation; and
- h. Perform all duties incidental to the office of Secretary and any other duties as from time to time may be delegated to the Secretary by the President or the Board.

Delegation of Authority

69. The Board reserves the authority to delegate the powers of any Officer to any other Officer or agent, notwithstanding any provision in these Bylaws.

LOANS, CHECKS, DEPOSITS, CONTRACTS

Loans

70. Without authorization by a resolution of the Board, the Corporation is prohibited from making or accepting loans in its name, or issuing evidences of indebtedness in its name. The authorization of the Board for the Corporation to perform these acts can be general or specific.

Checks, Drafts, Notes

71. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation must be signed by a designated Officer or Officers, agent or agents of the Corporation and in a manner as will from time to time be determined by resolution of the Board.

Deposits

72. All funds of the Corporation not otherwise used will be deposited to the credit of the Corporation in banks, trust companies, or other depositories designated by the Board.

Voting Securities Held by the Corporation

73. The President, or another Officer or agent designated by the Board will, with full power and authority attend, act, and vote, on behalf of the Corporation, at any meeting of security holders or interest holders of other corporations or entities in which the Corporation may hold securities or interests. At that meeting, the President or other delegated agent will have and execute any and all rights and powers incidental to the ownership of the securities or interests that the Corporation holds.

Contracts

74. The Board may give authority to any Officer or agent, to make any contract or execute and deliver any instrument in the name of the Corporation and on its behalf, and that authority may be general or specific.

Conflict of Interest by Directors

75. A Director or Officer of the Corporation will be disqualified from voting as a Director or Officer on a specific matter where that Director or Officer deals or contracts with the Corporation either as a vendor or purchaser.
76. A Director or Officer of the Corporation will not be disqualified as a Director or Officer for the sole reason that the Director or Officer deals or contracts with the Corporation either as a vendor, purchaser, or otherwise.

Loans to Employees and Officers

77. The Corporation may lend money to, or guaranty any obligation of, or otherwise assist, any Officer or employee of the Corporation or of its subsidiary, including any Officer or employee who is a Director of the Corporation or any subsidiary of the Corporation, whenever, in the opinion of the Directors, the loan, guaranty or assistance may reasonably be expected to benefit the Corporation. The loan, guaranty or other assistance may be with or without interest, and may be unsecured, or secured in such manner as the Board will approve, including, without limitation, a pledge of shares of the Corporation. Nothing contained in this section is to be construed so as to deny, limit or restrict the powers of guaranty or warranty of the Corporation at common law or under any applicable statute.

APPENDIX

Glossary

- **Bylaws** - the purpose of these bylaws (the "Bylaws") is to provide rules governing the internal management of the Corporation.
- **Chairman of the Board** - Once a Board of Directors has been appointed or elected by the Shareholders, the Board will then elect a chairman (the "Chairman of the Board"). The Chairman of the Board will act to moderate all meetings of the Board of Directors and any other duties and obligations as described in these Bylaws.
- **Corporate Officer** - A corporate officer (individually the "Officer" and collectively the "Officers") is any individual acting for or on behalf of the Corporation. An Officer of the Corporation will usually be appointed to a specific task such as secretary, president, treasurer or other similar position. One person may hold several offices. The Officers will manage the day-to-day operations of the Corporation and report to the Board of Directors.
- **Principal Executive Office** - The Principal Executive Office for the Corporation is where the President of the Corporation has an office.
- **Principal Office** - The Principal Office of the Corporation is the address designated in the annual report where the executive offices of the Corporation are located.
- **Principal Place of Business** - The Principal Place of Business is the address at which the Corporation conducts its primary business.
- **Registered Office** - The Registered Office is the physical street address within the state where the registered agent can be contacted during normal business hours for service of process.
- **Record of Shareholders** - A Record of Shareholders is the complete record of the owners of shares of stock in the Corporation.

Legal Right to Occupy

Notarized

Business and Operation Plan

Location and Building Specifications

The physical address of our retail shop facility will be:

**501 West F Street
Turlock, California 95380**

Floor Plan

****Floor Plan is only Preliminary.**

The floor and site plan included in this FRQ show:

- ❖ Temperature Controlled Secured Storage
- ❖ Office and Administrative
- ❖ Shipping and Receiving
- ❖ All entrances and exits
- ❖ Surrounding Parking

The updated floor plan will include:

- ❖ Limited Access Areas and a secured safe
- ❖ Secured Storage for product and for records
- ❖ Alarm panel and security cameras
- ❖ Secured Waste
- ❖ Packaging and labeling
- ❖ Product Quarantine
- ❖ Testing Quarantine
- ❖ Product Loading Zone
- ❖ Product Intake and Quality Assurance

Quality Assurance Plan

Company intends to use the following QA methods.

Part I: Secured Loading

- Distribution will use secured loading zones that fit the requirement of both the city and the state.

Part II: Quality Assurance Review

(*Due to the FRQ page limit a copy of the procedure is available upon request.)

- Company will ensure all incoming inventory undergoes a quality assurance review that pays close attention to: shipping manifest and batch information, laboratory testing result, packaging and labeling compliance.

Part II: Testing and Quarantine

(*Due to the FRQ page limit a copy of the procedure is available upon request.)

- Will not accept cannabis good that failed Lab results and will quarantine those needing testing.

Part III: Packaging and Labeling

(*Due to the FRQ page limit a copy of the procedure is available upon request.)

- Company will only package and label per the allowed limits stated within the city and state regulations.

Part IV: Transportation

(*Due to the FRQ page limit a copy of the procedure is available upon request.)

- Company will follow all state and city regulations for transportation, including but not limited to: Completing Shipping Manifest and sending the bureau,

Part V: Adverse Events and Recall Procedures

(*Due to the FRQ page limit a copy of the procedure is available upon request.)

- Company will quickly enforce its recall procedures at time of notice.

Part VI: Record Keeping and Regulatory Compliance

- (A) Record keeping policies and procedures that will ensure the facility complies with regulations.
- (B) Implementation and compliance with the inventory tracking system.

Tracking Solution

Track and Trace – Company intends to become compliant with the California Track and Trace System as required in California State Regulations. Upon obtaining our annual state license, we will begin logging all our inventory and transactions into California's track-and-trace system (METRC) which is compliant with both QuickBooks Enterprise and BioTrack.

Electronic Shipping Manifests – Company will ensure detailed shipping manifests are utilized for all orders.

Transport Manifest – Creating, submitting, and storing compliant transportation manifest noting vehicle, driver, and product contained.

Point of Sale system – QuickBooks Enterprise and BioTrack.

Inventory Control System – QuickBooks; BioTrack .

Financial Management – QuickBooks Enterprise also serves as the Financial Management system for order placement and payment/cash accountability

Cash Handling & Financial Management Procedures

Employee safety and fiscal accountability are paramount to conducting our daily business, as we operate in a cash-only business. All employees handling cash will be trained on handling procedures before being assigned specific job duties.

Internal Cash Storage – A Fireproof burglary safe will be kept in the secured office.

Vendor Payments – True-up payments are paid to vendors at a pre-set appointment at the main office for both licensed business but managed separately to keep records clean, concise and readily available for all city and state agency requests. The transactions/payments will be conducted with a finger-printed and cleared authorized office manager on behalf of Cal State Ventures2, Inc. and an authorized vendor representative. Both parties will engage in a dual-custody process to count and sign-off on the payment. Vendor will securely transport their payment via their own transportation. All payments will be logged in QuickBooks (and METRC when accessible).

Retail Premises

Physical Security Plan

(Due to the page limit of the RFQ Application, the full Security Plan is Available upon immediate request)

(For Security Plan please contact Anna Karapetyan at anna@calstateconsult.com or 916-500-3629)

The security plan included in this FRQ is provided by Crime Alert Security covers the following elements:

Section 1: Physical Elements

- A. Location & Building Specifications
- B. Landscape & Natural Surveillance
- C. Facility Maps
- D. Outdoor Lighting
- E. Perimeter Security
- F. Staff/Vendor Entrance & Parking
- G. Client Entrance & Parking
- H. General Security Risks

Section 2: Electronic Security System

- A. Overview
- B. Motion Sensors/Doors
- C. Open/Close Reporting
- D. Controlled Access/Visitors
- E. VASS
- F. Security Audit, Maintenance and Testing
- G. Third Party Monitoring

Section 3: Compliance & Procedures

- A. Hours of Operation
- B. Security Related Opening & Closing Procedure
- C. Onsite Consumption Policy
- D. Secure Storage Area
- E. Client Admittance
- F. Security Staff Procedures & Policies
- G. Money Handling & Limited Cash Operation
- H. Internal Theft Prevention
- I. Robbery & Prevention
- J. Managing Unwelcome Individuals
- K. Incident Management & Emergency Response
- L. Lock-down of Inventory
- M. Reporting & Investigation of an Incident
- N. Cooperating & Communicating with Law Enforcement
- O. Training Drills
- P. Personnel Records
- Q. Facility Maintenance

Section 4: On Site Physical Security Services

In Summary the perimeter will be secured by alarm, video surveillance and adequate outside security lighting.

Guards

During operating hours, we will have 1 certified and armed on-site security guard.

The Security Company quoted to contract and listed in our Security Plan: Mad Security.

Fire Security

The Dispensary will comply with all local fire code requirements. Fire Prevention is a vital aspect of processing safety. As part of Cal State Ventures2, Inc commitment to the safety of our employees, we have developed a comprehensive Fire Plan to address how fires will be prevented and managed/contained if they do occur. Due to the page limit on the RFQ this is available upon request.

Proposed Philanthropy Plan

Community Service & Economic Development

Cal State Ventures2, INC. is committed to enriching the community by providing well-paying and highly skilled jobs. Cal State Ventures2, INC. will set a goal of hiring 50% of its workforce from residents of the City of Turlock. Cal State Ventures2, INC. will also seek to hire qualified Veterans. Job postings and listings will be advertised in local publications and City outlets, including social media, as this will ensure the opportunities are reaching a wide range of potential employees within the City of Turlock as well as its local surroundings. Moreover, all employees will be eligible for health care and dental care as well as vision and retirements after a vesting period.

As a business entering a new marketplace for the city of Turlock, we look forward to the opportunity to positively impact the Turlock community on many levels. First, as mentioned we will hire local, qualified workers for all possible phases of the warehouse build out.

As a female owned business, we are sensitive to the nature of hiring women and minorities who may not have been given the same opportunities within larger corporate industries. We will provide fair hiring practices for minorities and women. Our goal is to employ 100% of Turlock residents, with the majority being women.

In addition to our initiative to hire Turlock citizens, we will provide an Employment Training Program on site at our facility for men and women who desire to learn knowledge and skills necessary for employment at our facility or with another dispensary.

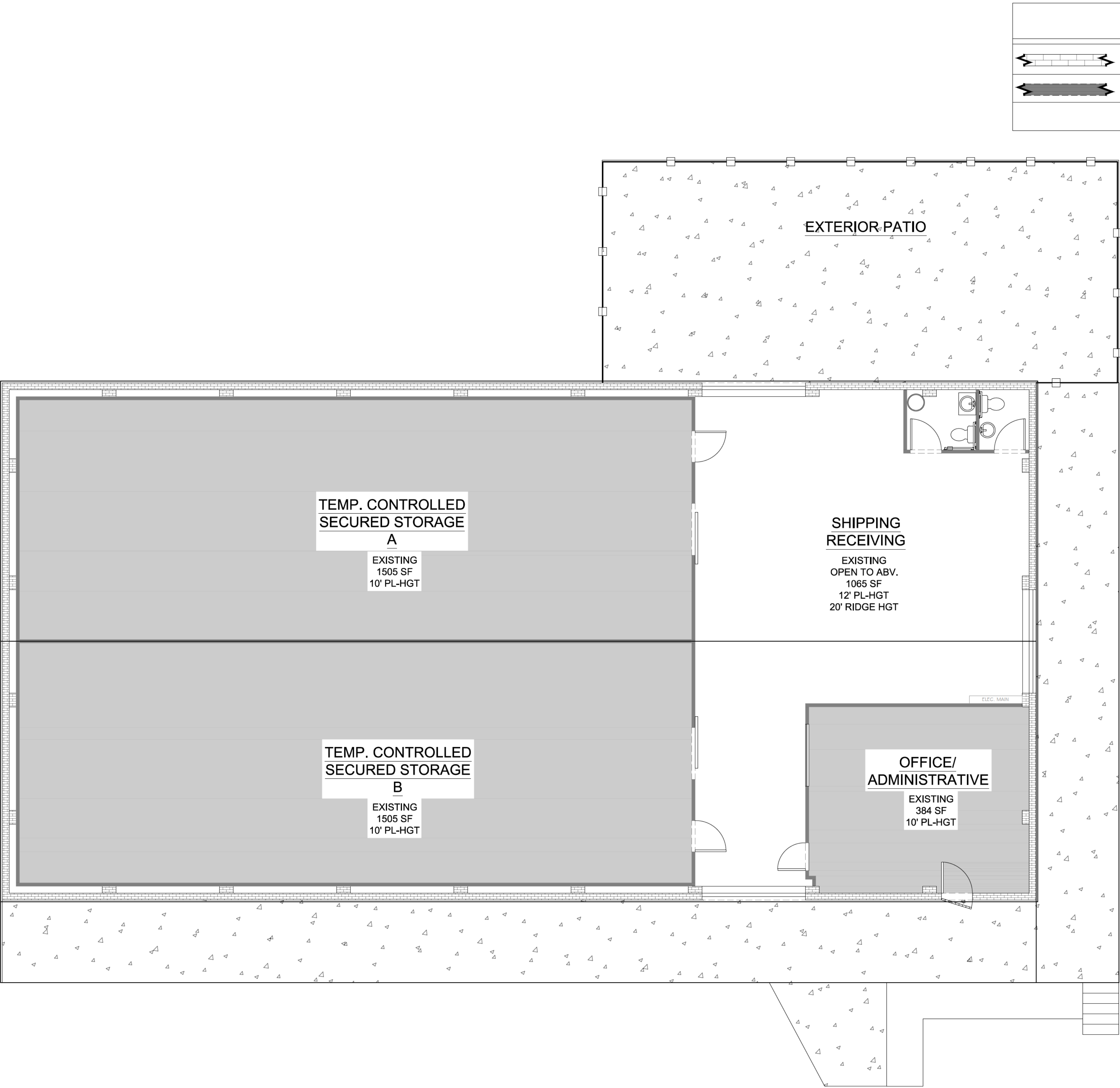
Educational Endeavors

Cal State Ventures2, INC. is committed to funding Youth programs in the community. Cal State Ventures2, INC. will, upon issuance of the business permit, seek to sponsor youth programs by donating to Stanislaus County's Boys & Girls club. Donations are funded to create programs, such as Stanislaus County's Boys & Girls club that foster innovation and creativity.

In addition to community interactions, we will allocate between \$5,000-\$10,000 annually or 1% of our net profits (whichever is higher) to local charities such as the We Care Program Turlock in order to help the homeless get back on their feet.

We look forward to working with the City of Turlock on a Development Agreement to detail these various initiatives. Cal State Ventures2, INC. will also be open to follow any regulation the city sees fit for it to comply with to better the community.

See Floor Plan



WALL LEGEND	
	EXISTING CONCRETE EXTERIOR WALLS
	EXISTING INTERIOR WALLS

AVIGNON DESIGN

501 WEST F ST (PROPOSED DISTRIBUTION)
CANNABIS DISTRIBUTION
501 WEST F ST
TURLOCK, CA

DATE	DESCRIPTION	DATE	DESCRIPTION

DESIGNED BY:
BRANDON THATCHER
AVIGNON DESIGN
916-889-2700

DRAWN BY:
BRANDON THATCHER

DATE: 6/30/2019
PROJECT NO: 869

EXISTING FLOOR PLAN

SHEET NO:

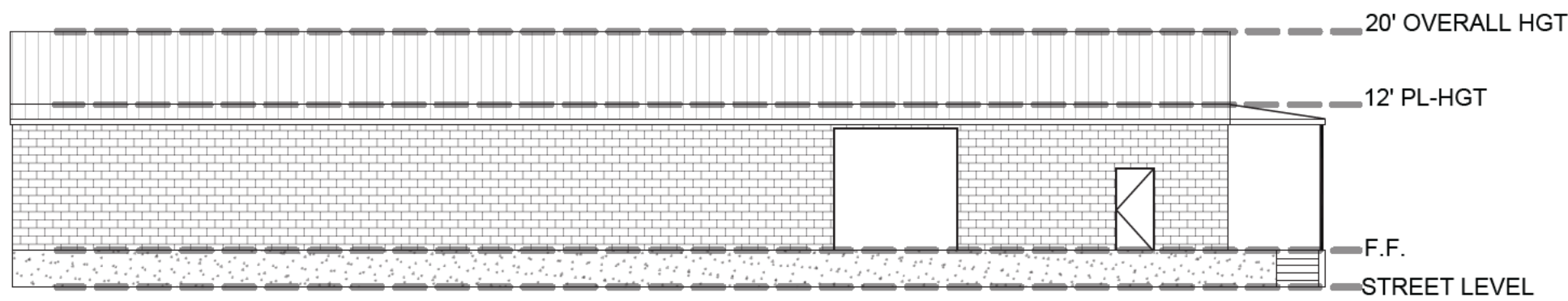
A-2.1

EXISTING FLOOR PLAN

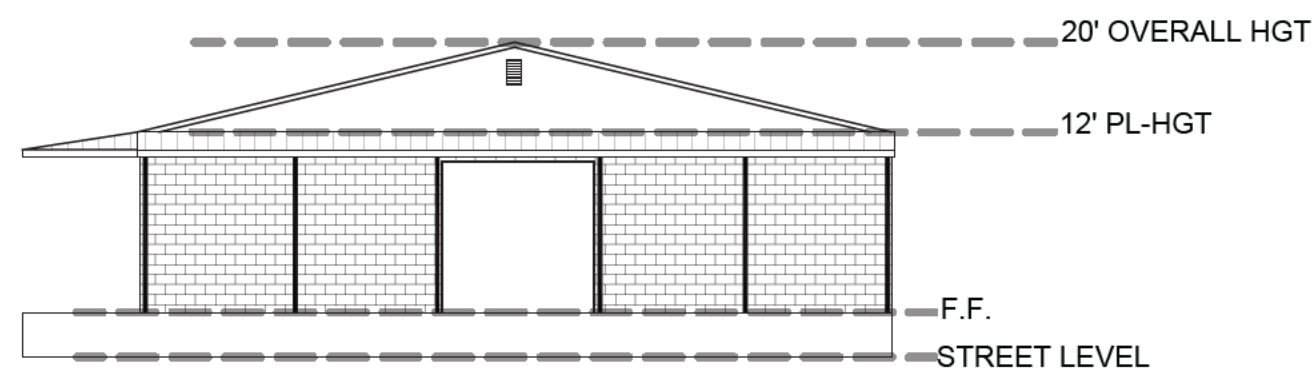
SCALE: 3/16" = 1'-0"

DRAWING INDEX	
A-1	SITE PLAN
A-2.1	EXISTING FLOOR PLAN
A-2.3	PROPOSED FLOOR PLAN
A-3	REFLECTIVE CEILING PLAN
A-4	NOT USED
A-5	GENERAL NOTES
A-6.1	ADA INTERIOR
A-6.2	ADA EXTERIOR

See Site Plan (maybe nix if not enough room)



SOUTH EAST (STREET) ELEVATION



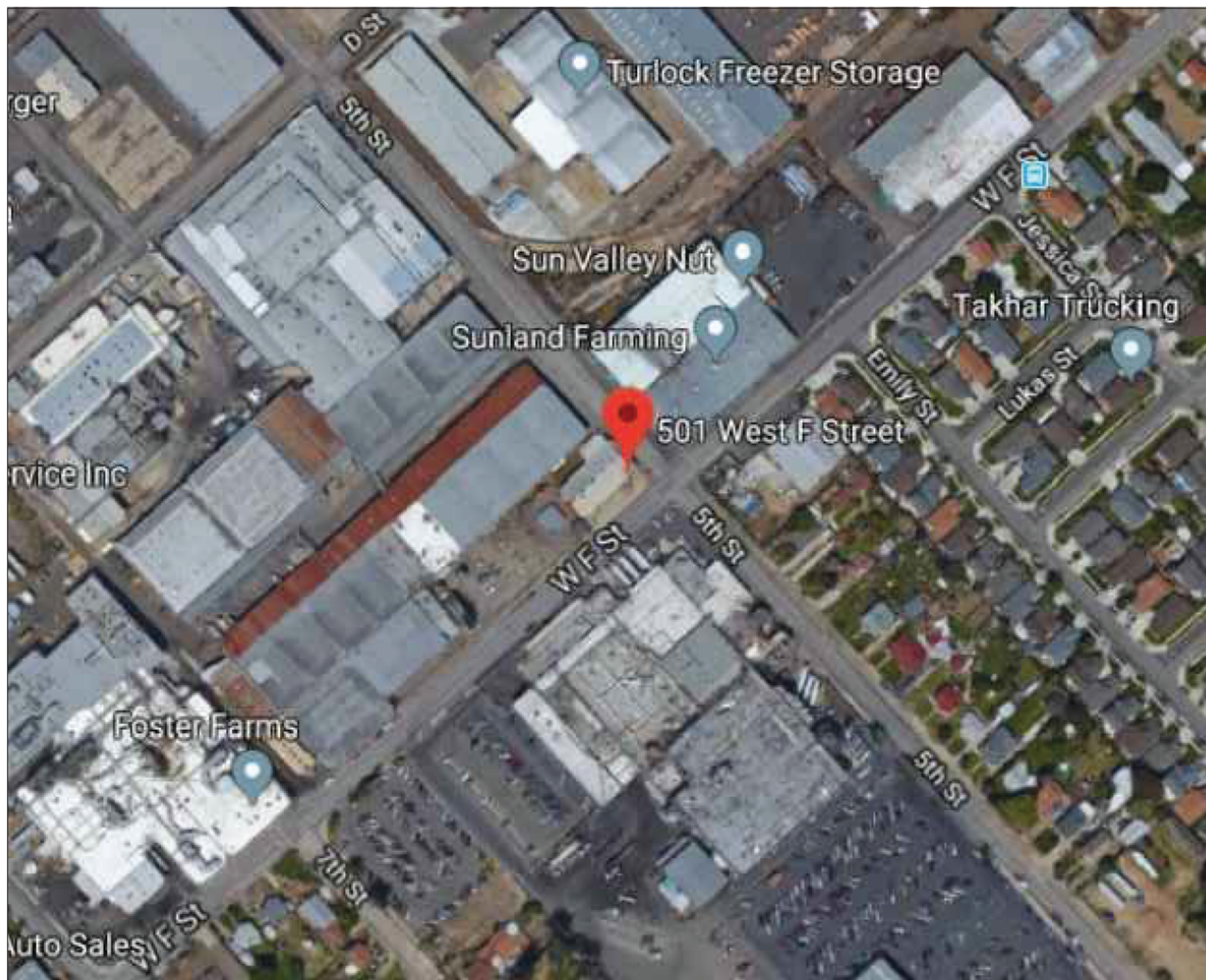
NORTH EAST (STREET) ELEVATION

(E) EXTERIOR ELEVATIONS

FOR REFERENCE ONLY

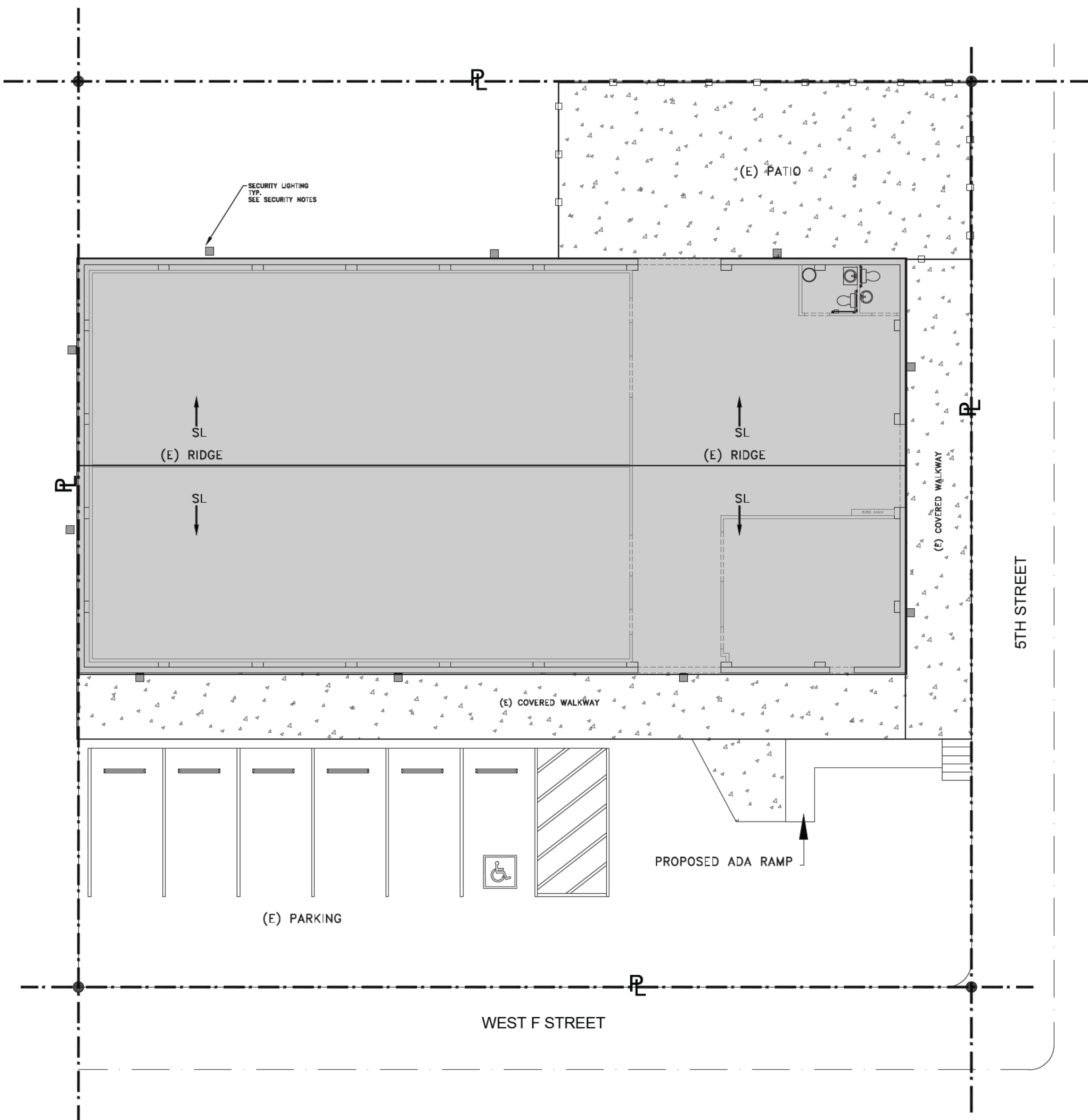
SCALE: NTS

NOTE: NO CHANGE TO EXTERIOR



VICINITY MAP

SCALE: NTS



(E) SITE PLAN AND ROOF

NOTE: CONTRACTOR TO VERIFY EXISTING DIMENSIONS

SCALE 3/32"=1'-0"

PRELIMINARY

PROJECT DATA:

SCOPE OF WORK: THIS PROJECT INVOLVES THE PROPOSED LICENSING OF AN EXISTING BUILDING FOR THE PURPOSES OF CANNABIS DISTRIBUTION.
NO CHANGE TO EXTERIOR

APPLICANTS: CAL STATE CONSULTING

PROPERTY OWNER: FRANK

APN: 050-031-045-000

JURISDICTION: CITY OF TURLOCK

TYPE OF CONSTRUCTION: CM-COMMERCIAL
EFFECTIVE YEAR: 1948
OCCUPANCY: RETAIL
ZONE: CM

CODE: CITY OF TURLOCK ZONING

TENANT AREA: 5,000 SF

RESTROOMS: 2 UNI @ 75 SF

TOTAL AREA: 5,000 SF +/-

PARCEL AREA: 9000 SF +/-

(E) SPRINKLER SYSTEM: NO

DESIGN REVIEW APPROVAL: NO

NOTE:
THIS PROJECT TO COMPLY WITH ALL CURRENT LOCAL & STATE LAWS & REGULATIONS.

ALSO TO COMPLY WITH THE FOLLOWING CODES:
CALIFORNIA GREEN BLDG STDS 2016 EDITION
CALIFORNIA BUILDING CODE 2016 EDITION (2009 IBC)
CALIFORNIA FIRE CODE 2016 EDITION
CALIFORNIA PLUMBING CODE 2016 EDITION
CALIFORNIA ELECTRICAL CODE 2016 EDITION
CALIFORNIA MECHANICAL CODE 2016 EDITION
CALIFORNIA ENERGY CODE 2016 EDITION
ORDINANCE NO. 2016-0051

THIS SITE SHALL COMPLY WITH ALL OPERATING REQUIREMENTS
13A-4-1

EXTERIOR SECURITY LIGHTING NOTES

Broken or damaged exterior lighting shall be repaired or replaced within 48 hours of being noted. Exterior lighting shall be shielded or otherwise designed to avoid spill-over illumination to adjacent streets and properties. Tree canopies shall not interfere with or block lighting. This creates shadows and areas of concealment. The landscaping plan shall allow for proper illumination and visibility regarding lighting and surveillance cameras through the maturity of trees and shrubs.

The business will maintain white exterior lighting using LED lamps with full cutoff fixtures to limit glare and light trespass. Color temperature shall be between 2700K and 4100K with a color rendering index of 75 or better and a light loss factor of .95 or better. To achieve this level of illumination to this standard, installation of fourteen (14) GE Evolve LED Wall Packs are recommended as follows; installed as practicable and as indicated on the drawing below, at an elevation of 20 feet:

Fixture configuration: F2740 (see attached manufacturer specifications). When installed at an elevation of 20 feet, this fixture will produce the desired 1.5 foot candles of illumination 40 feet X and 32 feet Y from the installation point.

DRAWING INDEX

A-1 SITE PLAN
A-2.1 EXISTING FLOOR PLAN
A-2.3 PROPOSED FLOOR PLAN
A-3 REFLECTIVE CEILING PLAN
A-4 NOT USED
A-5 GENERAL NOTES
A-6.1 ADA INTERIOR
A-6.2 ADA EXTERIOR

AVIGNON DESIGN

501 WEST F ST (PROPOSED DISTRIBUTION)

CANNABIS DISTRIBUTION
501 WEST F ST
TURLOCK, CA

DATE	DESCRIPTION	DATE	DESCRIPTION

DESIGNED BY:
BRANDON THATCHER
AVIGNON DESIGN
916-889-2700

DRAWN BY:
BRANDON THATCHER

DATE: 6/30/2019
PROJECT NO: 869

SITE PLAN

SHEET NO:

A-1

Anna Karapetyan and Careli Galvan-Sulamo

Anna Karapetyan is a leader in the rapidly growing legal cannabis industry with an extensive nine-year background of cannabis knowledge and experience, and in 2016 she graduated from CSU Sacramento with a BA, Majoring in Journalism and Minoring in Communications. Under the laws and regulations of Prop 215, Anna began to manage over 30 corporations and LLCs with respect to document management, filings, permit applications, communicating with local enforcement agencies, and implementation of standards and procedures. Anna was also instrumental in leading the BOP process for nine of the 30 currently licensed dispensaries in Sacramento.

In April of 2017, Anna began to manage the books and Human Resources for Green Stripes Services, a cannabis distributor located out of Coalinga, CA. Concurrent to exceeding her job duties, Anna noticed the undeniable need and importance of operating a company compliantly. As a result, State Public Hearings, keeping up to date with the most current regulations and news, and attending cannabis regulatory events became a regular part of Anna's day on top of her extensive workload. Anna was able to lead the company into operating in the legal market with full compliance.

Anna was soon offered the position of Chief Compliance Officer (CCO) for Green Stripes Services, whose operations though located in Coalinga, was being managed through a Sacramento office. There, Anna developed an effective, yet strict, multi-faceted compliance structure comprised of departments that handle contracts, and internal services including an assembly-line structure that would efficiently and seamlessly provide the procedures and necessary documentation involving the intake, testing, quality assurance, sales, and delivery of products.

Another company under the same ownership of Green Stripes Services, called Bseen, had been in dire need of compliance guidance when Anna stepped in to be the CCO for both companies under discussion of merging the two. Anna developed a structure and determined it to need 50 employees with various duties for the company to operate in full compliance; she had successfully hired and placed 49 employees within 6 months, all under her management.

Concurrently Anna was a part of a three-person team in managing Kolas, one of the largest enterprises in the state of California, managing up to 46 licenses at one time. Anna has been paving a road to success for women of all backgrounds in the cannabis industry. As a single mother, there is not much that Anna deems more important than empowering women of all backgrounds and struggles to follow in her footsteps.

Anna partnered with the existing Storefront Dispensary of Cannacare in Sacramento in order to save their license and relocate the premises address. Anna is also in the process of partnering with another dispensary, whose name is not to be disclosed until the beginning of escrow (but that is also located in Sacramento). Anna is one of the owners of a Non-Storefront Retailer in South San Francisco, as well as holding financial interest in a distribution center under the same ownership, also located in South San Francisco. Additionally, Anna is in the process of entering into a partnership with a type-N Manufacturing license in Sacramento.

Currently, Anna is the CEO of one of the largest Licensing and Compliance Consulting firms serving the industries of thc and cbd, and hemp, ranging from the needs in growing and production, processing, packaging and labeling, employee training, record-keeping, and transportation. Clients from all over California have begun to recognize Anna Karapetyan as one of the most reliable and experienced names in the industry. Anna's reputation precedes her, and she has begun to set her

sights on national and international cannabis compliance. Anna and her team are already performing services for clients in the states of Georgia, Florida, New York, and Oklahoma. In November 2018, Anna was invited to be an esteemed speaker and contributor at Dartmouth College for a cannabis event, focusing on California's booming regulatory process and how it's become a trend-setter for the entire country.

Throughout her cannabis career, Anna has been building relationships with professionals from many relevant areas to the field of cannabis, including but not limited to state senators like Scott Wilk who led the state's efforts for legalizing hemp production, Natalie Bruton-Yenovkian (political consultant and fundraiser at CCIA), city professionals such as Jamey Lee (an Administrative Technician for the city of Sacramento), fire departments, police departments, and countless cannabis businesses. Through this strategy, Anna met Careli Galvan-Sulamo.

Careli is at her heart and soul an entrepreneur. The owner of two women-owned and operated businesses, Careli has dedicated herself to building an empire from the ground up. The first business is a CBD Corporation that transformed into a company bringing in over a million dollars of revenue in less than a year. Careli has been building relationships with various organizations as a result of being involved in the community with her three boys. Some organizations and activities include FFA, the Central Valley Hispanic Chamber of Commerce, and sports such as wrestling, baseball, and football. Being involved in the community is very important to Careli, and she is always looking for ways to give back and be involved.

Currently, Careli is working on a 75,000 square foot facility in Woodland, California. Upon successful completion, it will be the largest Manufacturing and Distribution Center in California that is operating while fully licensed at the state level with Provisionals.

Careli wants to conduct business in the county where she resides as part of her effort to give back to the community. Her goal is to bring more women into a male-dominated industry in her own community in order to provide job opportunities for women and minorities with the purpose of bettering her surrounding community. She hopes to expand her existing operations closer to her home.

Both Anna and Careli want to see more working moms in the industry, so as to destigmatize cannabis and its affiliated businesses. Anna and Careli hope to have a huge positive impact on the community of Turlock and the state of California by normalizing marijuana and helping to change the general outlook on cannabis and its byproducts.

Anna Karapetyan can be reached via email at Anna@calstateconsult.com and through phone at 916-500-3629

Careli Galvan-Sulamo can be reached via email at carelisulamo@gmail.com and through phone at 209-241-2625.

TEAM RESUME (Personnel/Project Team)

Careli Galvan-Sulamo Contact: (209) 241-2625 careligsulamo@gmail.com
Current Involvement with Project: CEO – Chief Financial Officer – Director

Relatable Professional Experiences:

Country Junction Farms: California **Title:** COO **Years:** 2010 to 2014
Manage operations; analyzed logistics to ensure company efficiencies; hiring and management of personnel; sales; enforcement of procedures; management of incoming overseas shipments.

West Sac Management Group: Sacramento, CA **Title:** CEO: **Years:** 2013 to 2017
Marketing the company; creating and managing clientele; analyzing current markets; planning for companies future growth and ventures; strategic planning to match market/economy trends.

Careli & Co.: Sacramento, CA **Title:** CEO: **Years:** 2017 to Current
Establish Product lines depending on current supply and demand; strategic product placement to maximize revenue; Establish internal company knowledge of state and federal CBD regulation.

Achievements: Owner of two separate all-woman owned and operated businesses; Built great relationships with many facets of surrounding community.

Skills: Cannabis Compliance Proficiency; Hiring and Management; Marketing and Advertisement; Communication (Public Speaking and Internal Communication)

References: Natalie Bruton – Yenovkian (916) 396 – 9738

Anna Karapetyan Contact: (916) 500-3629 anna@calstateconsult.com
Current Involvement with Project: Director

Relatable Professional Experiences:

Management of Various Corps and LLCs; California **Title:** Licensing Specialist **Years:** 2012 to 2017
Complete and file various company applications and fees; Implement standards and procedures; complete, organize and manage documents; communicate with local enforcement agencies such as police dept & city govt.

Green Stripes Services, LLC; Sacramento, CA **Title:** HR & Payroll **Years:** 2017 to 2018
Process paychecks; provide new employee training paperwork; handle internal conflict in a confidential manner.

Green Stripes Services, LLC; Sacramento, CA **Title:** CCO **Years:** 2017 to 2019
Oversee distribution and ensure operating compliantly; oversee compliance team in a variety of different operations such as contract management, SOP creation and implementation and product intake; maintain updated internal documents and knowledge of California State law relating to cannabis.

Cal State Consulting, LLC; Sacramento, CA **Title:** CEO **Years:** 2019 to Current
Budget expenses and expand business throughout the state; market services at events; establish new clientele; Oversee team that cover the following cannabis services: licensing, OSHA Health and Safety, Compliance, and specializes in distribution.

Achievements: Established and runs an all-woman cannabis compliance company offering full spectrum cannabis services; quickly rose to the top of a male-dominated industry

Education: California State University of Sacramento – B.A (Journalism/Communications)

Skills: Cannabis Compliance Proficiency; Hiring and Management; Editing and technical writing; marketing an advertisement; Communication (Public Speaking and Internal Communication)

Profession References: Natalie Bruton – Yenovkian (916) 396 – 9738
Sophia Herrera Sherrera@connectedca.com

TEAM RESUME (Personnel/Project Team Cont.)

Andreas Henriksson Contact: (916) 298-7543 andreash85@gmail.com
Current Involvement with Project: Operations Manager

Relatable Professional Experiences:

Paper Planes Extracts: Sacramento, CA **Title:** CFO/COO **Years:** 2016 to Current
Oversee operations and accounting; Assist in securing local and state license; assist in reconstruct operations; tracking; quality control procedures; and business structures; maintain updated internal knowledge of State law relating to cannabis.

Choices Distribution: Sacramento, CA **Title:** COO **Years:** 2016 to 2019
Oversee operations within warehouse – receiving, packing and labeling, testing, fulfillment, and transportation; Implement procedures to ensure vendor and customer satisfaction.

Golden Health and Wellness: Sacramento, CA **Title:** Store Manager **Years:** 2016 to 2017
Manage cannabis retail store – schedule employees, ordering product, cleanliness of store; Inventory procedures and improvement; marketing strategies and improvement; cash handling (rectified mismanagement of cash handling); * increased store revenue by over 50 percent

Traditions Senior Management: Tampa, FL **Title:** Operations Analyst/Manager **Years:** 2013 to 2016
Oversee operations for over 30 locations of Skilled Nursing Facilities; Salesforce software buildout for call center and research department; manage call center-scheduling employees; Manage marketing research team

Achievements: Built distribution company into a profitable venture; increased revenue of cannabis storefront retailer by over 50%; restricted operations at a manufacturing company to increase revenue

Education: St. Petersburg College – B.A (Healthcare Administration and Services)

Skills: Understanding of cannabis manufacturing and distribution operations; Cannabis product knowledge; QuickBooks; Salesforce; Sourcing Cannabis, cannabis equipment knowledge; and packaging knowledge

Profession References: Adam Garff – (727) 686 - 6175

Ryan DeArkland Contact: (916) 502 – 6631 ryan@choicesdistribution.com
Current Involvement with Project: Operations Manager

Relatable Professional Experiences:

Green Stripes Services, LLC; Sacramento, CA **Title:** CEO **Years:** 2017 to 2018
Budget Expenses and expand business

FOCO, Inc.: Sacramento, CA **Title:** HR & Payroll **Years:** 2017 to 2018
Budget Expenses and expand business

Achievements: 12 years of diversified experience in Cannabis; part of one of the first traditional cannabis distribution companies in the State of California which then went on to acquire multiples state licenses.

Education: California State University of Sacramento – B.A (Science in Accounting)

Skills: Cannabis Compliance Proficiency; Hiring and Management

Creating and executing companies Operation Strategy;

References: Joe Karapetyan (415) 572 -8742

Andreas & Ryan Bio 1 Pg Only

Andreas Henriksson and Ryan DeArkland

Andreas Henriksson graduated with a bachelor's degree in Healthcare Management from St. Petersburg College of Florida in 2014. Upon finishing his education, Andreas' career took off at one of Florida's largest Nursing Home Management companies, Traditions Senior Management. There, he worked directly under the tutelage of the Founder and President, where he performed a variety of job duties and responsibilities over the years. The four years Andreas spent with the company provided him with experience in accounting, management, market research, and financial analysis.

Due to his accumulated experience and relationship with the owner of Traditions Senior Management, Andreas was given the opportunity to relocate to California and run their cannabis operations as well as to provide finance management; this included multiple retail and cultivation facilities. Upon beginning his career in cannabis, Andreas transferred his experience from a large legal corporation into an industry that was still operating in a gray area. There, he was able to transform their operations into the legal market with a professional compliance status that would ultimately increase revenue.

By hiring reliable and able employees, implementing accounting and inventory procedures, and changing marketing strategy, Andreas was able to increase revenue by 120% within the first year. This led to Andreas forming valuable business relationships, with whom he founded and operated a fourteen (14) million dollar in yearly revenue cannabis packaging and distribution company. In 2016, Andreas joined the team at Paper Planes to help reconstruct the company's operations, accounting needs, and compliance requirements in keeping up with California's ever-changing statewide cannabis regulations.

Andreas is excited to be a part of the legal cannabis industry and hopes to continually see its growth having re-sounding positive impacts in every aspect of the community.

Ryan DeArkland comes from an extensive background in the cannabis industry. With more than 12 years of diversified experience in both the cannabis and medical industries, Mr. DeArkland has held several accounting and leadership roles at a variety of different companies. Ryan created and executed Operational Strategies for Green Stripes Services and FoCo, with the latter being the manufacturing company responsible for the well-known brands of DabFace, HiFi, Cocoa Meds, and MediX Oils.

While at Green Stripes Services, Ryan was part of one of the first traditional cannabis distribution companies in the state of California, which then went on to acquire multiple state licenses. When Green Stripes Services, operating under the name of Choices Distribution, merged with another distribution company (called BSeen) under the same ownership, Ryan took charge in managing the financials for the resulting much larger company.

Ryan's primary focus is on building a strategically integrated supply chain that will not only scale, but innovate to set the new standard, rapidly throughout the state of California and beyond. Ryan holds a Bachelor of Science degree in Accounting from California State University Sacramento.

Andreas Henriksson can be reached via email at andreash85@gmail.com and by phone at 916-298-7543.

Ryan DeArkland can be reached via email at ryan@choicesdistribution.com and by phone at 916-502-6631.

Economics 1

Economics 4 or careli P & L

[illegible]

4293096



Secretary of State
Articles of Incorporation of a
General Stock Corporation

ARTS-GS

FILED
 Secretary of State
 State of California

JUL 02 2019

BPC/VM

IMPORTANT — Read Instructions before completing this form.**Filing Fee** - \$100.00**Copy Fees** - First page \$1.00; each attachment page \$0.50;
 Certification Fee - \$5.00

Note: Corporations may have to pay minimum \$800 tax to the California Franchise Tax Board each year. For more information, go to <https://www.ftb.ca.gov>.

100 This Space For Office Use Only

1. Corporate Name (Go to www.sos.ca.gov/business/be/name-availability for general corporate name requirements and restrictions.)

The name of the corporation is Cal State Ventures2, Inc.

2. Business Addresses (Enter the **complete** business addresses.)

a. Initial Street Address of Corporation - Do not list a P.O. Box	City (no abbreviations)	State	Zip Code
920 J Street	Sacramento	CA	95814
b. Initial Mailing Address of Corporation, if different than item 2a	City (no abbreviations)	State	Zip Code
920 J Street	Sacramento	CA	95814

3. Service of Process (Must provide either Individual **OR** Corporation.)

INDIVIDUAL – Complete Items 3a and 3b only. Must include agent's full name and California street address.

a. California Agent's First Name (if agent is not a corporation)	Middle Name	Last Name	Suffix
Anna		Karapetyan	
b. Street Address (if agent is not a corporation) - Do not enter a P.O. Box	City (no abbreviations)	State	Zip Code
920 J Street	Sacramento	CA	95814

CORPORATION – Complete Item 3c. Only include the name of the registered agent Corporation.

c. California Registered Corporate Agent's Name (if agent is a corporation) – Do not complete Item 3a or 3b

4. Shares (Enter the **number of shares** the corporation is authorized to issue. **Do not** leave blank or enter zero (0).)

This corporation is authorized to issue only one class of shares of stock.

The total number of shares which this corporation is authorized to issue is 1000.

5. Purpose Statement (Do not alter the Purpose Statement.)

The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

6. Read and Sign Below (This form must be signed by each incorporator. **See instructions for signature requirements.**)

Signature

Anna Karapetyan

Type or Print Name

To whom it may concern:

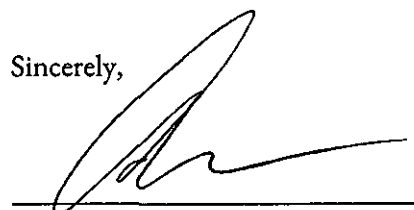
This letter is provided by the owners of Cal State Ventures Inc., Anna Karapetyan and Cipriano Sulamo.

The responsible owners of Cal State Ventures, Inc. hereby give consent to Cal State Ventures2, Inc., as they are the owners of both. For your reference only, the owners of Cal State Consulting, LLC also own Cal State Ventures, Inc., separately.

The limited liability company form is attached, as you can see the addresses for Cal State Ventures Inc. and for Cal State Ventures2, Inc. are the same, 920 J Street Sacramento, CA 95814.

If you have any questions please let us know.

Sincerely,



Anna Karapetyan
CEO/Chairman
Cal State Ventures, Inc.
Cal State Ventures2, Inc.
& CEO/Managing member,
Cal State Consulting, LLC



Distribution Facility Security Plan

Facility Address:

501 West F Street
Turlock, CA 95380

Prepared By:

Ilan Frank | President & CEO
CPTED Practitioner
License # ACO 7496

Date:

July 11th, 2019

Crime Alert Security was founded in 1994 as a burglar alarm installation company with an emphasis on security consultation and education. Crime Alert Security is a UL listed installation company and has been working closely with the cannabis industry. Between management and staff, Crime Alert Security has over 100 years of experience in the security industry.

The information contained in this security plan is based on guidelines set forth by local and state ordinances. This plan is intended to assist in improving the overall level of security and procedures for above said facility. It is the sole responsibility of the owner/operator to ensure compliance.

Table of Contents

Section 1: Physical Elements.....Page 3

- A. Location & Building Specifications
- B. Landscape & Natural Surveillance
- C. Facility Maps
- D. Outdoor Lighting
- E. Perimeter Security
- F. Staff/Vendor Entrance & Parking
- G. Client Entrance & Parking
- H. General Security Risks

Section 2: Electronic Security System.....Page 6

- A. Overview
- B. Motion Sensors/Doors
- C. Open/Close Reporting
- D. Controlled Access/Visitors
- E. VASS
- F. Security Audit, Maintenance and Testing
- G. Third Party Monitoring

Section 3: Compliance & Procedures..... Page 8

- A. Hours of Operation
- B. Security Related Opening & Closing Procedure
- C. Onsite Consumption Policy
- D. Secure Storage Area
- E. Loading Procedures
- F. Transport Procedures
- G. Security Staff Procedures & Policies
- H. Money Handling & Limited Cash Operation
- I. Internal Theft Prevention
- J. Robbery & Prevention
- K. Managing Unwelcome Individuals
- L. Incident Management & Emergency Response
- M. Lock-down of Inventory
- N. Reporting & Investigation of an Incident
- O. Cooperating & Communicating with Law Enforcement
- P. Training Drills
- Q. Personnel Records
- R. Facility Maintenance

Section 4: On Site Physical Security Services.....Page 10

Section 1: Physical Elements

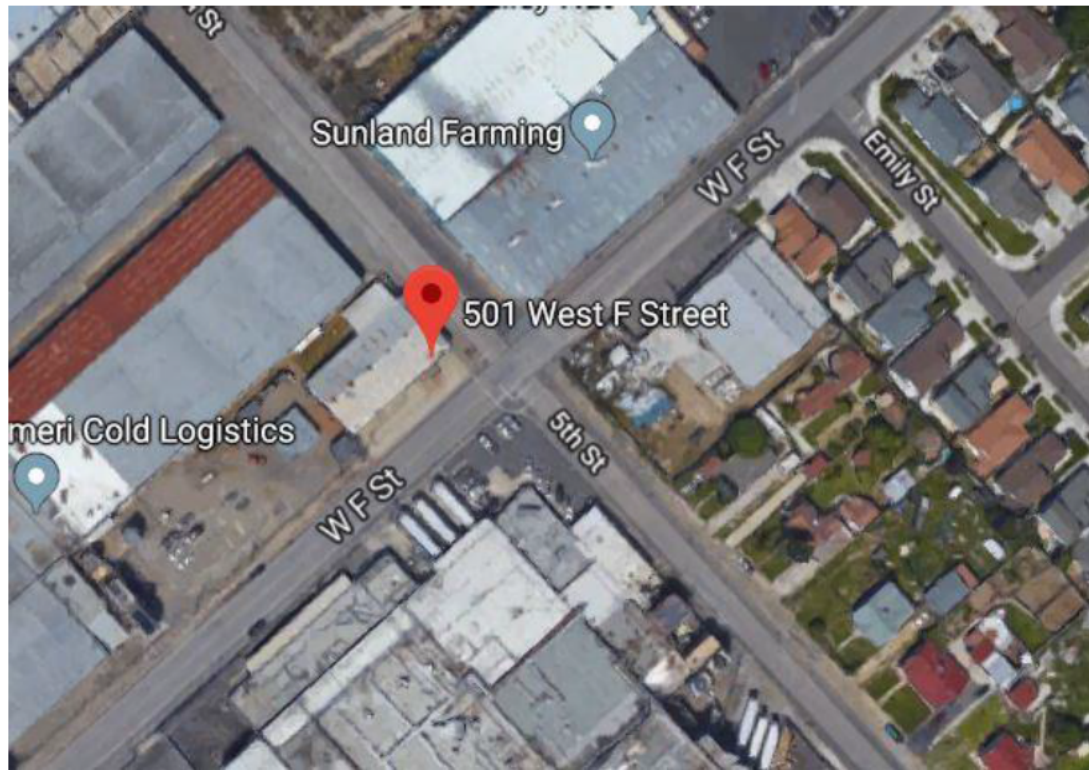
A. Location & Building Specifications –

This facility is an indoor distribution facility; the exterior of the building is of concrete construction. This facility is located on the corner of West F Street and 5th Street and is approximately 5,000 square feet in size. The main entrance is located on the Southeast side of the building and the access door is armed and always locked.

B. Landscape & Natural Surveillance –

Landscape allows for clear, unobstructed views of surrounding areas to avoid creating entrapment areas. All mature landscaping shall follow the two-foot, six-foot rule to define territory. All landscaping shall be ground cover, two feet or less and lower tree canopies of mature trees shall be above six feet. This increases natural surveillance and eliminates hiding areas within the landscape. Tree canopies shall not interfere with or block lighting. This creates shadows and areas of concealment. The landscaping plan shall allow for proper illumination and visibility regarding lighting and surveillance cameras through the maturity of trees and shrubs.

C. Facility Maps –



WALL LEGEND	
	EXISTING CONCRETE EXTERIOR WALLS
	EXISTING INTERIOR WALLS

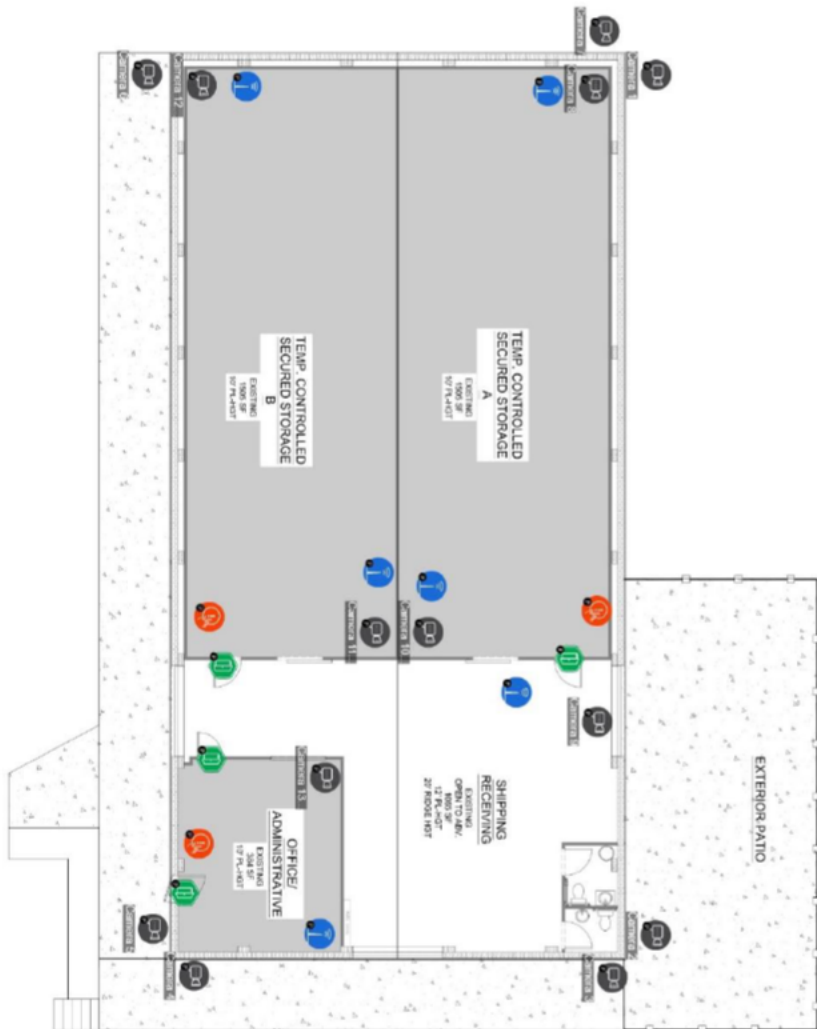


501 WEST F ST (PROPOSED DISTRIBUTION)
 CANNABIS DISTRIBUTION
 501 WEST F ST
 TURLOCK, CA

NO.	DESCRIPTION	DATE	REVISION
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

DESIGNED BY BRANDON THATCHER 11/27/2019	CHECKED BY BRANDON THATCHER
DATE: 6/19/2019	PROJECT NO: 184
EXISTING FLOOR PLAN	
A-2.1	

NO.	REVISION
1	REV 6/19/2019
2	REV 6/19/2019
3	REV 6/19/2019
4	REV 6/19/2019
5	REV 6/19/2019
6	REV 6/19/2019
7	REV 6/19/2019
8	REV 6/19/2019
9	REV 6/19/2019
10	REV 6/19/2019



- IP Camera
- Motion Sensor
- Panic Button
- Access Control Door

EXISTING FLOOR PLAN PRELIMINARY

SCALE: 3/16" = 1'-0"

Site: 501 W F Street
 Survey: 501 W F Street-Survey-1
 By: Crime Alert Security
 Date: 2019-7-11



D. Outdoor Lighting –

Exterior lighting shall be white light using LED lamps with full cutoff fixtures to limit glare and light trespass. Broken or damaged exterior lighting shall be repaired or replaced within 48 hours of being noted. Exterior lighting shall be shielded or otherwise designed to avoid spill-over illumination to adjacent streets and properties.

E. Perimeter Security –

This facility is surrounded by other commercial business. Neighboring businesses include Turlock Walnut Company, a walnut processing facility, and Sunland Farming, an almond processing facility, to the North. A 10-foot iron fence secures partial area of this facility.

F. Staff/Vendor Entrance & Parking –

Employees and vendors shall have access to parking on the South side of the building with access to the main entrance on the Southeast side of the building. Employees and vendors will only be admitted to the facility by a qualified manager.

G. General Security Risks –

Due to the concrete construction, there are minimal security risks at this facility. However, it is recommended to add additional security to the rooftop to prevent any person(s) accessing the building through the rooftop.

Section 2: Electronic Security System

A. Overview –

This facility is equipped with a burglar alarm that is monitored by a UL listed central station. The alarm system communicates to central station using a primary cellular communicator and is equipped with a battery back-up with at least 24 hours of continued operation time in case of power failure. Alarm system includes silent holdup buttons at main entrance, safe(s), storage areas, and loading area that can be used if there is an immediate threat. Manager will be able to respond to any alarm within one hour. All employees with access to the alarm system will be assigned individual alarm codes to arm/disarm the system. This facility maintains a log of when the alarm system is armed and disarmed. The log will be maintained for a minimum of 90 days and information shall be made available to the Bureau of Cannabis Control upon request. (*Bureau of Cannabis Control Order of Adoption, Article 5, Section 5047*)

B. Motion Sensors/Doors –

This facility is equipped with Infra-Red Motion Sensors to monitor movement in the facility when the alarm system is armed. All exterior pedestrian and roll-up doors will be contacted and connected to the alarm system. All solid core exterior doors shall be equipped with a 180-degree viewing device to screen persons before allowing entry and shall remain locked always except for emergencies and deliveries.

C. Open/Close Reporting –

It is recommended to implement a supervised open/close reporting which provides a notification by the Central Station if the alarm system is armed or disarmed outside of normal hours.

D. Controlled Access/Visitors –

Access to the facility shall be controlled by utilizing HID readers at all limited access areas. Only authorized employees will have access to these areas. Manager or security guard are responsible for reasonably controlling the conduct of persons on the site and shall immediately disperse loiterers. Employees will wear issued identification badges while at the facility. Unauthorized persons on the property will be reported to a qualified manager who will request private security if needed. If there is an immediate threat, manager will call 911. (*Bureau of Cannabis Control Order of Adoption, Article 5, Section 5042*)

E. Video Assessment and Surveillance System (VASS) –

This facility is equipped with a video surveillance system. Cameras are recorded 24 hours per day at a minimum of 2MP (2048x1536) resolution and 15 frames per second. Camera recordings are maintained for a minimum of 90 days. Camera recordings are kept on-site in a secured area only accessible to management. Recorded images will clearly and accurately display the time and date. VASS is maintained with a battery back-up with at least 1 hour of stand-by time in case of power failure. VASS supports standard MPEG formats. Cameras are equipped with Infrared illuminators and/or low light capability. VASS provides comprehensive coverage of the following areas:

1. Storage areas
2. Areas of ingress and egress
3. Parking lot (from building)
4. Loading areas
5. Areas not clearly visible from public streets
6. Coverage of all four exterior sides of the property
7. One camera dedicated to capture license plates at driveway entrance
8. One camera dedicated to capture faces at entrance

It is also recommended to add additional covert SD cameras installed at the headend and keypad locations. This device will capture and log independently from the current recording solution any individual attempting to tamper with your alarm and/or recording device. Manager with access to the camera system can respond within 1 hour. Manager shall have the ability to transfer recorded data to another medium (e.g. DVD, thumb drive, etc.) Monitors displaying the employee parking area and property perimeter are mounted in a visible location near employee entrance so that employees may monitor outside environment prior to exiting the building. (*Bureau of Cannabis Control Order of Adoption, Article 5, Section 5044*)

F. Security Audit, Maintenance & Testing –

Manager will ensure that the alarm and camera systems are in working order by testing the alarm system weekly as trained by the technician and checking camera system views weekly. Crime Alert Security offers surveillance monitoring which includes a weekly camera and hard drive check to ensure all cameras and hard drives are operational.

G. Third Party Monitoring –

This facility is monitored by a UL listed central station

Section 3: Compliance & Procedures

A. Hours of Operation –

This facility shall operate from 8am-10pm, 7 days a week.

B. Security Related Opening & Closing Procedure –

A qualified manager will be the first person to enter/open the facility at the start of a business day.

A qualified manager will be the last person to leave/close the facility at the end of a business day.

C. Onsite Consumption Policy –

No person shall be allowed to smoke, ingest, or otherwise consume cannabis in any form on, or within 20 feet of the site.

D. Secure Storage Area –

This facility has a storage room that is secured and only accessible by a manager.

E. Loading Procedures –

When transport vehicle arrives at the facility, it will enter the parking lot and proceed to the loading area. Manager will verify that there is no unauthorized persons or vehicles in parking lot prior to opening door in front of loading area. Finished product for transport will remain in locked storage area until transport vehicle is pulled up to loading area. Once transport vehicle is loaded, manager will verify that parking lot is clear before allowing vehicle to exit the loading area.

F. Transport Procedures –

Distribution vehicles will not have any identification or markings related to marijuana or the collective. Each vehicle will have a lockbox or a secured area in the vehicle that will hold product during transit. Product for distribution will remain in locked storage room until ready for transport. All customer requests for the delivery of cannabis goods must be received and prepared by the retailer prior to the employee leaving the licensed premises. Each vehicle will be equipped with a GPS tracking system identifying the geographic location of the vehicle and a camera system. Each distribution driver will carry a valid driver's license, an employer issued badge, vehicle's registration and proof of required insurance, and the delivery manifest.

G. Security Staff Procedures & Policies –

For best practices, the manager shall have a general briefing with the security guard(s) on duty at the beginning of his/her shift to inform of any scheduled appointments, as well as a debriefing at the end of each shift to go over the day.

H. Money Handling & Limited Cash Operation –

Management will oversee cash handling. Cash drops shall be made as manager deems necessary, not exceeding \$10,000 at one given time. Cash shall be transported out of the facility by a private security company in a secured vehicle.

I. Internal Theft Prevention –

Strategies to prevent internal theft include: pre-employment background checks conducted by an accredited organization, annual background checks of existing employees, restricting the number of visitors at one time, employee movements will be monitored by video surveillance, and vendors performing work on site will be escorted by manager. It is also recommended that there is one designated manager or representative managing the security system with approval to handle codes and verbal passwords. All codes and passwords should be reset whenever personnel changes are made. Each employee should have their own individual code that is not to be shared with anyone.

J. Robbery & Prevention –

Strategies to prevent robberies include: video surveillance infrastructure situated on the exterior of the facility, signage on each access point indicating the presence of a monitored security system, intrusion detection contacts on exterior and interior doors, motion sensors installed throughout the interior of the facility, and hold up alarms installed in the event a robbery occurs. Staff members are trained to utilize these alarms which will immediately dispatch the Turlock Police Department. If a robbery has occurred, the manager can review footage and transfer recorded data to another medium (e.g. DVD, thumb drive, etc.).

K. Managing Unwelcome Individuals –

Unauthorized persons on the property will be reported to a qualified manager or guard. If there is an immediate threat, manager or guard will call 911.

L. Incident Management & Emergency Response –

In the event of an injury, manager will immediately call 911. The injured person will not be moved until emergency response arrives and assesses the injury.

M. Lock-down of Inventory –

One authorized manager shall oversee all inventory procedures, both on daily and monthly basis. Inventory will be counted and recorded at least once every 30 days. If discrepancies are identified, the cause must be determined and the records corrected, if necessary. All areas where cannabis is stored shall be under 24 hours surveillance. (*Business and Professions Code, Ch. 7, Sec. 26070*)

N. Reporting & Investigation of an Incident –

Manager will immediately contact security company to report an incident.

O. Cooperating & Communicating with Law Enforcement –

Manager will ensure there is an open line of communication between the facility and local law enforcement, immediately reporting all diversion, theft, loss or criminal activity to the Turlock Police Department within 24 hours of discovering said activity. (*Business and Professions Code, Ch. 7, Sec. 26070*)

P. Training Drills –

This facility will conduct ongoing training required for best practices for safety of all employees and vendors. Fire drills, armed robbery and burglary discovery drills are examples of drills that may be conducted on the premises as part of comprehensive security training.

Q. Personnel Records –

Personnel Records will be kept in locked area with access to managers and security guards only to comply with HIPAA and California Human Resource regulations.

R. Facility Maintenance –

No more than 33 percent of the square footage of the windows and clear doors shall be blocked by advertising, signs, shelves, or anything else. All advertising, signs, and shelving shall be placed and maintained in a manner that ensures that law enforcement personnel have a clear and unobstructed view of the interior of the premises from the exterior public sidewalk or entrance to the premises. All signs shall comply with the City Code. All litter will be removed from the site daily. Any graffiti painted or marked upon the premises or on any adjacent area under the control of the facility shall be removed or painted over with matching paint within 72 hours of being applied. Facility shall have a Knox Box installed for police access to the exterior areas of the property after hours.

Section 4: On Site Physical Security Services

Mad Security shall be the on-site security service used at this facility. Mad Security is a professional, licensed and insured private security company. Security guards shall offer 24-hour coverage at this facility. Managers and security guards shall each have a handheld radio while on duty to communicate. (*Bureau of Cannabis Control Order of Adoption, Article 5, Section 5045*)

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF ADOPTING AN }
ORDINANCE APPROVING A }
DEVELOPMENT AGREEMENT BY AND }
BETWEEN THE CITY OF TURLOCK AND }
CAL STATE VENTURES² LOCATED AT }
501 WEST F STREET, TURLOCK, CA, }
COUNTY OF STANISLAUS, ASSESSOR'S }
PARCEL NUMBER 043-018-006 }

ORDINANCE NO. -CS

WHEREAS, on October 9, 2015, Governor Jerry Brown signed three bills into law (Assembly Bill 266, Assembly Bill 243, and Senate Bill 643), which are collectively referred to as the Medical Cannabis Regulation and Safety Act ("MCRSA"). MCRSA established the first statewide regulatory system for medical cannabis businesses; and

WHEREAS, in 2016, the voters of California approved Proposition 64 entitled the "Control, Regulate and Tax Adult Use of Marijuana" ("AUMA"). AUMA legalized the adult-use and possession of cannabis by persons 21 years of age and older and the personal cultivation of up to six cannabis plants within a private residence; and

WHEREAS, on June 27, 2017, Governor Jerry Brown signed into law the Medicinal and Adult-use Cannabis Regulation and Safety Act ("MAUCRSA"), which created a single regulatory scheme for both medicinal and adult-use cannabis businesses. MAUCRSA retains the provisions in the MCRSA and AUMA that granted local jurisdictions control over whether businesses engaged in commercial cannabis activity may operate in a particular jurisdiction; and

WHEREAS, in January, 2019, the Bureau of Cannabis Control, the Department of Food and Agriculture, and the Department of Public Health issued final emergency regulations for all medicinal and adult-use cannabis businesses allowed under MAUCRSA. The regulations require, among other things, background checks of business owners and employees, a plan of business operation, a security plan and environmental pollution and waste plans; and

WHEREAS, on June 11, 2019, the Turlock City Council (the "City Council") adopted Ordinance No. 1255-CS to enact cannabis regulations as defined under Turlock Municipal Code Chapter 5-21 pursuant to AUMA and MAUCRSA; and

WHEREAS, on June 11, 2019, the City adopted Ordinance No. 1255-CS amending the City's cannabis business regulations and establishing a Cannabis Business Pilot Program (the "Pilot Program") to regulate the operation of commercial cannabis businesses within the City; and

WHEREAS, the City Council finds that establishing a structure to regulate all cannabis businesses contemplated by state law is in the best interest of the health, welfare and safety of the public; and

WHEREAS, on June 11, 2019, following the adoption of the Pilot Program, the City issued and circulated a request for qualifications ("RFQ") for participation in the Pilot Program. Cal State Ventures2 has completed the RFQ requirements; and

WHEREAS, Government Code section 65864 et seq. (the "Development Agreement Statute") permits the City to contract with private interests for their mutual benefits in a manner not otherwise available to the contracting parties, and such agreements assure property developers that they may proceed with their projects with the assurance that approvals granted by the City will not change during the period of development, and the City is equally assured that public benefit interests will be protected and properly administrated at the time development projects are proposed; and

WHEREAS, Cal State Ventures2 proposes to enter into a Development Agreement to operate a cannabis cultivation, distribution, and manufacturing business as defined under Turlock Municipal Code Chapter 5-21 in strict accordance with applicable state and local law, at 501 West F Street, Turlock, California, County of Stanislaus, Assessor's Parcel Number 043-018-006 (the "Project"), consistent with the General Plan, as amended; and

WHEREAS, on August 22, 2019, the City of Turlock Planning Commission ("Planning Commission") held a duly noticed public hearing to consider the Project and Development Agreement; and

WHEREAS, environmental impacts for the Project have been reviewed and assessed by the City pursuant to the California Environmental Quality Act ("CEQA") (Public Resources Code section 21000 et seq. and California Code of Regulations, title 14, section 15000 et seq.). The Project is exempt from CEQA pursuant to section 15061(b)(3), title 14, of the California Code of Regulations applicable to projects where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

WHEREAS, on August 27, 2019, the City Council will hold a duly noticed public hearing for Cal State Ventures2 to consider the Project and Development Agreement; and

WHEREAS, the City Council, based on its independent review and analysis of staff's recommendations, oral and written testimony, and the record as a whole, finds, after due study, deliberation, and public hearing, and based on its independent judgment, that the following circumstances exist:

1. The Project is consistent with the goals, policies, and standards of the City's General Plan and all other applicable standards and ordinances of the City.
2. In accordance with the Development Agreement Statute, the City Council finds that the Development Agreement:

- a. Will not be detrimental to the health, safety, and general welfare of persons residing in the immediate area nor detrimental to the general welfare of the residents of the City as a whole;
- b. Will not adversely affect the orderly development of property or the preservation of property values;
- c. Is consistent with the provisions of Government Code sections 65864 through 65869.5; and
- d. Contains a legal description of the property.

WHEREAS, that the City Council finds that the Development Agreement conforms to Development Agreement Statute.

NOW, THEREFORE, BE IT RESOLVED, that the City Council approves this Ordinance adopting the Development Agreement to which the Cal State Ventures2 Development Agreement is incorporated by reference.

BE IT FURTHER RESOLVED, THAT THE CITY COUNCIL OF THE CITY OF TURLOCK DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. The project is in compliance with the General Plan, Zoning Code Amendment, and the Turlock Municipal Code as amended, including Chapter 5-21 Cannabis Business Pilot Program as it has been adopted by the City Council.

Section 2. The City Manager hereby certifies that the Cal State Ventures2 has deposited with the City all associated fees and executed all necessary applications at this time associated with the processing of the Development Agreement.

Section 3. The City Council approves a Development Agreement by and between Cal State Ventures2 and the City for the development of the Project and instructs the City Manager to execute the Development Agreement subject to final, technical revisions as required and approved by the City Attorney.

Section 4. The City shall review the Development Agreement for compliance with its terms and conditions not less than once every twelve (12) months from the effective date of the Development Agreement.

Section 5. Notice of the public hearing on the proposed Development Agreement was published in the Turlock Journal, a newspaper of general circulation, printed and published in the City.

Section 6. Environmental impacts for the Project have been reviewed and assessed by the City pursuant to CEQA (Public Resources Code section 21000 et seq. and California Code of Regulations, title 14, section 15000 et seq.). The Project is exempt from CEQA pursuant to section 15061(b)(3), title 14, of the California Code of Regulations applicable

to projects where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

Section 7. If any section, subsection, sentence, clause, phrase, or word of this Ordinance is for any reason held by a court of competent jurisdiction to be unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of the Ordinance. The City Council hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more section(s), subsection(s), sentence(s), clause(s), phrase(s) or word(s) be declared invalid.

Section 8. Upon the passage of this Ordinance, the City Manager is authorized to execute the Development Agreement on behalf of the City. Within ten (10) days of the execution, but no earlier than thirty (30) days after passage of this Ordinance, the City Clerk shall cause the Development Agreement to be recorded in the Office of the County Recorder as provided for by Government Code section 65868.5. The Development Agreement shall not take effect for thirty (30) days following passage and adoption of this Ordinance.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Turlock this 10th day of September, 2019, by the following vote:

AYES:

NOES:

NOT PARTICIPATING:

ABSENT:

Signed and approved this ____ day of _____, 2019.

AMY BUBLAK, Mayor

ATTEST:

Jennifer Land, City Clerk,
City of Turlock, County of Stanislaus,
State of California

Attachments:

Attachment A CAL STATE VENTURES2 Development Agreement (with associated exhibits)

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL
TO:**

City of Turlock
156 S Broadway
Turlock, CA 95380
Attention: City Clerk

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

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT ("Agreement") is made and entered into this _____ (____) day of _____, 2019 (the "Effective Date"), by and between the **CITY OF TURLOCK**, a California municipal corporation ("City"), and **Cal State Ventures2, Inc.** a California corporation ("Developer"). City and Developer may be referred to herein individually as a "Party" or collectively as the "Parties." There are no other parties to this Agreement.

RECITALS

- A. On October 9, 2015, Governor Jerry Brown signed three bills into law (Assembly Bill 266, Assembly Bill 243, and Senate Bill 643) which are collectively referred to as the Medical Cannabis Regulation and Safety Act ("MCRSA"). MCRSA establishes a statewide regulatory system for the cultivation, processing, transportation, testing, manufacturing and distribution of medical marijuana to qualified patients and their primary caregivers.
- B. On November 8, 2016, California voters enacted Proposition 64, the Control, Regulate and Tax Adult Use of Marijuana Act, also known as the Adult Use of Marijuana Act ("AUMA"), which establishes a comprehensive system to legalize, control, and regulate the cultivation, processing, manufacture, distribution, testing, and sale of nonmedical cannabis, including cannabis products, for use by adults 21 years and older and to tax the growth and retail sale of cannabis for nonmedical use.
- C. On June 27, 2017, Governor Jerry Brown signed into law the Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), which creates a single regulatory scheme for both medicinal and adult-use cannabis businesses. MAUCRSA retains the provisions in MCRSA and AUMA that granted local jurisdictions control over whether businesses engaged in Commercial Cannabis Activity, as defined in Section 1.4 of this Agreement, may operate in a particular jurisdiction.

- D. On June 11, 2019, the Turlock City Council (the "City Council") adopted Ordinance No. 1255-CS to enact cannabis regulations as defined under Turlock Municipal Code section 5.21 pursuant to AUMA and MAUCRSA; and
- E. On June 11, 2019, the City adopted Ordinance No. 1255-CS amending the City's cannabis business regulations and establishing a Cannabis Business Pilot Program (the "Pilot Program") to regulate the operation of commercial cannabis businesses within the City; and
- F. The City Council finds that establishing a structure to regulate all cannabis businesses contemplated by state law is in the best interest of the health, welfare, and safety of the public; and
- G. Developer proposes to improve, develop and use real property to operate a Cannabis Business Project, as defined below, in strict accordance with California Cannabis Laws, as defined in Section 1.4 of this Agreement and the T.M.C., as each may be amended from time to time.
- H. To strengthen the public planning process, encourage private participation in comprehensive planning and reduce the economic risk of development, the California Legislature adopted Government Code section 65864 et seq. (the "Development Agreement Statute"), which authorizes City and an individual or business entity with an interest in real property to enter into a development agreement that establishes certain development rights in real property that is subject to a development agreement application.
- I. On June 11, 2019, following the adoption of the Pilot Program, the City issued and circulated a request for qualifications ("RFQ"). The purpose of the RFQ was to form the basis for a selection process of qualified cannabis operators for participation in the Pilot Program. Cal State Ventures2 has completed the RFQ requirements; and
- J. Developer submitted an application to the City Planning Commission Department for consideration of a development agreement for a commercial cannabis business.
- K. Developer has leased property located at 501 West F Street, Turlock, California, County of Stanislaus Assessor's Parcel Number 043-018-006 of which Developer intends to improve approximately X,XXX (X,XXX) square feet of space (the "Site") to operate the Cannabis Business Project, more particularly described in the legal description attached hereto as **Exhibit A** ("Legal Description") and the Cannabis Business Project Site Map attached hereto as **Exhibit B**.
- L. Developer has leased the Site for the purpose of carrying out the Cannabis Business Project. A copy of the deed to the Site is attached hereto as **Exhibit C**, within satisfaction of the requirement of T.M.C. Chapter 5.21.

- M. On August 22, 2019, the Turlock Planning Commission ("Planning Commission"), in a duly noticed and conducted public hearing, considered Developer's application for this Agreement. At that public hearing, the Planning Commission recommended the City Council adopt Ordinance No. 2019-20, which would allow Developer to operate the Cannabis Business Project at the Site.
- N. On August 27, 2019, pursuant to Government Code section 65867.5, and following a duly noticed and conducted public hearing, the City Council reviewed, considered, adopted, and entered into this Agreement pursuant to Ordinance No._____.
- O. This Agreement is entered into pursuant to the Development Agreement Statute.
- P. City and Developer desire to enter into this Agreement to (i) facilitate the orderly development of the Site; (ii) create a physical environment that is consistent with and complements the City's goals and visions; (iii) protect natural resources from adverse impacts; (iv) improve, upgrade and create additional community facilities and infrastructure, enhance services and assist in implementing the goals of the General Plan; and (vi) reduce the economic risk of development of the Site to both City and Developer.
- Q. The Parties intend, through this Agreement, to allow Developer to develop and operate the Cannabis Business Project in accordance with the terms of this Agreement.
- R. The City Council has determined that this Agreement is consistent with the City's General Plan and has conducted all necessary proceedings in accordance with the T.M.C. for the approval of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

AGREEMENT

ARTICLE 1 GENERAL PROVISIONS

Section 1.1. Findings. City hereby finds and determines that entering into this Agreement furthers the public health, safety and general welfare and is consistent with the City's General Plan, including all text and maps in the General Plan.

Section 1.2. Recitals. The Recitals above are true and correct and are hereby incorporated into and made a part of this Agreement. In the event of any inconsistency between the Recitals and the provisions of Articles 1 through 10 of this Agreement, the provisions of Articles 1 through 10 shall prevail.

Section 1.3. Exhibits. The following "Exhibits" are attached hereto and incorporated into this Agreement:

<u>Designation</u>	<u>Description</u>
Exhibit A	Cannabis Site Legal Description
Exhibit B	Cannabis Business Project Site Map
Exhibit C	Site Lease
Exhibit D	Notice of Non-Performance Penalty
Exhibit E	Indemnification Agreement
Exhibit F	Notice of Termination
Exhibit G	Assignment and Assumption Agreement

Section 1.4. Definitions. In this Agreement, unless the context otherwise requires, the terms below have the following meaning:

- (a) "Additional Insureds" has the meaning set forth in Section 6.1.
- (b) "Additional Licenses" has the meaning set forth in Section 2.4.
- (c) "Adult-use cannabis" means a product containing cannabis, including, but not limited to, concentrates and extractions, intended for use by adults 21 years of age and older in California pursuant to the California Cannabis Laws.
- (d) "Agreement" means this Development Agreement, inclusive of all Exhibits attached hereto.
- (e) "Application" has the meaning set forth in Recital G.
- (f) "Assignment and Assumption Agreement" has the meaning set forth in Section 10.1.
- (g) "AUMA" means the Adult Use of Marijuana Act (Proposition 64) approved by California voters on November 8, 2016.
- (h) "Authorized License" has the meaning set forth in Section 2.3.
- (i) "Bureau" means the Bureau of Cannabis Control within the Department of Consumer Affairs, formerly named the Bureau of Marijuana Control, the Bureau of Medical Cannabis Regulation, and the Bureau of Medical Marijuana Regulation.
- (j) "California Building Standards Codes" means the California Building Code, as amended from time to time, in Part 2, Volumes 1 and 2, as part of Title 24 of the California Code of Regulations, as may be adopted by the T.M.C.

(k) "California Cannabis Laws" includes AUMA, MAUCRSA, CUA (as defined below), the Medical Marijuana Program Act of 2004 codified as Health and Safety Code sections 11362.7 through 11362.83 and any other applicable laws that may be enacted or approved.

(l) "Cannabis" means all parts of the plant *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant, and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. "Cannabis" also means the separated resin, whether crude or purified, obtained from cannabis. "Cannabis" does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination. For the purpose of this division, "cannabis" does not mean "industrial hemp" as defined by Section 11018.5 of the Health and Safety Code. Cannabis and the term "marijuana" may be used interchangeably.

(m) "Cannabis Business Pilot Program" means the cannabis business program established and authorized by T.M.C. Chapter 5.21.

(n) "Cannabis Business Project" means the cannabis retail business operated by Developer on the Site pursuant to the Authorized License.

(o) "Cannabis Manufacturing Business" means a business engaged in commercial cannabis activity pursuant to a state approved Type 6 or 7 license, Type A and M licenses designated as a Cannabis business.

(p) "Cannabis product" means cannabis that has undergone a process whereby the plant material has been transformed into a concentrate, including, but not limited to, concentrated cannabis, or an edible or topical product containing cannabis or concentrated cannabis and other ingredients.

(q) "CEQA" means the California Environmental Quality Act, as set forth in Division 13 (Commencing with Section 21000) of the California Public Resources Code, and the CEQA Guidelines, as set forth in Title 14 (Commencing with Section 15000) of the California Code of Regulations.

(r) "City" means the City of Turlock, a California municipal corporation having general police powers.

(s) "City Council" means the City of Turlock City Council, as defined in T.M.C. Section 2.1.

(t) "City Manager" means the City Manager of the City of Turlock or his or her designee, as described in T.M.C. Section 2.4.

(u) "Charged Party" has the meaning set forth in Section 8.1.

(v) "Charging Party" has the meaning set forth in Section 8.1

(w) "Commercial Cannabis Activity" includes cultivation, possession, manufacture, processing, storing, laboratory testing, labeling, transporting, distribution, delivery, or sale of cannabis or a cannabis product that requires a state license pursuant to MAUCRSA.

(x) "Planning Commission" means the City of Turlock Planning Commission, as established by T.M.C. Section 9.5.

(y) "Conditional Use Permit" means a conditional use permit issued by City pursuant to T.M.C. Section 9.3.

(z) "CUA" means the Compassionate Use Act (Proposition 215) approved by California voters on November 5, 1996.

(aa) "Developer" means Cal State Ventures². Developer also has the meaning set forth in Section 6.1.

(bb) "Development Agreement Statute" has the meaning set forth in Recital E.

(cc) "Exhibits" has the meaning set forth in Section 1.3.

(dd) "Gross Receipts from Operations" means total revenue actually received or receivable from operation of the Cannabis Business Project, including: all sales; the total amount of 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 part of or in connection with the sale of materials, goods, wares, or merchandise; and gains realized from trading in stocks or bonds, interest discounts, rents, royalties, fees, commissions, dividends, or other remunerations, 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:

1. Cash discounts allowed and taken on sales;
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";
3. Any tax required by law to be included in or added to the purchase price and collected from the consumer or purchaser;

4. Such part of the sale price of property returned by purchasers upon rescission of a contract of sale as is refunded either in cash or by credit; and
5. Receipts of refundable deposits, except that such deposits when forfeited and taken into income of the business shall not be excluded.

The intent of this definition is to ensure that in calculating the payment required under Section 4.2. all sales of cannabis products through the Cannabis Business Project are captured. This definition shall therefore be given the broadest possible interpretation consistent with this intent.

(ee) "Indemnification Agreement" has the meaning set forth in Section 6.3.

(ff) "Major Amendment" means an amendment that shall have a material effect on the terms of this Agreement. A Major Amendment also has the meaning set forth in Section 2.4. Major Amendments shall require approval by the City Council.

(gg) "Marijuana" has the same meaning as cannabis and those terms may be used interchangeably.

(hh) "MAUCRSA" means the Medicinal and Adult-Use Cannabis Regulation and Safety Act, codified as Business and Professions Code section 26000 et seq., as may be amended from time to time.

(ii) "MCRSA" has the meaning set forth in Recital A.

(jj) "Ministerial Fee" or "Ministerial Fees" has the meanings set forth in Section 4.1.

(kk) "Minor Amendment" means a clerical amendment to this Agreement that shall not materially affect the terms of this Agreement and any amendment described as minor herein. A Minor Amendment also has the meaning set forth in Section 1.7.

(ll) "Mortgage" has the meaning set forth in Article 7.

(mm) "Non-Performance Penalty" has the meaning set forth in Section 4.5.

(nn) "Notice of Non-Performance Penalty" has the meaning set forth in Section 4.5.

(oo) "Notice of Termination" has the meaning set forth in Section 9.1.

(pp) "Processing Costs" has the meaning set forth in Section 1.11.

(qq) "Project Litigation" has the meaning set forth in Section 10.7.

(rr) "Public Benefit" has the meaning set forth in Section 4.2.

- (ss) "Public Benefit Amount" has the meaning set forth in Section 4.2.
- (tt) "State Licensing Authority" means the state agency responsible for the issuance, renewal, or reinstatement of a state cannabis license, or the state agency authorized to take disciplinary action against a business licensed under the California Cannabis Laws.
- (uu) "State Cannabis Regulations" means the regulations promulgated by the State Licensing Authority pursuant to the California Cannabis Laws (3 CCR § 8000 *et seq.*, 17 CCR § 40100 *et seq.*, 42 CCR 35000 *et seq.*, or their respective successors).
- (vv) "State Taxing Authority" has the meaning set forth in Section 4.2.
- (ww) "Subsequent City Approvals" has the meaning set forth in Section 3.1.
- (xx) "Term" has the meaning set forth in Section 1.7.
- (yy) "Type 1A license" or "Specialty Indoor" means a state license issued by the Department of Agriculture pursuant to the California Cannabis Laws for indoor cultivation using exclusively artificial lighting of between 501 and 5,000 square feet of total canopy size on one premises.
- (zz) "Type 2A license" or "Small Indoor" means a state license issued by the Department of Agriculture pursuant to the California Cannabis Laws for indoor cultivation using exclusively artificial lighting between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.
- (aaa) "Type 3A license" or "Indoor" means a state license issued by the Department of Agriculture pursuant to the California Cannabis Laws for indoor cultivation using exclusively artificial lighting between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises.
- (bbb) "Type 4 license" or "Nursery" means a state license issued by the Department of Agriculture pursuant to the California Cannabis Laws for cultivation.
- (ccc) "Type 6 license" or "Manufacturer 1" means a state license issued by the Department of Public Health pursuant to the California Cannabis Laws for manufacturing sites that produce cannabis products using nonvolatile solvents.
- (ddd) "Type 7 license" or "Manufacturer 2" means a state license issued by the Department of Public Health pursuant to the California Cannabis Laws for manufacturing sites that produce cannabis products using volatile solvents.
- (eee) "Type 10 license" or "Retailer" means a state license issued by the Bureau of Cannabis Control pursuant to the California Cannabis Laws authorizing the retail sales of cannabis and cannabis products. Retail sale includes sales at a storefront and by delivery, pursuant to all state and local laws and regulations.

(fff) "Type 11 license" or "Distributor" means a state license issued by the Bureau of Cannabis Control pursuant to the California Cannabis Laws for the distribution of cannabis and cannabis products from manufacturer to dispensary.

(ggg) "Type 12 license" or "Microbusiness" means a state license issued by a State Licensing Authority pursuant to the California Cannabis Laws relating to cannabis manufacturing, retail and distribution.

(hhh) "Type 13 license" or "Distribution Transport-Only" means a state license issued by the Bureau of Cannabis Control pursuant to the California Cannabis Laws for distribution cannabis and cannabis products.

Section 1.5. Project is a Private Undertaking. The Parties agree that the Cannabis Business Project is a private development and that City has no interest therein, except as authorized in the exercise of its governmental functions. City shall not for any purpose be considered an agent of Developer or of the Cannabis Business Project.

Section 1.6. Effective Date of Agreement. This Agreement shall become effective upon the date that the ordinance approving this Agreement becomes effective (the "Effective Date").

Section 1.7. Term. The "Term" of this Agreement is five (5) years from the Effective Date, unless terminated or extended earlier, as set forth in this Agreement

(a) Government Tolling or Termination. City may provide written notice to Developer to cease all Commercial Cannabis Activity, upon which Developer shall immediately comply if City is required, directed or believes, in its sole and absolute discretion, it must temporarily halt or terminate Commercial Cannabis Activity within the City to comply with federal or state law. If City temporarily halts this Agreement to comply with federal or state law, this Agreement shall be tolled for no longer than one (1) calendar year (the "Tolling Period"). Developer shall not accrue or be liable to City for any Ministerial Fees or Public Benefit Amount during the Tolling Period. Developer shall resume paying any applicable fees after the Tolling Period ends. City and Developer shall discuss in good faith the termination of this Agreement if the Tolling period exceeds one (1) calendar year to comply with federal or state law.

(b) Developer Tolling or Termination. Developer may not temporarily halt or terminate this Agreement for any purpose without causing a default of this Agreement, except as otherwise allowed by this Agreement or by mutual agreement of the Parties.

Section 1.8. Priority of Enactment. In the event of a conflict between the various land use documents referenced in this Agreement, the Parties agree that the following sequence of approvals establishes the relative priority of the approvals, each approval superior to the approvals listed thereafter: (a) General Plan, (b) Specific Plan (c) Agreement (d) Conditional Use Permit, (e) Indemnification Agreement, and (f) Subsequent City Approvals.

Section 1.9. Amendment of Agreement. This Agreement shall be amended only by mutual consent of the Parties. All amendments shall be in writing. The City Council hereby expressly authorizes the City Manager to approve a Minor Amendment to this Agreement, upon notification of the City Council. A Major Amendment to this Agreement shall be approved by the City Council. The City Manager shall, on behalf of City, have sole discretion for City to determine if an amendment is a Minor Amendment or a Major Amendment. Nothing in this Agreement shall be construed as requiring a noticed public hearing, unless required by law.

Section 1.10. Recordation of Development Agreement. The City Clerk shall cause a copy of this Agreement to be recorded against the title of the Site within ten (10) business days of the Effective Date.

Section 1.11. Funding Agreement for Processing Costs. Developer has deposited Thirty Thousand Dollars (\$30,000) with City to pay for all actual fees and expenses incurred by City that are related to the preparation and processing of this Agreement and creation and implementation of the City's Cannabis Pilot Program, including recording fees, publishing fees, staff time, and consultant and attorneys' fees and costs (collectively, "Processing Costs"). The Processing Costs are refundable solely to the extent of non-expended Processing Costs. Developer shall be entitled to a refund of available Processing Costs only after City determines all financial obligations associated with the Cannabis Business Project have been received and paid by City.

(a) Apportionment of Processing Costs. If the amount deposited for purposes of Processing Costs is insufficient to cover all Processing Costs, Developer shall deposit with City such additional funds necessary to pay for all Processing Costs within thirty (30) days. The failure to timely pay any such additional amounts requested by City shall be considered a material default of this Agreement and City may terminate this Agreement.

(b) Accounting. Developer may request, and City shall issue within a reasonable time not to exceed thirty (30) days, an accounting and written acknowledgement of Processing Costs paid to City.

ARTICLE 2 DEVELOPMENT OF PROPERTY

Section 2.1. Vested Right of Developer. During the Term, in developing the Site consistent with the Cannabis Business Project described herein, Developer is assured that the development rights, obligation terms, and conditions specified in this Agreement, including, without limitation, the terms, conditions, and limitations set forth in the Exhibits, are fully vested in Developer and may not be modified or terminated by City except as set forth in this Agreement or with Developer's written consent.

Section 2.2. Vested Right to Develop. In accordance with Section 2.1, Developer shall have the vested right to develop and use the Cannabis Business Project consistent with this Agreement, the Conditional Use Permit, and Subsequent City Approvals.

Section 2.3. Permitted Uses and Development Standards. Developer shall be authorized to develop, construct, and use the Site for Commercial Cannabis Activity consistent with the following license type (the “Authorized License”):

Type 11	Distribution
---------	--------------

Pursuant to this Agreement, Developer shall be permitted to use the Site consistent with the Authorized License for the Term of this Agreement and during the time Developer is applying for the Authorized License with the applicable State Licensing Authority. Developer shall begin operations of the Cannabis Business Project under the Authorized License within six (6) months of the issuance of a Conditional Use Permit or adoption of the operative ordinance approving this Agreement, whichever is later, unless Developer is prevented from doing so due to any event or circumstance set forth in Section 8.6 of this Agreement. Notwithstanding the foregoing, Developer is required to apply for and obtain the Authorized License from the State of California. If the State Licensing Authority does not grant the Authorized License to Developer, Developer shall immediately cease Commercial Cannabis Activity and any other operations on the respective site. Developer shall also, within thirty (30) days of receiving notice from the State Licensing Authority, notify City of the State Licensing Authority's denial or rejection of the Authorized License. In this situation, this Agreement shall terminate immediately. The Parties intend for this Agreement and the Conditional Use Permit to serve as the definitive and controlling documents for all subsequent actions, discretionary or ministerial, relating to development of the Site and the Cannabis Business Project.

Section 2.4. Major Amendment to Permitted Uses. Developer may request to add to the Authorized License additional license types once that license is applied for or obtained from the appropriate State Licensing Authority (the “Additional Licenses”). Such request shall be a Major Amendment to this Agreement.

Section 2.5. Conditional Use Permit. Developer shall obtain a Conditional Use Permit for the Commercial Cannabis Activity and Authorized License contemplated herein for the Project and at the Site. No Commercial Cannabis Activity may occur at the Site until Developer has obtained a Conditional Use Permit to use and operate the Authorized License at the Site. This Conditional Use Permit must be maintained in good standing throughout the Term. This Agreement shall immediately terminate if the Conditional Use Permit for the Authorized License is revoked by City for any reason.

Section 2.6. Subsequent Entitlements, Approvals, and Permits. Successful implementation of the Cannabis Business Project shall require Developer to obtain additional approvals and permits from City and other local and state agencies. City shall comply with CEQA in the administration of all Subsequent City Approvals. In acting upon any Subsequent City Approvals, City's exercise of discretion and permit authority shall conform to this Agreement. Notwithstanding the foregoing, in the course of taking action on the Subsequent City Approvals, City will exercise discretion in adopting mitigation measures as part of the Conditional Use Permit. The exercise of this discretion is not prohibited or limited in any way by this Agreement. Nothing in this Agreement shall

preclude the evaluation of impacts or consideration of mitigation measures or alternatives, as required by CEQA.

(a) Contemplated City Rules and Guidelines. City anticipates issuing additional rules and administrative guidelines associated with implementation of the Cannabis Business Pilot Program. City may establish requirements that are identical to or place a higher standard of care as existing provisions of the California Cannabis Laws, State Cannabis Regulations or any amendments thereto. City reserves the right to adopt additional categories of rules or guidelines that are not listed in this Section as part of the Cannabis Business Pilot Program. Developer shall comply with any and all administrative guidelines adopted by City that govern or pertain to the Cannabis Business Project. Nothing in this Agreement shall be construed as limiting the City to amend the T.M.C. to issue rules or guidelines following the Effective Date of this Agreement that Developer will be required to adhere to.

Section 2.7. Initiatives and Referenda. If any City ordinance, rule or regulation, or addition to the T.M.C. is enacted or imposed by a citizen-sponsored initiative or referendum after the Effective Date that would conflict with this Agreement, an associated Conditional Use Permit, Subsequent City Approvals, or reduce the development rights or assurances provided to Developer in this Agreement, such T.M.C. changes shall not be applied to the Site or the Cannabis Business Project; provided, however, the Parties acknowledge that City's approval of this Agreement is a legislative action subject to referendum. City shall cooperate with Developer and shall undertake such reasonable actions as may be appropriate to ensure this Agreement remains in full force and effect and is implemented in accordance with its terms to the fullest extent permitted by state or federal law.

Section 2.8. Regulation by Other Government Entities. Developer acknowledges that City does not have authority or jurisdiction over any other government entities' ability to grant governmental approvals or permits or to impose a moratorium or other limitations that may negatively affect the Cannabis Business Project or the ability of City to issue a permit to Developer or comply with the terms of this Agreement. Any moratorium imposed by another government entity, including the State Licensing Authority, on City shall not cause City to be in breach of this Agreement.

Section 2.9. Developer's Right to Rebuild. Developer may renovate portions of the Site any time within the Term of this Agreement consistent with the T.M.C. Any such renovation or rebuild shall be subject to all design, building code, and other requirements imposed on the Cannabis Business Project by this Agreement.

Section 2.10. Changes in California Building Standards Codes. Notwithstanding any provision of this Agreement to the contrary, development of the Cannabis Business Project shall be subject to changes occurring from time to time to the California Building Standards Codes.

Section 2.11. Changes Mandated by Federal or State Law. The Site and the Cannabis Business Project shall be subject to subsequently enacted state or federal laws

or regulations that may preempt the T.M.C., or mandate the adoption or amendment of local regulations or are in conflict with this Agreement or local rules or guidelines associated with the Cannabis Business Pilot Program. As provided in Section 65869.5 of the Development Agreement Statute, in the event state or federal laws or regulations enacted after the Effective Date prevent or preclude compliance with one or more provisions of this Agreement, such provisions shall be modified or suspended as may be necessary to comply with such state or federal laws or regulations. Upon discovery of a subsequently enacted federal or state law meeting the requirements of this Section, City or Developer shall provide the other Party with written notice of the state or federal law or regulation, and a written statement of the conflicts thereby raised with the provisions of the T.M.C. or this Agreement. Promptly thereafter, City and Developer shall meet and confer in good faith in a reasonable attempt to modify this Agreement, as necessary, to comply with such federal or state law or regulation provided City shall not be obligated to agree to any modification materially increasing its obligations or materially adversely affecting its rights and benefits hereunder. In such discussions, City and Developer will attempt to preserve the terms of this Agreement and the rights of Developer derived from this Agreement to the maximum feasible extent while resolving the conflict. If City, in its judgment, determines it necessary to modify this Agreement to address such conflict, City shall have the right and responsibility to do so, and shall not have any liability to Developer for doing so or be considered in breach or default of this Agreement. City also agrees to process, in accordance with the provisions of this Agreement, Developer's proposed changes to the Cannabis Business Project that are necessary to comply with such federal or state law and that such proposed changes shall be conclusively deemed to be consistent with this Agreement without further need for any amendment to this Agreement.

Section 2.12. Health and Safety Emergencies. In the event that any future public health and safety emergencies arise with respect to the Cannabis Business Project contemplated by this Agreement, City agrees that it shall attempt, if reasonably possible as determined by City in its discretion, to address such emergency in a way that does not have a material adverse impact on the Cannabis Business Project. If City determines, in its discretion, that it is not reasonably possible to so address such health and safety emergency in a way that does not have a material adverse impact on the Cannabis Business Project, City may select an option which, in its discretion, minimizes, so far as reasonably possible, the impact on development and use of the Cannabis Business Project in accordance with this Agreement, while still addressing such health and safety emergency in a manner acceptable to City.

ARTICLE 3 ENTITLEMENT AND PERMIT PROCESSING, INSPECTIONS

Section 3.1. Subsequent City Approvals. City shall permit the development, construction, and conditionally permitted use contemplated in this Agreement. City agrees to timely grant, pursuant to the terms of this Agreement, the T.M.C., and any Subsequent City Approvals reasonably necessary to complete the goals, objectives, policies, standards, and plans described in this Agreement. The Subsequent City Approvals shall

include any applications, permits, and approvals required to complete the improvements necessary to develop the Site, in general accordance with this Agreement ("Subsequent City Approvals"). Nothing herein shall require City to provide Developer with Subsequent City Approvals prior to, or without complying with, all of the requirements in this Agreement, the T.M.C., and any applicable state law.

Section 3.2. Timely Processing. City shall use its reasonable best efforts to process and approve, within a reasonable time, any Subsequent City Approvals or environmental review requested by Developer during the Term of this Agreement.

Section 3.3. Cooperation Between City and Developer. Consistent with the terms set forth herein, City agrees to cooperate with Developer, on a timely basis, in securing all permits or licenses that may be required by City or any other government entity with permitting or licensing jurisdiction over the Cannabis Business Project.

Section 3.4. Further Consistent Discretionary Actions. The exercise of City's authority and independent judgment is recognized under this Agreement and nothing in this Agreement shall be interpreted as limiting City's discretion or obligation to hold legally required public hearings. Except as otherwise set forth herein, such discretion and action taken by City shall, however, be consistent with the terms of this Agreement and not prevent, hinder, or compromise development or use of the Site as contemplated by the Parties in this Agreement.

ARTICLE 4 PUBLIC BENEFIT, PROCESSING, AND OVERSIGHT

Section 4.1. Processing Fees and Charges. Developer shall pay to City those processing, inspection, plan checking and monitoring fees and charges required by City which are in force and effect at the time those fees and charges are incurred (including any post-Effective Date increases in such fees and charges) for processing applications and requests for building permits, inspections, other permits, approvals and actions, and monitoring compliance with any permits issued or approvals granted or the performance of any conditions (each a "Ministerial Fee" and collectively, the "Ministerial Fees").

Section 4.2. Public Benefit.

(a) The Parties acknowledge and agree that this Agreement, and the Cannabis Business Project, confers substantial private benefits upon Developer that will place burdens upon City infrastructure, services, and neighborhoods. Accordingly, the Parties intend to provide consideration to City to offset these impacts that commensurate with the private benefits conferred on Developer (the "Public Benefit"). In consideration of the foregoing, Developer shall remit to City as follows (the "Cannabis Business Public Benefit"):

YEAR	PUBLIC BENEFIT AMOUNT, PAID MONTHLY AMORTIZED ANNUALLY If distribution is from cultivation or manufacturing uses not subject to a City of Turlock Public Benefit Amount	If distribution is from cultivation or manufacturing uses subject to a City of Turlock Public Benefit Amount
1 ST	2.5% of gross receipts	No Public Benefit Amount owed
2 ND	2.5% of gross receipts	No Public Benefit Amount owed
3 RD	2.5% of gross receipts	No Public Benefit Amount owed
4 TH	2.5% of gross receipts	No Public Benefit Amount owed
5 TH	2.5% of gross receipts	No Public Benefit Amount owed

(b) Collectively, these amounts shall be known as the “Public Benefit Amount.” The Public Benefit Amount shall be due monthly, beginning on the first business day following the first month in which Developer commences Commercial Cannabis Activity. Payment of the Public Benefit Amount shall continue for a period of five (5) years thereafter.

(c) Developer shall file an applicable statement that complies with the California State Board of Equalization, California Department of Tax and Fee Administration, or either’s successor agency (the “State Taxing Authority”) for sales tax purposes showing the true and correct amount of Gross Receipts from Operations of the Cannabis Business Project during the applicable time period. Developer shall provide a copy of such statement to City upon request by City.

Section 4.3. Reporting. Developer shall provide City with copies of any reports provided to a State Licensing Authority within forty-five (45) days of that submission.

Any failure or refusal of Developer to provide any statement or report to City, the State Taxing Authority, or any other State Licensing Authority, as required within the time required, or to pay such sums due hereunder when the same are due and payable in accordance with the provisions of this Agreement, may constitute full and sufficient grounds for the revocation or suspension of the Conditional Use Permit.

Section 4.4. Records. Developer shall keep records of all Commercial Cannabis Activity in accordance with Chapter 16 (commencing with Section 26160) of Division 10 of the Business and Professions Code and the applicable State Cannabis Regulations. All records required by this Section shall be maintained and made available for City’s examination and duplication (physical or electronic) at the Site or at an alternate facility as approved in writing by the City Manager, or his or her designee.

Section 4.5. Penalty. Developer acknowledges that to ensure proper compliance with the terms of this Agreement and any applicable laws, City must engage in costly compliance review, inspections, and, if necessary, enforcement actions to protect the health, safety, and welfare of its residents. Penalty and interest provisions are necessary to assist City in compliance review and enforcement actions. If Developer fails to make

any payment when due, as required by this Agreement, including the Public Benefit Amount, City may impose a "Non-Performance Penalty." A Non-Performance Penalty of ten percent (10%) shall be applied to all past due payments. City shall deliver to Developer a "Notice of Non-Performance Penalty," attached hereto as **Exhibit D.** Payment of the Non-Performance Penalty shall be in a single installment due on or before a date fifteen (15) days following delivery of the Notice of Non-Performance Penalty.

Section 4.6. Interest on Unpaid Non-Performance Penalty. If Developer fails to pay the Non-Performance Penalty after City has delivered the Notice of Non-Performance Penalty, then, in addition to the principal amount of the Non-performance Penalty, Developer shall pay City interest at the rate of eighteen percent (18%) per annum, computed on the principal amount of the Non-Performance Penalty, from a date fifteen (15) days following delivery of the Notice of Non-performance Penalty.

Section 4.7. Protections from City Tax. Notwithstanding Section 4.2, for the Term of this Agreement, Developer shall be exempt from any City tax specific to commercial cannabis businesses. Notwithstanding the foregoing, Developer and the Cannabis Business Project shall be subject to any and all taxes, assessments, or similar charges or fees of general applicability enacted by the federal government, state government, or County of Stanislaus, including any tax applicable to an area greater than the City limits to which City may be a party (i.e., county tax sharing agreement).

ARTICLE 5 PUBLIC FACILITIES, SERVICES, AND UTILITIES

City shall use the Public Benefit Amount in any way the City Council deems appropriate to offset the impacts of the Project or to benefit the City.

ARTICLE 6 INSURANCE AND INDEMNITY

Section 6.1. Insurance. Developer shall require all persons doing work on the Cannabis Business Project and, including its contractors and subcontractors (collectively, “Developer” for purposes of this Article 6 only), to obtain and maintain insurance of the types and in the amounts described in this Article with carriers reasonably satisfactory to City.

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

(i) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as “Additional Insureds” by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed additional insured.

(ii) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives.

(iii) Contain standard separation of insured provisions.

(b) Automotive Liability Insurance. Developer shall maintain business automobile liability insurance or equivalent form with a limit of not less than One Million Dollars (\$1,000,000) for each accident. Such insurance shall include coverage for owned, hired and non-owned automobiles. Such insurance shall also:

(i) Name City, its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives as Additional Insureds by endorsement with respect to performance of this Agreement. The coverage shall contain no special limitations on the scope of its protection afforded to the above-listed Additional Insureds.

(ii) Be primary with respect to any insurance or self-insurance programs covering City, its officials, employees, agents, and representatives.

(iii) Contain standard separation of insured provisions.

(c) Workers’ Compensation Insurance. Developer shall take out and maintain during the Term of this Agreement, workers’ compensation insurance for all of Developer’s employees employed at or on the Cannabis Business Project and, should any of the work be subcontracted, Developer shall require any general contractor or subcontractor similarly to provide workers’ compensation insurance for such contractor’s or subcontractor’s employees, unless such employees are covered by the protection afforded by Developer. In case any class of employee engaged in work on the Cannabis

Business Project and is not protected under any workers' compensation law, Developer shall provide and shall cause each contractor and subcontractor to provide adequate insurance for the protection of employees not otherwise protected. Developer hereby indemnifies City for any damage resulting from failure of Developer, its agents, employees, contractors or subcontractors to take out or maintain such insurance. Workers' compensation insurance with statutory limits and employer's liability insurance with limits of not less than One Million Dollars (\$1,000,000) for each accident shall be maintained by Developer.

Section 6.2. Other Insurance Requirements. Developer shall do all of the following:

(a) Prior to taking any actions under this Agreement, furnish City with properly executed certificates of insurance that clearly evidence all insurance required in this Article, including evidence that such insurance will not be canceled, allowed to expire or materially reduced in coverage without thirty (30) days prior written notice to City.

(b) Provide to City, upon request, and within seven (7) days of said request, certified copies of endorsements and policies and properly executed certificates of insurance evidencing the insurance required herein.

(c) Replace or require the replacement of certificates, policies, and endorsements for any insurance required herein expiring prior to the termination of this Agreement.

(d) Maintain all insurance required herein from the Effective Date of this Agreement to the earlier of the expiration of the Term or the mutual written termination of this Agreement.

(e) Place all insurance required herein with insurers licensed to do business in California with a current Best's Key Rating Guide reasonably acceptable to City.

Section 6.3. Indemnity. To the fullest extent permitted by law, Developer shall defend, indemnify, and hold harmless City, and its agents, elected and appointed officials, officers, employees, consultants, and volunteers (collectively, "City's Agents") from any and all liability arising out of a claim, action, or proceeding against City, or City's Agents, to attack, set aside, void, or annul an approval concerning the Cannabis Business Project and this Agreement, any applicable Conditional Use Permit or Subsequent City Approvals. Developer shall execute the indemnification agreement ("Indemnification Agreement") attached hereto as **Exhibit E**.

Section 6.4. Failure to Indemnify; Waiver. Failure by Developer to indemnify City, when required by this Agreement and the Indemnification Agreement, shall constitute a material breach of this Agreement and of any applicable Conditional Use Permit and Subsequent City Approvals, which shall entitle City to all remedies available under law, including, but not limited to, specific performance and damages. Failure to indemnify shall constitute grounds upon which City may rescind its approval of any applicable Conditional Use Permit. Developer's failure to indemnify City shall be a waiver by Developer of any

right to proceed with the Cannabis Business Project or any portion thereof, and a waiver of Developer's right to file a claim, action, or proceeding against City, or City's Agents, based on City's rescission or revocation of any Conditional Use Permit, Subsequent City Approvals, or City's failure to defend any claim, action, or proceeding based on Developer's failure to indemnify City.

Section 6.5. Waiver of Damages. Notwithstanding anything in this Agreement to the contrary, the Parties acknowledge that City would not have entered into this Agreement had it been exposed to liability for damages from Developer and, therefore, Developer hereby waives all claims for damages against City for breach of this Agreement. Developer further acknowledges that under the Development Agreement Statute, land use approvals (including development agreements) must be approved by the City Council and that, under law, the City Council's discretion to vote in any particular way may not be constrained by contract. Developer therefore waives all claims for damages against City in the event that this Agreement or any Project approval is: (1) not approved by the City Council; or (2) is approved by the City Council but with new changes, amendments, conditions, or deletions to which Developer is opposed. Developer further acknowledges that, as an instrument which must be approved by ordinance, a development agreement is subject to referendum; and that, under law, the City Council's discretion to avoid a referendum by rescinding its approval of the underlying ordinance may not be constrained by contract, and Developer waives all claims for damages against City in this regard.

ARTICLE 7 MORTGAGEE PROTECTION

This Agreement, once executed and recorded, shall be superior and senior to any lien placed upon the Site or any portion thereof following recording of this Agreement, including the lien of any deed of trust or mortgage ("Mortgage"). Notwithstanding the foregoing, no breach hereof shall defeat, render invalid, diminish, or impair the lien of any Mortgage made in good faith and for value. This Agreement shall immediately be deemed in default and immediately terminate upon the foreclosure or transfer of any interest in the Site or Project, whether by operation of law or any other method of interest change or transfer, unless the City Manager has authorized such change or transfer in advance, in writing. City agrees to not unreasonably withhold its authorization.

ARTICLE 8 DEFAULT

Section 8.1. General Provisions.

(a) Subject only to any extensions of time by mutual consent in writing, or as otherwise provided herein, the failure or delay by any Party to perform in accordance with the terms and provisions of this Agreement shall constitute a default. Any Party alleging a default or breach of this Agreement ("Charging Party") shall give the other Party ("Charged Party") not less than ten (10) days written notice, which shall specify the nature of the alleged default and the manner in which the default may be cured. During any such

ten (10) calendar day period, the Charged Party shall not be considered in default for purposes of termination of this Agreement or institution of legal proceedings for the breach of this Agreement.

(b) After expiration of the ten (10) calendar day period, if such default has not been cured or is not in the process of being diligently cured in the manner set forth in the notice or if the breach cannot reasonably be cured within ten (10) days, the Charging Party may, at its option, institute legal proceedings pursuant to this Agreement, and give notice of its intent to terminate this Agreement pursuant to Government Code section 65868. In the event City is the Charging Party, City may, in its sole discretion, give notice, as required by law, to the Charged Party of its intent to revoke or rescind any operable Conditional Use Permit related to or concerning the Cannabis Business Project.

(c) Prior to the Charging Party giving notice to the Charged Party of its intent to terminate, or prior to instituting legal proceedings, the matter shall be scheduled for consideration and review by City in the manner set forth in Government Code sections 65865, 65867 and 65868 within thirty (30) days from the expiration of the ten (10) day notice period.

(d) Following consideration of the evidence presented and said review before City, and after providing the Charged Party an additional five (5) calendar day period to cure, the Charging Party may institute legal proceedings against the Charged Party or may give written notice of termination of this Agreement to the Charged Party.

(e) Evidence of default may arise in the course of a regularly scheduled periodic review of this Agreement pursuant to Government Code section 65865.1, as set forth in Section 8.2. If any Party determines that another Party is in default following the completion of the normally scheduled periodic review, without reference to the procedures specified in Section 8.1(c), said Party may give written notice of termination of this Agreement, specifying in the notice the alleged nature of the default and potential actions to cure said default where appropriate. If the alleged default is not cured in ten (10) days or within such longer period specified in the notice or the defaulting Party is not diligently pursuing a cure, or if the breach cannot reasonably be cured within the period or the defaulting Party waives its right to cure such alleged default, this Agreement may be terminated by the non-defaulting Party by giving written notice. An extension of the ten (10) day cure period may be given by mutual consent of the Parties.

(f) In the event Developer is in default under the terms and conditions of this Agreement, no permit application shall be accepted by City, nor will any permit be issued to Developer until the default is cured or the Agreement is terminated.

Section 8.2. Annual Review. City shall, at least every twelve (12) months during the Term of this Agreement, review the extent of good faith, substantial compliance of Developer and City with the terms of this Agreement. Such periodic review by City shall be limited in scope to compliance with the terms of this Agreement pursuant to California Government Code section 65865.1. City shall deposit in the mail or fax to Developer a copy of all staff reports and, to the extent practical, related exhibits concerning this

Agreement or the Cannabis Business Project's performance, at least seven (7) days prior to such periodic review. Developer shall be entitled to appeal a determination of City or the City Manager to the City Council. Any appeal must be filed within ten (10) days of the decision of City or the City Manager, respectively. Developer shall be permitted an opportunity to be heard orally or in writing regarding its performance under this Agreement before City, the City Manager, or the City Council, as applicable. The reasonable cost for City's annual review of this Agreement shall be paid by Developer, not to exceed the actual costs incurred by City in connection with the review.

Section 8.3. Estoppel Certificates.

(a) City shall, with at least twenty (20) days prior written notice, execute, acknowledge, and deliver to Developer, Developer's lender, potential investors, or assignees, an Estoppel Certificate in writing which certifies that this Agreement is in full force and effect, that there are no breaches or defaults under the Agreement, and that the Agreement has not been modified or terminated and is enforceable in accordance with its terms and conditions.

(b) At Developer's option, City's failure to deliver such Estoppel Certificate within the stated time period shall be conclusive evidence that the Agreement is in full force and effect, that there are no uncured breaches or defaults in Developer's performance of the Agreement or violation of any City ordinances, regulations, and policies regulating the use and development of the Site, the Cannabis Business Project, or the subject to this Agreement.

Section 8.4. Default by City. In the event City does not accept, review, approve, or issue any permits or approvals in a timely fashion, as defined by this Agreement, or if City otherwise defaults under the terms of this Agreement, City agrees that Developer shall not be obligated to proceed with or complete the Cannabis Business Project and shall constitute grounds for termination or cancellation of this Agreement by Developer.

Section 8.5. Cumulative Remedies of Parties. In addition to any other rights or remedies, City or Developer may institute legal or equitable proceedings to cure, correct, or remedy any default, enforce any covenant, or enjoin any threatened or attempted violation of the provisions of this Agreement, so long as any such action conforms to Section 9.1(c) of this Agreement.

Section 8.6. Forced Delay, Extension of Times of Performance. Delays in performance, by either Party, shall not be deemed a default if such delays or defaults are due to war, terrorism, insurrection, strikes, walkouts, riots, floods, earthquakes, fires, casualties, acts of God, governmental restrictions imposed where mandated by governmental entities other than City, enactment of conflicting state or federal laws or regulations, new or supplementary environmental regulations enacted by the state or federal government, litigation, or other force majeure events. An extension of time for such cause shall be in effect for the period of forced delay or longer, as may be mutually agreed upon.

Section 8.7. Appeals. Developer may appeal any adverse decision or action of City pursuant to the T.M.C, as may be amended from time to time.

ARTICLE 9 TERMINATION

Section 9.1. Termination Upon Completion of Development. This Agreement shall terminate upon the expiration of the Term, unless it is terminated earlier pursuant to the terms of this Agreement. Upon termination of this Agreement, City shall record a notice of such termination in substantial conformance with the "Notice of Termination" attached hereto as **Exhibit F**, and this Agreement shall be of no further force or effect except as otherwise set forth in this Agreement.

Section 9.2. Effect of Termination on Developer's Obligations. Termination of this Agreement shall eliminate any further obligation of Developer to comply with this Agreement, or some portion thereof, if such termination relates to only part of the Site or Project. Termination of this Agreement, in whole or in part, shall not, however, eliminate the rights of Developer to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

Section 9.3. Effect of Termination on City's Obligations. Termination of this Agreement shall eliminate any further obligation of City to comply with this Agreement, or some portion thereof. Termination of this Agreement shall not, however, eliminate the rights of City to seek any applicable and available remedies or damages based upon acts or omissions occurring before termination.

Section 9.4. Survival After Termination. The rights and obligations of the Parties set forth in this Section 9.4, Section 2.8, Section 6.3, Section 10.3, Section 10.4, Section 10.5, Section 10.7, and Section 10.10, and any right or obligation of the Parties in this Agreement which, by its express terms or nature and context is intended to survive termination of this Agreement, will survive any such termination.

ARTICLE 10 OTHER GENERAL PROVISIONS

Section 10.1. Assignment and Assumption. Developer shall not have the right to sell, assign or transfer all or any part of its rights, title, and interests in all or a portion of the Site or Project, subject to or a part of this Agreement, to any person, firm, corporation or entity during the Term of this Agreement without the advance written consent of the City Manager. This assignment prohibition applies to the corporate and business entities of Developer that are a Party to this Agreement. Any assignment or transfer prohibited by this Agreement will be considered an immediate breach of this Agreement and City may elect to immediately terminate this Agreement. If the City Manager approves an assignment or transfer of any interest detailed in this Section 10.1, City and Developer shall execute an "Assignment and Assumption Agreement" in the form attached hereto as **Exhibit J**.

Section 10.2. Covenants Running with the Land. All of the provisions contained in this Agreement shall be binding upon the Parties and their respective heirs, successors and assigns, representatives, lessees, and all other persons acquiring all or a portion of interest in the Site or Project, whether by operation of law or in any manner whatsoever. All of the provisions contained in this Agreement shall be enforceable as equitable servitudes and shall constitute covenants running with the land pursuant to California law, including California Civil Code section 1468. Each covenant herein to act or refrain from acting is for the benefit of or a burden upon the Cannabis Business Project and, as appropriate, runs with the Site and is binding upon Developer.

Section 10.3. Notices. Any notice or communication required hereunder between City and Developer must be in writing and may be given either personally, by facsimile (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express, UPS, or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by facsimile transmission, a notice or communication shall be deemed to have been given and received upon actual physical receipt of the entire document by the receiving Party's facsimile machine. Notices transmitted by facsimile after 5:00 p.m. on a normal business day, or on a Saturday, Sunday, or holiday, shall be deemed to have been given and received on the next normal business day. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the Party to whom notices are to be sent; or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered, as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to City: City of Turlock
 156 S. Broadway
 Turlock, CA 95380
 Attention: Robert Lawton, City Manager

and Churchwell White, LLP
 1414 K Street, 3rd Floor
 Sacramento, CA
 Attention: Douglas L. White, City Attorney

If to Developer: Cal State Ventures2
 920 J Street
 Sacramento, CA 95814

Attention: Anna Karapetyan

Section 10.4. Governing Law and Binding Arbitration. The validity, interpretation, and performance of this Agreement shall be controlled by and construed pursuant to the laws of the state of California. Any dispute, claim, or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation, or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate, shall be determined by binding arbitration in Sacramento, California, before one arbitrator. The arbitration shall proceed pursuant to the Comprehensive Arbitration Rules and Procedures of the Judicial Arbitration and Mediation Services ("JAMS"). Judgment on the award may be entered in any court having jurisdiction thereof.

Section 10.5. Invalidity of Agreement/Severability. If this Agreement, in its entirety, is determined by an arbitrator or court of competent jurisdiction to be invalid or unenforceable, this Agreement shall automatically terminate as of the date of final entry of judgment. If any term or provision of this Agreement shall be determined by an arbitrator or court of competent jurisdiction to be invalid and unenforceable, or if any term or provision of this Agreement is rendered invalid or unenforceable according to the terms of any federal or state statute, any provisions that are not invalid or unenforceable shall continue in full force and effect and shall be construed to give effect to the intent of this Agreement. The Parties expressly agree that each Party is strictly prohibited from failing to perform any and all obligations under this Agreement on the basis that this Agreement is invalid, unenforceable, or illegal. By entering into this Agreement, each Party disclaims any right to tender an affirmative defense in any arbitration or court of competent jurisdiction, that performance under this Agreement is not required because the Agreement is invalid, unenforceable, or illegal.

Section 10.6. Cumulative Remedies. In addition to any other rights or remedies, City and Developer may institute legal or equitable proceedings to cure, correct, or remedy any default, to specifically enforce any covenant or agreement herein, or to enjoin any threatened or attempted violation of the provisions of this Agreement. The prevailing Party in any such action shall be entitled to reasonable attorneys' fees and costs. Notwithstanding the foregoing or any other provision of this Agreement, in the event of City default under this Agreement, Developer agrees that it may not seek, and shall forever waive any right to, monetary damages against City, but excluding, therefrom, the right to recover any fees or charges paid by Developer in excess of those permitted hereunder.

Section 10.7. Third Party Legal Challenge. In the event any legal action or special proceeding is commenced by any person or entity challenging this Agreement or any associated entitlement, permit, or approval granted by City to Developer for the Cannabis Business Project (collectively, "Project Litigation"), the Parties agree to cooperate with each other as set forth herein. City may elect to tender the defense of any lawsuit filed and related, in whole or in part, to Project Litigation with legal counsel selected by City. Developer will indemnify, hold City harmless from, and defend City from all costs and

expenses incurred in the defense of such lawsuit, including, but not limited to, damages, attorneys' fees, and expenses of litigation awarded to the prevailing Party or Parties in such litigation. Developer shall pay all litigation fees to City within thirty (30) days of receiving a written request and accounting of such fees and expenses from City. Notwithstanding the aforementioned, City may request, and Developer will provide to City within seven (7) days of any such request, a deposit to cover City's reasonably anticipated Project Litigation fees and costs.

Section 10.8. Constructive Notice and Acceptance. Every person who, after the Effective Date and recording of this Agreement, owns or acquires any right, title or interest to any portion of the Site is and shall be conclusively deemed to have consented and agreed to every provision contained herein, whether or not any reference to this Agreement is contained in the instrument by which such person acquired an interest in the Site and all rights and interests of such person in the Site shall be subject to the terms, requirements, and provisions of this Agreement.

Section 10.9. Statute of Limitations and Laches. City and Developer agree that each Party will undergo a change in position in detrimental reliance upon this Agreement from the time of its execution and subsequently. The Parties agree that Section 65009(c)(1)(D) of the California Government Code, which provides for a ninety (90) day statute of limitations to challenge the adoption of this Agreement, is applicable to this Agreement. In addition, any person who may challenge the validity of this Agreement is hereby put on notice that, should the legality or validity of this Agreement be challenged by any third party in litigation, which is filed and served more than ninety (90) days after the execution of this Agreement, City and Developer shall each assert the affirmative defense of laches with respect to such challenge, in addition to all other available defenses. This Section in no way limits the right of a Party, claiming that the other Party breached the terms of this Agreement, to bring a claim against the other Party within the four (4) year statute of limitations set forth in Section 337 of the California Civil Code.

Section 10.10. Joint and Several Liability. Developer shall be jointly and severally liable for any amount due under this Agreement, and any breach of this Agreement or failure to pay by one Party shall also constitute a breach of this Agreement by the other Party. Developer agrees that City may impose a lien and seek foreclosure on any parcel of the Site due to any default by Developer.

Section 10.11. Change in State Regulations. In no event shall Developer operate the Cannabis Business Project in violation of the Agreement, or State Cannabis Regulations, as may be amended from time to time.

Section 10.12. Standard Terms and Conditions.

(a) Venue. Venue for all legal proceedings shall be the JAMS Resolution Center in Sacramento, California.

(b) Waiver. A waiver by any Party of any breach of any term, covenant, or condition herein contained or a waiver of any right or remedy of such Party available

hereunder, at law or in equity, shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

(c) Completeness of Instrument. This Agreement, together with its specific references, attachments, and Exhibits, constitutes all of the agreements, understandings, representations, conditions, warranties, and covenants made by and between the Parties hereto. Unless set forth herein, no Party to this Agreement shall be liable for any representations made, express or implied.

(d) Supersedes Prior Agreement. It is the intention of the Parties hereto that this Agreement shall supersede any prior agreements, discussions, commitments, or representations, written, electronic, or oral, between the Parties hereto with respect to the Site or Cannabis Business Project.

(e) Captions. The captions of this Agreement are for convenience and reference only and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Agreement.

(f) Number and Gender. In this Agreement, the neuter gender includes the feminine and masculine, and the singular includes the plural, and the word "person" includes corporations, partnerships, firms, or associations, wherever the context requires.

(g) Mandatory and Permissive. "Shall" and "will" and "agrees" are mandatory. "May" or "can" are permissive.

(h) Term Includes Extensions. All references to the Term of this Agreement shall include any extensions of such Term.

(i) Counterparts. This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

(j) Other Documents. The Parties agree that they shall cooperate in good faith to accomplish the objectives of this Agreement and, to that end, agree to execute and deliver such other instruments or documents as may be necessary and convenient to fulfill the purposes and intentions of this Agreement.

(k) Time is of the Essence. Time is of the essence in this Agreement in each covenant, term, and condition herein.

(l) Authority. All Parties to this Agreement warrant and represent that they have the power and authority to enter into this Agreement and the names, titles, and capacities herein stated on behalf of any entities, persons, states, or firms represented or purported to be represented by such entities, persons, states, or firms and that all former

requirements necessary or required by state or federal law in order to enter into this Agreement had been fully complied with. Further, by entering into this Agreement, no Party hereto shall have breached the terms or conditions of any other contract or agreement to which such Party is obligated, which such breach would have a material effect hereon.

(m) Document Preparation. This Agreement will not be construed against the Party preparing it but will be construed as if prepared by all Parties.

(n) Advice of Legal Counsel. Each Party acknowledges that it has reviewed this Agreement with its own legal counsel and, based upon the advice of that counsel, freely entered into this Agreement.

(o) Attorneys' Fees and Costs. If any action at law or in equity, including action for declaratory relief, is brought to enforce or interpret provisions of this Agreement, the prevailing Party shall be entitled to reasonable attorneys' fees and costs, which may be set by the court in the same action or in a separate action brought for that purpose, in addition to any other relief to which such Party may be entitled.

(p) Calculation of Time Periods. All time referenced in this Agreement shall be calendar days, unless the last day falls on a legal holiday, Saturday, or Sunday, in which case the last day shall be the next business day.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, this Agreement has been entered into by and between Developer and City as of the Effective Date of the Agreement, as defined above.

"CITY"

CITY OF TURLOCK, a
California municipal corporation

By: _____
Robert Lawton
City Manager

Dated: _____

Attest:

By: _____
Jennifer Land
City Clerk

Approved to as Form

By _____
Douglas L. White
City Attorney

"DEVELOPER"

CAL STATE VENTURES2, INC.

By:

Name:

Its: _____

Dated: _____

California All-Purpose Acknowledgment

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

State of California)
)
County of _____)

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

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

Witness my hand and official seal.

(Signature)

(Seal)

California All-Purpose Acknowledgment

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

State of California)
)
County of _____)

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

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

Witness my hand and official seal.

(Signature)

(Seal)

Exhibit A

Cannabis Site Legal Description

Exhibit B

Cannabis Business Project Site Map

Exhibit C

Site Deed

Exhibit D

Notice of Non-Performance Penalty

DATE: _____, 2019

PARTIES: CITY OF TURLOCK
156 S Broadway
Turlock, CA 95380
Attention: City Manager

DEVELOPER
Cal State Ventures2
920 J Street
Sacramento, CA 95814
Attention: Anna Karapetyan

THIS NOTICE OF NON-PERFORMANCE PENALTY ("Penalty Notice") is being executed by the City of Turlock, a California municipal corporation ("City"), with reference to the following.

- A. By Instrument No. _____, which was recorded in the Official Records of Stanislaus County, California, on _____, 2019, City recorded a development agreement between City and _____ Cal State Ventures2 ("Developer"), dated _____, 2019 (the "Development Agreement"), relating to the development and operation of a cannabis business.
- B. Pursuant to Section 4.2 of the Development Agreement, Developer agrees to pay to City a Public Benefit on the first business day of each month during the Term of the Development Agreement.
- C. On _____, 20__, the Public Benefit was due to City by Developer. City did not receive payment.
- D. Pursuant to Section 4.5 of the Development Agreement, if Developer fails to make payment when it is due, City may impose a penalty of one percent (1%) of the total of the past due amounts ("Penalty"). As of _____, 20__, the past due amount equals \$_____. The Penalty owed by Developer equals \$_____ ("Penalty Amount").

- E. Pursuant to Section 4.5 of the Development Agreement, Developer shall make payment of the Penalty Amount in a single installment due within fifteen (15) days of delivery of this Penalty Notice ("Penalty Due Date").
- F. Pursuant to Section 4.6 of the Development Agreement, if Developer fails to pay the Penalty Amount before the Penalty Due Date, then, in addition to the Penalty Amount specified in subdivision (D), Developer shall pay City interest on the Penalty Amount, at the rate of eighteen percent (18%) per annum ("Penalty Interest Payment"), computed from the Penalty Due Date specified in subdivision (E). The Penalty Interest Payment is due fifteen (15) days following delivery of the Penalty Due Date. As of _____, 20____, the Penalty Interest Payment amount equals \$_____.
- G. Nothing contained herein shall constitute a waiver of City's future claims for the Public Benefit, Penalty, or interest on the Penalty.

NOW, THEREFORE, City hereby provides Developer the Penalty Notice required by Section 4.5 of the Development Agreement. This Penalty Notice shall be effective upon notice pursuant to Section 10.3 of the Development Agreement.

CITY OF TURLOCK,
a California municipal corporation

By: _____
City Manager

Exhibit E

INDEMNITY AGREEMENT FOR LAND USE ENTITLEMENT PROCESSING

THIS INDEMNITY AGREEMENT FOR LAND USE ENTITLEMENT PROCESSING ("Agreement") is made and entered into on this ____ day of _____ 2019, ("Effective Date") by and between the City of Turlock, a California municipal corporation, and ("City"), Cal State Ventures2, Inc. a California corporation ("Applicant"). City and Applicant may be referred to herein individually as a "Party" or collectively as the "Parties". There are no other parties to this Agreement.

RECITALS

A. In 1996, the people of the state of California approved Proposition 215, the Compassionate Use Act of 1996 ("CUA"). The CUA enables seriously ill Californians to legally possess, use, and cultivate marijuana for medical use under state law. In 2003, the California Legislature adopted Senate Bill 420, entitled the Medical Marijuana Program ("MMP"), which authorizes qualified patients and their primary caregivers to cultivate marijuana for medical purposes without being subject to criminal prosecution under the California Penal Code.

B. On October 9, 2015, Governor Jerry Brown signed three bills into law (Assembly Bill 266, Assembly Bill 243, and Senate Bill 643) which are collectively referred to as the Medical Cannabis Regulation and Safety Act ("MCRSA"). MCRSA establishes a statewide regulatory system for the cultivation, processing, transportation, testing, manufacturing, and distribution of medical marijuana to qualified patients and their primary caregivers.

C. On November 8, 2016, California voters passed Proposition 64, the Adult Use of Marijuana Act ("AUMA"). AUMA legalizes the cultivation, commercial sale, and possession of recreational cannabis for adults age 21 and older.

D. On June 27, 2017, Governor Jerry Brown signed into law the Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), which created a single regulatory scheme for both medicinal and adult-use cannabis businesses. MAUCRSA retains the provisions in the MCRSA and AUMA that granted local jurisdictions control over whether businesses engaged in commercial cannabis activity may operate in a particular jurisdiction.

E. On December 7, 2017, California state cannabis licensing authorities issued emergency regulations that apply to AUMA and MAUCRA and further regulate businesses engaged in commercial cannabis activity.

F. Turlock Municipal Code ("T.M.C.") Chapter 5.21 authorizes cannabis businesses to operate within the City under specified restrictions pursuant to a Cannabis Pilot Program.

G. Applicant intends to improve, develop, and use real property to operate a cannabis business (the "Project") within the City in strict compliance with MAUCRSA and T.M.C. chapter 5.60.

H. Applicant has an agreement to lease that certain real property located at 501 West F Street in the City of Turlock, identified as Stanislaus County Assessor's Parcel Number 043-018-006 (the "Project") Applicant intends to improve approximately X,XXX (X,XXX) square feet of space and operate the Project on the Property.

I. As a condition of approval of the Land Use Entitlements, City has required Applicant to enter into this Agreement.

J. It is in the public interest for City and Applicant to enter into this Agreement, as Applicant will benefit from City's processing of the Project.

K. Applicant desires to enter into this Agreement to fulfill a condition of approval of the Project, which is a prerequisite for construction of the Project.

AGREEMENT

NOW, THEREFORE, in consideration of the promises, covenants and agreements set forth below, the Parties agree as follows:

Section 1. Recitals. The recitals set forth above ("Recitals") are true and correct and are hereby incorporated into and made part of this Agreement by this reference. In the event of any inconsistency between the Recitals and Sections 1 through 19 of this Agreement, Sections 1 through 19 shall prevail.

Section 2. Applicant's Indemnification Obligations.

2.1. Indemnification for Land Use Entitlements. To the fullest extent permitted by law, Applicant shall indemnify, and hold harmless City and its agents, elected and appointed officials, officers, employees, and volunteers (collectively, "City's Agents") from any and all liability arising out of a claim, action, or proceeding against City, or City's

Agents, to attack, set aside, void, or annul, an approval concerning the Land Use Entitlements by reason of the action or inaction of City, or City's Agents. Applicant's duty to indemnify and hold harmless shall not extend to any claim, action or proceeding arising from the gross negligence or willful misconduct of City, or City's Agents.

Applicant's obligations under this Agreement to indemnify City shall apply to any claim, lawsuit or challenge against City brought against the Project, specifically including, but not limited to, any legal challenge based on the California Environmental Quality Act, codified in California Public Resources Code section 21000 et seq.; actions or proceedings brought to challenge the validity of environmental documents prepared in conjunction with the approval of the Project or Land Use Entitlements, or the requirements of any other federal, state, or local laws, including, but not limited to, general plan, specific plan, and zoning requirements.

2.2. Tender of Defense. Upon receiving notice of a claim and pursuant to Article 6 of the Land Use Entitlements, Applicant shall assume the defense of the claim, action, or proceeding through the prompt payment of all attorneys' fees and costs, incurred in good faith and in the exercise of reasonable discretion, of City's counsel in defending such an action. Regardless of whether Applicant chooses to defend City pursuant to Section 6.4 of the Land Use Entitlements, City shall have the absolute and sole authority to control the litigation and make litigation decisions, including, but not limited to, selecting counsel to defend City and settlement or other disposition of the matter.

2.3. Deposit for Costs. Applicant shall make a refundable deposit to City within thirty (30) days of written notification from City ("Cost Deposit"), to cover the estimated fees and costs associated with City's defense of any claim, action or proceeding. Applicant shall make any and all additional payments to City to replenish the Cost Deposit within thirty (30) days of written notice from City.

2.4. Failure to Indemnify; Waiver. Failure to indemnify City, when required by this Agreement, shall constitute a material breach of this Agreement and of the Land Use Entitlements, which shall entitle City to all remedies available under law including, but not limited to, specific performance and damages. Failure to indemnify shall constitute grounds upon which City may rescind its approval of the Land Use Entitlements. Applicant's failure to indemnify City shall be a waiver by Applicant of any right to proceed with the Project, or any portion thereof, and a waiver of Applicant's right to file a claim, action or proceeding against City or City's Agents based on City's rescission or revocation of the Land Use Entitlements, or City's failure to defend any claim, action or proceeding based on Applicant's failure to indemnify City.

2.5. Satisfaction of Judgment. With respect to any claims, demands, acts, causes of action, damages, costs, expenses, settlements, losses or liabilities which Applicant has indemnified City against, Applicant shall pay and satisfy any judgment,

award, settlement or decree that may be rendered or agreed against City and City's Agents arising out of any final, non-appealable judicial or administrative action.

2.6. Payment of Costs and Fees. Applicant's obligations under this Agreement to defend and indemnify City shall include, but not be limited to, payment of all court costs and attorneys' fees, all litigation-related costs, all costs of any judgments or awards against City, or all settlement costs which arise out of City's processing or approval of the Project.

2.7. Continuing Obligation. Applicant shall be and remain personally obligated to all of the terms of this Agreement, notwithstanding any attempt to assign, delegate or otherwise transfer all or any of the rights or obligations of this Agreement, and notwithstanding a change in or transfer of ownership of the real property upon which the Project is located (or any interest therein). However, Applicant may be released from such obligations if Applicant obtains City's prior written consent to such transfer, which consent shall not be unreasonably withheld.

Section 3. City's Obligations. City shall notify Applicant of any claim, action or proceeding within ten (10) business days of receiving service of any claim, action or proceeding. If City fails to notify Applicant of any claim, action, or proceeding, Applicant shall not, thereafter, be responsible to defend, indemnify, or hold City harmless. City shall have and retain, in its sole discretion, the right to not participate in the defense of any claim, action, or proceeding. At its sole discretion, City may participate at its own expense in the defense, but such participation shall not relieve Applicant of any obligation imposed by this Agreement.

Section 4. Notice. Any notice or communication required hereunder between City and Applicant must be in writing and may be given either personally, by facsimile (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express, UPS or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by facsimile transmission, a notice or communication shall be deemed to have been given and received upon actual physical receipt of the entire document by the receiving Party's facsimile machine. Notices transmitted by facsimile after 5:00 p.m. on a normal business day, or on a Saturday, Sunday or holiday, shall be deemed to have been given and received on the next normal business day. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (a) actual receipt by any of the addressees designated below as the Party to whom notices are to be sent, or (b) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered as shown on a receipt issued by the

courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to City: City of Turlock
 156 S. Broadway
 Turlock, CA 95380
 Attention: City Manager

and Churchwell White LLP
 1414 K Street, 3rd Floor
 Sacramento, CA 95814
 Attention: City Attorney

If to Developer: Cal State Ventures2
 920 J Street
 Sacramento, CA 95814
 Attention: Anna Karapetyan

Section 5. Modification of Agreement. This Agreement may be supplemented, amended, or modified only by a writing signed by City and Applicant.

Section 6. Entire Agreement. This Agreement constitutes the final, complete, and exclusive statement of the terms of the agreement between the Parties pertaining to the action and supersedes all other prior or contemporaneous oral or written understandings and agreements of the Parties. No Party has been induced to enter into this Agreement by, nor is any Party relying on, any representation or warranty except those expressly set forth in this Agreement.

Section 7. Agreement is Voluntary. The Parties acknowledge that they have entered into this Agreement voluntarily, on the basis of their own judgment and without coercion, and not in reliance on any promises, representations, or statements made by the other Party other than those contained in this Agreement. This Agreement incorporates the entire understanding of the Parties and recites the sole consideration of the promises and agreements contained within it. The Parties have read this Agreement and are fully aware of its contents and legal effect.

Section 8. Time of Essence. Time is of the essence for this Agreement, and each section contained within this Agreement is made and declared to be a material, necessary, and essential part of this Agreement.

Section 9. Severability of Agreement. If a court or an arbitrator of competent jurisdiction holds any section of this Agreement to be illegal, unenforceable, or invalid for any reason, the validity and enforceability of the remaining sections of this Agreement shall not be affected.

Section 10. Authority. All Parties to this Agreement warrant and represent that they have the power and authority to enter into this Agreement, and the names, titles, and capacities herein stated on behalf of any entities, persons, states, or firms represented or purported to be represented by such entities, persons, states, or firms and that all former requirements necessary or required by state or federal law in order to enter into this Agreement had been fully complied with. Further, by entering into this Agreement, neither Party hereto shall have breached the terms or conditions of any other contract or agreement to which such Party is obligated, which such breach would have a material effect hereon.

Section 11. Noninterference. No Party will do anything to interfere with or inhibit the ability of the other to comply with their respective obligations under the terms of this Agreement.

Section 12. Ambiguities. Each Party has participated fully in the review and revision of this Agreement. Any rule of construction that ambiguities are to be resolved against the drafting Party does not apply in interpreting this Agreement.

Section 13. Headings. The headings in this Agreement are included for convenience only, and neither affect the construction or interpretation of any section in this Agreement nor affect any of the rights or obligations of the Parties to this Agreement.

Section 14. Necessary Acts and Further Assurances. The Parties shall, at their own cost and expense, execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement. The Parties will act in good faith to carry out the intent of this Agreement.

Section 15. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of California.

Section 16. Venue. Venue for all legal proceedings shall be in the Superior Court of

the State of California in and for the County of Stanislaus.

Section 17. Attorney's Fees and Costs. If any action at law or in equity, including action for declaratory relief, is brought to enforce or interpret sections of this Agreement, the prevailing Party shall be entitled to reasonable attorney's fees and costs, which may be set by the court in the same action or in a separate action brought for that purpose, in addition to any other relief to which such Party may be entitled.

Section 18. Waiver. No covenant, term, or condition, or the breach thereof, shall be deemed waived, except by written consent of the Party against whom the waiver is claimed, and any waiver of the breach of any covenant, term, or condition shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant, term, or condition.

Section 19. Counterparts. This Agreement may be executed in counterparts and all so executed shall constitute an agreement which shall be binding upon the Parties hereto, notwithstanding that the signatures of all Parties and Parties' designated representatives do not appear on the same page.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS THEREOF, the Parties have executed this Agreement on the day, month and year first above written.

APPLICANT

CAL STATE VENTURES2

By: _____

Name: Anna Karapetyan

Its: Owner

Date: _____

CITY

City of Turlock, a California municipal corporation

By: _____
Robert Lawton, City Manager

Date: _____

APPROVED AS TO FORM:

By: _____
Douglas L. White, City Attorney

Exhibit F

Notice of Termination

RECORDING REQUESTED BY AND WHEN
RECORDED RETURN TO:

City of Turlock
156 S Broadway
Turlock, CA 95380
Attention: City Clerk

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

NOTICE OF TERMINATION AND RELEASE OF DEVELOPMENT AGREEMENT

DATE: _____, 20__

PARTIES: CITY OF TURLOCK
156 S Broadway
Turlock, CA 95380

Cal State Ventures2
920 J Street
Sacramento, CA 95814
Attention: Anna Karapetyan

THIS NOTICE OF TERMINATION AND RELEASE (the "Release") is being executed by the City of Turlock, a California municipal corporation ("City"), with reference to the following.

- A. By Instrument No. _____, which was recorded in the Official Records of Stanislaus County, California, on _____, 2019, City recorded a development agreement between City and _____, dated _____, 2019 (the "Development Agreement"), relating to the development and operation of a cannabis business.

- B. Pursuant to Sections 1.7 and 9.1 of the Development Agreement, the term of the Development Agreement expires five (5) years from _____, 2019, on _____, 20____.
- C. Pursuant to Section 9.1 of the Development Agreement, once terminated, the Development Agreement has no further force or effect, unless otherwise set forth in the Development Agreement.

NOW, THEREFORE, City hereby terminates, cancels, and otherwise releases Developer and Developer's heirs, executives, administrators, successors, and assigns from their obligations in the Development Agreement on this ____ (day) of ____ (month), 20____, and relinquishes any right it may hereafter have to enforce any of the terms and provisions set forth in the Development Agreement, unless otherwise set forth in the Development Agreement. This termination, cancellation, and release shall be effective upon the recordation of this Release in the office of the County Recorder for the County of Stanislaus, State of California.

CITY OF TURLOCK,
a California municipal corporation

By: _____
City Manager

Exhibit G

Assignment and Assumption Agreement

RECORDING REQUESTED BY AND WHEN
RECORDED RETURN TO:

City of Turlock
156 S Broadway
Turlock, CA 95380
Attention: City Clerk

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

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Agreement") is entered into this _____ day of _____, 20____, by and between _____ Cal State Ventures2 ("Assignors"), and _____ ("Assignee").

RECITALS

A. On _____, 2019, Assignor and the City of Turlock (the "City") entered into that certain agreement entitled "Development Agreement by and between the City of Turlock, a California municipal corporation and _____ Cal State Ventures2 relating to the improvement, development, and use of real property to operate a cannabis business (the "Development Agreement"), originally recorded upon Stanislaus County Assessor's Parcel Number XXX-XXX-XXX (the "Property").

B. Section 10.1 of the Development Agreement prohibits the sale, assignment, or transfer by Assignor of any portion of Assignor's interests, rights, or titles described in that section of the Development Agreement ("Assignable Rights") to a third party without prior written approval by the City Manager of the City of Turlock (the "City Manager").

C. Assignor intends to assign, and Assignee intends to assume, the Assignable Rights under the Development Agreement.

D. In accordance with the terms of the Development Agreement, Assignor has provided to the City Manager a written request for consent to assignment. The City Manager has received the information he or she deems appropriate and consulted with the City Attorney for the purpose of determining that Assignee is a qualified applicant for purposes of the foregoing terms of the Development Agreement. This Agreement is intended to meet the requirements of Section 10.1 of the Development Agreement for an

Assignment and Assumption Agreement and is executed with the consent of the City Manager as contemplated in the Development Agreement.

NOW, THEREFORE, Assignor and Assignee hereby agree as follows:

1. The foregoing Recitals are true and incorporated herein by this reference as though set forth in full.

2. Assignor hereby assigns to Assignee all of the Assignable Rights of Assignor under the Development Agreement.

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

4. This Agreement shall take effect and be binding only upon the City Manager's consent to and approval of the Agreement.

5. Assignee represents and warrants that it has reviewed and is familiar with the terms and conditions of the Development Agreement. Assignee acknowledges that the Assignable Rights are as set forth in Section 10.1 of the Development Agreement, and the duties of Assignor thereunder and the duties of Assignee hereunder, as between Assignee and City, shall be without reference to any underlying agreements or understandings that may exist between Assignee, Assignor, or any other party with respect to the subject matter hereof, and that City is not party to such other agreements.

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

IN WITNESS HEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

[Signatures on the Following Page]

APPLICANT

CAL STATE VENTURES2

By: _____

Name: Anna Karapetyan

Its: Owner

Date: _____

CITY

City of Turlock, a California municipal corporation

By: _____
Robert Lawton, City Manager

Date: _____

APPROVED AS TO FORM:

By: _____
Douglas L. White, City Attorney

City Council Staff Report

August 27, 2019



9A

From: Maryn Pitt, Assistant to the City Manager for Economic Development and Housing

Prepared by: Maryn Pitt, Assistant to the City Manager for Economic Development and Housing

Agendized by: Robert C. Lawton, City Manager

1. ACTION RECOMMENDED:

Motion: Approving and authorizing the execution of the Deed of Trust with Assignment of Rents, Security, and Fixture Filing, the Regulatory Agreement and Declaration of Restrictive Covenants, and Loan Agreement in the amount of Two Million Two hundred thousand Dollars (\$2,200,000) of HOME funds as Financial assistance to EAH Housing, Inc. to develop an affordable multi-family housing project located at 500 West Linwood, Turlock (APN# 044-064-020) also known as Avena Bella Phase 2

2. SYNOPSIS:

Approve the HOME funding agreements in order to construct Avena Bella Phase 2, a sixty one unit affordable housing project.

3. DISCUSSION OF ISSUE:

Affordable Housing is a challenge in Turlock and throughout California. Additional affordable housing for low-income residents is needed in Turlock, as demonstrated by the lack of vacant affordable units and lengthy waitlists within the community. The occupancy for all affordable family comparables is effectively 100%, with extremely low turnover, and any vacancies filled immediately via waitlists. Additionally, there are more than 10,000 families on the waiting list for a Housing Authority Section 8 voucher.

The subject property will be developed as the second and final phase of the previously constructed Avena Bella, Phase 1 affordable housing project (Phase 1 was approved as TCAC #CA-2011-146). Initially, both phases of project were conceived of and approved as a single 140+ unit affordable housing development. However, due to a poor economy and shortage of available financing, the project

was divided into two (2) phases. The previously constructed Phase 1 contains 80 residential units and has been placed-in-service. Phase 1 included such community-wide amenities as a leasing office, a community room, recreational equipment, and an outdoor pool. Avena Bella, Phase 2 will contain 61 units in two (2) buildings as well as outdoor play equipment, seating, and recreation areas.

Background

The property was purchased on March 19, 2001 and was intended to develop the parcel for affordable housing. A few community meetings were held to receive input on the project and a RFP was started, but never finished. However, it was always the City's and Agency's intention to develop the subject parcel into affordable housing.

In October 2009, the City of Turlock issued an RFP for the development of the Linwood parcel. Ten proposals were submitted. The proposals were reviewed and scored by a panel and EAH, Inc. was selected to engage in an exclusive negotiating agreement. The ENA was authorized by City Council on February 9, 2010 and subsequently executed and the Agency and EAH, Inc. has moved forward in negotiating the terms and conditions of the proposed DDA. The Disposition and Development Agreement was approved by the Agency on April 27, 2010. In addition, EAH obtained the entitlements for the Minor Discretionary Permit for the project.

Developer

EAH, Inc., is a nonprofit corporation founded with the belief that attractive affordable housing is the cornerstone to solving many social justice issues. Established in 1968, EAH Housing, builds communities that enhance the surrounding neighborhoods. They have become one of the largest and most respected nonprofit housing development and management organizations in the western United States. With a staff of over 375, EAH develops low-income housing, manages 81 properties with more than 8,000 housing units in California and Hawaii, and plays a leadership role in local, regional, and national housing advocacy efforts.

4. BASIS FOR RECOMMENDATION:

- A. Funding will allow the City of Turlock Housing Program Services the opportunity to provide 61 additional units of affordable rental housing to families between low and moderate income.

5. FISCAL IMPACT / BUDGET AMENDMENT:

Fiscal Impact

There will be no impact to the General Fund. Funds are available in the Fund 256 HOME Consortium to fund this project. (account numbers 256-41-486.47225._001

and 256-41-486.47225._002 – Affordable Housing Development – Prior year and Affordable Housing Development – Current year lint account)

The balance of the funding is from several different funding sources as depicted in Exhibit D – Financing Plan.

6. CITY MANAGER’S COMMENTS:

Recommend approval.

7. ENVIRONMENTAL DETERMINATION:

The project underwent a CEQA review as part of the local entitlements which were issued, applied for, and received a minor discretionary permit as the required entitlements to this project. A mitigated negative declaration was filed upon the completion of CEQA review on March 30, 2010 under Minor Discretionary Permit No. 2010-01.

Further, due to the use of HOME Consortium funds, a NEPA environmental review which was completed on June 11, 2018 and was subsequently submitted to the United States Department of Housing and Urban Development (HUD) for a request for Release of Funds and Certification which was granted on April 26, 2018.

8. ALTERNATIVES:

- A. Do not approve the HOME Consortium funding documents for this project. This option is not recommended as projects such as this are desperately needed in Turlock. Further, affordable housing project production of new units is required under the City Housing Element to the General Plan. There are currently approximately 500 families on the interest list for one of the 61 units.
- B. Reject the DDA and direct staff to renegotiate a revised agreement. This option is not recommended as this DDA is the negotiated outcome with City Staff, EAH, Inc. and the RDA's outside Counsel to ensure that all legal provisions and requirements have been met.

Attachments to staff report:

Exhibit A - Loan Agreement, dated August 27, 2019

Exhibit B - Regulatory Agreement and Declaration of Restrictive Covenants (Home Funds)

Exhibit C - Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing (Home Funds)

Exhibit D – Sources and Uses of Funds (All funding Sources)

Exhibit E – Subordination Agreement

LOAN AGREEMENT

HOME Funds

Between

CITY OF TURLOCK

and

AVENA BELLA II, L.P.

dated _____, 2019

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE 1 DEFINITIONS AND EXHIBITS.....	2
Section 1.1 Definitions	2
ARTICLE 2 LOAN PROVISIONS.....	3
Section 2.1 Loan	3
Section 2.2 Interest	3
Section 2.3 Use of Loan Funds.....	4
Section 2.4 Security	4
Section 2.5 Subordination.....	4
Section 2.6 Repayment Schedule.....	4
Section 2.7 Reports and Accounting of Residual Receipts	4
Section 2.8 Non-Recourse	4
ARTICLE 3 LOAN REQUIREMENTS	5
Section 3.1 Annual Operating Budget	5
Section 3.2 Information	5
Section 3.3 Records	5
Section 3.4 City and or HUD Audits	6
Section 3.5 Hazardous Materials	6
Section 3.6 Maintenance and Damage.....	9
Section 3.7 Fees and Taxes.....	9
Section 3.8 Notice of Litigation.....	9
Section 3.9 Operation of Development as Affordable Housing	9
Section 3.10 Nondiscrimination	10
Section 3.11 Transfer.....	10
Section 3.12 Insurance Requirements.....	11

TABLE OF CONTENTS (cont.)

	<u>Page</u>
Section 3.13 Anti-Lobbying Certification	11
Section 3.14 Covenants Regarding Approved Financing	12
ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF BORROWER.....	15
Section 4.1 Representations and Warranties.....	15
ARTICLE 5 DEFAULT AND REMEDIES.....	17
Section 5.1 Events of Default	17
Section 5.2 Remedies.....	18
Section 5.3 Right of Contest.....	19
Section 5.4 Remedies Cumulative	19
ARTICLE 6 GENERAL PROVISIONS	20
Section 6.1 Relationship of Parties	20
Section 6.2 No Claims	20
Section 6.3 Amendments	20
Section 6.4 Indemnification	20
Section 6.5 Non-Liability of City Officials, Employees and Agents	21
Section 6.6 No Third Party Beneficiaries	21
Section 6.7 Conflict of Interest	21
Section 6.8 Notices, Demands and Communications	21
Section 6.9 Applicable Law	22
Section 6.10 Parties Bound	22
Section 6.11 Attorneys' Fees	22
Section 6.12 Severability	23
Section 6.13 Force Majeure	22

TABLE OF CONTENTS (cont.)

	<u>Page</u>
Section 6.14 City Approval	23
Section 6.15 Waivers	23
Section 6.16 Title of Parts and Sections	23
Section 6.17 Entire Understanding of the Parties	23
Section 6.18 Multiple Originals; Counterpart.....	23

LOAN AGREEMENT

500 W. Linwood Avenue – HOME funds

This HOME Loan Agreement (the “Agreement”) is dated _____, 2019, and is between the CITY OF TURLOCK, a political subdivision of the State of California (the “City”), and AVENA BELLA II, L.P., a California limited partnership (“Borrower”).

RECITALS

A. Defined terms used but not defined in these recitals are as defined in Article 1 of this Agreement.

B. The City has received Home Investment Partnership Program funds (“HOME Funds”) from the United States Department of Housing and Urban Development (“HUD”) created under the National Affordable Housing Act of 1990 (NAHA), as amended. Such funds must be used by the City in accordance with 24 CFR Part 92 et seq.

C. Borrower intends to acquire the real property commonly known as 500 W. Linwood Avenue, located in the City of Turlock, County of Stanislaus, State of California (the “Property”).

D. Borrower intends to acquire the Property for the purposes of developing 61-units thereon (the “Development”) and upon completion of the Development, rent the apartments to families or persons at or below sixty percent (60%) of the median income for Stanislaus County, as defined by HUD.

E. The City desires to lend HOME funds in the amount of Two Million Four Hundred Sixty-Seven Thousand Three Hundred Seventy-Three Dollars (\$2,467,373.00) to Borrower construction and develop the Development (the “Loan”). The Development will maintain the supply of affordable rental housing in the City of Turlock.

F. The Loan will be (i) evidenced by the Note, (ii) conditioned on the parties entering into a Regulatory Agreement, and (iii) secured by a separate deed of trust.

G. Due to the assistance provided to Borrower through the Loan, the City is classifying eleven (11) units in the Development as assisted units (each such unit, a “City-Assisted Unit”).

H. The City has concluded that actions contemplated by this Agreement are exempt from the California Environmental Quality Act (Public Resources Code Sections 21000 et seq.) (“CEQA”).

I. In accordance with the National Environmental Policy Act of 1969, as amended (42 U.S.C. 4321-4347) (“NEPA”), the City has completed and approved all applicable environmental review for the activities proposed to be undertaken under this Agreement.

The parties therefore agree as follows:

AGREEMENT

ARTICLE 1 **DEFINITIONS AND EXHIBITS**

Section 1.1 Definitions.

The following terms have the following meanings:

- (a) “Agreement” means this HOME Loan Agreement.
- (b) “Borrower” has the meaning set forth in the first paragraph of this Agreement.
- (c) “CEQA” has the meaning set forth in the Recitals.
- (d) “City” means the City of Turlock, a municipal corporation.
- (e) “City-Assisted Units” has the meaning set forth in the Recitals.
- (f) “Deed of Trust” means the Deed of Trust with Assignment of Rents, Security Agreement, and Fixture Filing of even date herewith among Borrower, as Trustor, Old Republic Title, as trustee, and the City, as beneficiary, that will encumber the Property to secure repayment of the Loan and performance of the covenants of the Loan Documents.
- (g) “Default Rate” means the lesser of the maximum rate permitted by law and ten percent (10%) per annum.
- (h) “Development” has the meaning set forth in the Recitals.
- (i) “Event of Default” has the meaning set forth in Section 5.1.
- (j) “Hazardous Materials” has the meaning set forth in Section 3.5.
- (k) “Hazardous Materials Claims” has the meaning set forth in Section 3.5.
- (l) “Hazardous Materials Law” has the meaning set forth in Section 3.5.
- (m) “HOME” has the meaning set forth in the Recitals.
- (n) “HUD” has the meaning set forth in the Recitals.
- (o) “Improvements” has the meaning set forth in the Recitals.
- (p) “Loan” has the meaning set forth in the Recitals.
- (q) “Loan Documents” means this Agreement, the Note, the Regulatory Agreement, and the Deed of Trust.
- (r) “NEPA” has the meaning set forth in the Recitals.

(s) "Note" means the Promissory Note of even date herewith that evidences Borrower's obligation to repay the Loan.

(t) "Property" has the meaning set forth in the Recitals.

(u) "Regulatory Agreement" means the Regulatory Agreement and Declaration of Restrictive Covenants, between the City and Borrower related to the Loan, to be recorded against the Property.

(v) "Senior Lender(s)" means a commercial financial institution or public agency providing a Senior Loan or any other holder of a Senior Loan Note and its successors and assigns. The initial Senior Lender(s) will be Wells Fargo Bank, N.A., and the California Housing and Community Development Department and the California Community Reinvestment Corporation is projected to become the Senior Lender after conversion of the loans for the Development to permanent status.

(w) "Senior Loan" means a loan from any Senior Lender(s) in a position superior to the Loan.

(x) "Senior Loan Deed of Trust" means any deed(s) of trust securing any Senior Loan(s) by encumbering the Property.

(y) "Senior Loan Documents" means, collectively, the loan agreement governing the Senior Loan, the Senior Loan Note, the Senior Loan Deed of Trust, and any other agreement, document or instrument that the Senior Lender requires in connection with the Senior Loan.

(z) "Senior Loan Note" means the promissory note evidencing the Senior Loan from the Senior Lender.

(aa) "Tenant" means the tenant household that occupies a unit in the Development.

(bb) "Transfer" has the meaning set forth in Section 3.11 below.

ARTICLE 2 LOAN PROVISIONS

Section 2.1 Loan.

Upon satisfaction of the conditions set forth in Section 2.6 and Section 2.7 of this Agreement, the City shall lend to Borrower the Loan for the purposes set forth in Section 2.3 of this Agreement. Borrower's obligation to repay the Loan is evidenced by the Note.

Section 2.2 Interest.

(a) Subject to the provisions of Subsection (b) below, interest will not accrue on the outstanding principal balance of the Loan.

(b) Upon the occurrence of an Event of a Default, (evidenced by a Notice of Default) interest on the Loan will begin to accrue, beginning on the date of such occurrence and

continuing until the date the Loan is repaid in full or the Event of Default is cured, at the Default Rate.

Section 2.3 Use of Loan Funds.

The Loan is made for the purpose of providing construction and permanent financing for the Development.

Section 2.4 Security.

Borrower shall secure its obligation to repay the Loan, as evidenced by the Note, by executing the Deed of Trust, and causing them to be recorded against the Property. Borrower shall also cause or permit the Regulatory Agreement to be recorded against the Property upon its acquisition of the Property.

Section 2.5 Subordination. The Deed of Trust and Regulatory Agreement shall be subordinate to the Senior Loan(s) made to Borrower.

Section 2.6 Repayment Schedule.

- (a) Annual Payments. There are no scheduled annual payments due.
- (b) Payment in Full. Borrower shall pay all outstanding principal and accrued interest on the Loan, in full, on the earliest to occur of (i) a Transfer, (ii) an Event of Default, and (iii) the expiration of the Term.
- (c) Prepayment. Borrower may prepay the Loan at any time without premium or penalty. However, the Regulatory Agreement and the Deed of Trust will remain in effect for the entire Term, regardless of any prepayment or Transfer.

Section 2.7 Reports.

On or before December 31, of each calendar year, Borrower shall furnish to the City:

- (i) Income eligibility of tenants
- (ii) Rent limits calculation sheet
- (iii) All HUD required tenant documents

Section 2.8 Non-Recourse.

Except as provided below, Borrower will not have any direct or indirect personal liability for payment of the principal of, and interest on, the Loan. Following recordation of the Deed of Trust, the sole recourse of the City with respect to the principal of, or interest on, the Note will be to the property described in the Deed of Trust; provided, however, that nothing contained in the foregoing limitation of liability limits or impairs the enforcement of all the rights and remedies of the City against all such security for the Note, or impairs the right of City to assert

the unpaid principal amount of the Note as demand for money within the meaning and intent of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto. The foregoing limitation of liability is intended to apply only to the obligation to repay the principal and interest on the Note. Except as hereafter set forth; nothing contained herein is intended to relieve Borrower of its obligation to indemnify the City under Sections 3.5, and 6.4 of this Agreement, or liability for (i) loss or damage of any kind resulting from waste, fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by Borrower other than in accordance with the Deed of Trust; and (iv) the misappropriation of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property.

ARTICLE 3 LOAN REQUIREMENTS

Section 3.1 Information.

Borrower shall provide any information reasonably requested by the City in connection with the Development, including (but not limited to) any information required by HUD in connection with Borrower's use of the loan funds.

Section 3.2 Records.

(a) Borrower shall keep and maintain at the principal place of business of the Borrower set forth in Section 6.8 below, or elsewhere with the City's written consent, full, complete and appropriate books, records and accounts relating to the Borrower's compliance with the terms, provisions, covenants and conditions of this Agreement. All such books, records, and accounts are to be open to and available for inspection and copying by HUD, the City, its auditors or other authorized representatives at reasonable intervals during normal business hours. Copies of all tax returns and other reports that Borrower may be required to furnish to any governmental agency are to be open for inspection by the City and or HUD at all reasonable times at the place that the books, records and accounts of Borrower are kept. Borrower shall preserve such records for a period of not less than five (5) years after the repayment of the loan(s) and must be in compliance with all HUD records and accounting requirements including. If any litigation, claim, negotiation, audit exception, monitoring, inspection or other action relating to the use of the Loan is pending at the end of the record retention period stated herein, then Borrower shall retain the records until such action and all related issues are resolved. The records are to include all invoices, receipts, and other documents related to expenditures from the Loan funds. Borrower shall cause records to be accurate and current and in such a form as to allow the City to comply with the record keeping requirements contained in 24 C.F.R. 570.506 and 92.508. Such records are to include but are not limited to:

(i) Records demonstrating the eligibility of activities under CDBG and HOME regulations set forth in 24 CFR 570 et seq and 24 CFR 92 et seq. Funds meets one of the national objectives of the CDBG program set forth in 24 CFR 570.208 and meet the HOME project requirements at 24 CFR 92 subpart F;

- (ii) Records demonstrating compliance with the HUD property standards and lead-based paint requirements;
- (iii) Records documenting compliance with the fair housing, equal opportunity, and affirmative fair marketing requirements;
- (iv) Financial records as required by 24 C.F.R. 570.502, and OMB Circular A-110 (24 C.F.R. Part 84);
- (v) Records demonstrating compliance with local hiring and MBE/WBE requirements;
- (vi) Records demonstrating compliance with the Regulatory Agreement;
- (vii) Records demonstrating compliance with applicable acquisition and relocation requirements, which must be retained for at least five (5) years after the date by which persons displaced from the property have received final payments;
- (viii) Records demonstrating compliance with labor requirements including certified payrolls from Borrower's general contractor evidencing that applicable prevailing wages have been paid.

(b) The City shall notify Borrower of any records it deems insufficient. Borrower has fifteen (15) calendar days after the receipt of such a notice to correct any deficiency in the records specified by the City in such notice, or if a period longer than fifteen (15) days is reasonably necessary to correct the deficiency, then Borrower must begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

Section 3.3 City and or HUD Audits.

(a) Each year, Borrower shall provide the City and or HUD with a copy of Borrower's annual audit, which is to include information on all of Borrower's activities and not just those pertaining to the Development. Borrower shall also follow audit requirements of the Single Audit Act and OMB Circulars A-122 and 110.

(b) In addition, the City and or HUD may, at any time, audit all of Borrower's books, records, and accounts pertaining to the Development. Any such audit is to be conducted during normal business hours at the principal place of business of Borrower and wherever records are kept. Immediately after the completion of an audit, the City shall deliver a copy of the results of the audit to Borrower.

Section 3.4 Hazardous Materials.

(a) Borrower shall keep and maintain the Property in compliance with, and may not cause or permit the Property to be in violation of any federal, state or local laws, ordinances or regulations relating to industrial hygiene or to the environmental conditions on, under or about the Property including, but not limited to, soil and ground water conditions. Borrower may not use, generate, manufacture, store or dispose of on, under, or about the Property or transport to or

from the Property any flammable explosives, radioactive materials, hazardous wastes, toxic substances or related materials, including without limitation, any substances defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” or “toxic substances” under any applicable federal or state laws or regulations (collectively referred to hereinafter as “Hazardous Materials”) except such of the foregoing as may be customarily used in construction of projects like the Development or kept and used in and about residential property of this type.

(b) Borrower shall immediately advise the City in writing if at any time it receives written notice of (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against Borrower or the Property pursuant to any applicable federal, state or local laws, ordinances, or regulations relating to any Hazardous Materials, (“Hazardous Materials Law”), (ii) all claims made or threatened by any third party against Borrower or the Property relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in clauses (i) and (ii) above are hereinafter referred to as “Hazardous Materials Claims”), and (iii) Borrower’s discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be classified as “border-zone property” (as defined in California Health and Safety Code Section 25117.4) under the provision of California Health and Safety Code, Section 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Property under any Hazardous Materials Law.

(c) The City has the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims and to have its reasonable attorneys’ fees in connection therewith paid by Borrower. Borrower shall indemnify and hold harmless the City and its board members, supervisors, directors, officers, employees, agents, successors and assigns from and against any loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to the use, generation, storage, release, threatened release, discharge, disposal, or presence of Hazardous Materials on, under, or about the Property including without limitation: (i) all foreseeable consequential damages, (ii) the costs of any required or necessary repair, cleanup or detoxification of the Property and the preparation and implementation of any closure, remedial or other required plans, and (iii) all reasonable costs and expenses incurred by the City in connection with clauses (i) and (ii), including but not limited to reasonable attorneys’ fees and consultant’s fees. This indemnification applies whether or not any government agency has issued a cleanup order. Losses, claims, costs, suits, liability, and expenses covered by this indemnification provision include, but are not limited to: (1) losses attributable to diminution in the value of the Property, (2) loss or restriction of use of rentable space on the Property, (3) adverse effect on the marketing of any rental space on the Property, and (4) penalties and fines levied by, and remedial or enforcement actions of any kind issued by any regulatory agency (including but not limited to the costs of any required testing, remediation, repair, removal, cleanup or detoxification of the Property and surrounding properties). This obligation to indemnify will survive termination of this Agreement.

(d) Without the City's prior written consent, which will not be unreasonably withheld, Borrower may not take any remedial action in response to the presence of any Hazardous Materials on, under or about the Property, nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Material Claims, which remedial action, settlement, consent decree or compromise might, in the City's judgment, impair the value of the City's security hereunder; provided, however, that the City's prior consent is not necessary in the event that the presence of Hazardous Materials on, under, or about the Property either poses an immediate threat to the health, safety or welfare of any individual or is of such a nature that an immediate remedial response is necessary and it is not reasonably possible to obtain the City's consent before taking such action, provided that in such event Borrower shall notify the City as soon as practicable of any action so taken. The City agrees not to withhold its consent, where such consent is required hereunder, if (i) a particular remedial action is ordered by a court of competent jurisdiction, (ii) Borrower will or may be subjected to civil or criminal sanctions or penalties if it fails to take a required action, (iii) Borrower establishes to the satisfaction of the City that there is no reasonable alternative to such remedial action which would result in less impairment of the City's security hereunder, or (iv) the action has been agreed to by the City.

(e) Borrower hereby acknowledges and agrees that (i) this Section is intended as the City's written request for information (and Borrower's response) concerning the environmental condition of the Property as required by California Code of Civil Procedure Section 726.5, and (ii) each representation and warranty in this Agreement (together with any indemnity obligation applicable to a breach of any such representation and warranty) with respect to the environmental condition of the Property is intended by the Parties to be an "environmental provision" for purposes of California Code of Civil Procedure Section 736.

(f) In the event that any portion of the Property is determined to be "environmentally impaired" (as that term is defined in California Code of Civil Procedure Section 726.5(e)(3)) or to be an "affected parcel" (as that term is defined in California Code of Civil Procedure Section 726.5(e)(1)); then, without otherwise limiting or in any way affecting the City's or the trustee's rights and remedies under the Deed of Trust, the City may elect to exercise its rights under California Code of Civil Procedure Section 726.5(a) to (i) waive its lien on such environmentally impaired or affected portion of the Property and (ii) exercise (1) the rights and remedies of an unsecured creditor, including reduction of its claim against Borrower to judgment, and (2) any other rights and remedies permitted by law. For purposes of determining the City's right to proceed as an unsecured creditor under California Code of Civil Procedure Section 726.5(a), Borrower will be deemed to have willfully permitted or acquiesced in a release or threatened release of Hazardous Materials, within the meaning of California Code of Civil Procedure Section 726.5(d)(1), if the release or threatened release of Hazardous Materials was knowingly or negligently caused or contributed to by any lessee, occupant, or user of any portion of the Property and Borrower knew or should have known of the activity by such lessee, occupant, or user which caused or contributed to the release or threatened release. All costs and expenses, including (but not limited to) attorneys' fees, incurred by the City in connection with any action commenced under this paragraph, including any action required by California Code of Civil Procedure Section 726.5(b) to determine the degree to which the Property is environmentally impaired, plus interest thereon at the lesser of ten percent (10%) and the maximum rate permitted

by law, until paid, will be added to the indebtedness secured by the Deed of Trust and is due and payable to the City upon its demand made at any time following the conclusion of such action.

Section 3.5 Maintenance and Damage.

(a) During the course of operation of the Development, Borrower shall maintain the Development and the Property in good repair and in a neat, clean and orderly condition. If there arises a condition in contravention of this requirement, and if Borrower has not cured such condition within thirty (30) days after receiving a City notice of such a condition, then in addition to any other rights available to the City, the City may perform all acts necessary to cure such condition, and to establish or enforce a lien or other encumbrance against the Property, subject to the provisions provided in subsection (b) below.

(b) If economically feasible in the City's judgment after consultation with Borrower, if any improvement now or in the future on the Property is damaged or destroyed, then Borrower shall, at its cost and expense, diligently undertake to repair or restore such improvement consistent with the plans and specifications approved by the City with such changes as have been approved by the City. Such work or repair is to be commenced no later than the later of one hundred twenty (120) days, or such longer period approved by the City in writing, after the damage or loss occurs or thirty (30) days following receipt of the insurance proceeds, and is to be complete within one (1) year thereafter. Any insurance proceeds collected for such damage or destruction are to be applied to the cost of such repairs or restoration and, if such insurance proceeds are insufficient for such purpose, then Borrower shall make up the deficiency. If Borrower does not promptly make such repairs then any insurance proceeds collected for such damage or destruction are to be promptly delivered by Borrower to the City as a special pro-rata repayment of the Loan.

Section 3.6 Fees and Taxes.

Borrower is solely responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property or the Development, and shall pay such charges prior to delinquency. However, Borrower is not required to pay and discharge any such charge so long as (i) the legality thereof is being contested diligently and in good faith and by appropriate proceedings, and (ii) if requested by the City, Borrower deposits with the City any funds or other forms of assurance that the City in good faith from time to time determines appropriate to protect the City from the consequences of the contest being unsuccessful.

Section 3.7 Notice of Litigation.

Borrower shall promptly notify the City in writing of any litigation that has the potential to materially affect Borrower or the Property and of any claims or disputes that involve a material risk of such litigation.

Section 3.8 Operation of Development as Affordable Housing.

(a) Borrower shall operate the Development as an affordable housing development consistent with (i) HUD's requirements for use of the Funds, (ii) the Regulatory Agreement, and (iii) any other regulatory requirements imposed on Borrower.

(b) Before leasing any unit in the Development, Borrower shall submit its proposed form of lease agreement for the City's review and approval. The form of lease must at a minimum, comply with the Regulatory Agreement.

(c) Before leasing any unit in the Development, Borrower shall provide the City, for its review and approval, with Borrower's written tenant selection plan pursuant to the Regulatory Agreement.

(d) Borrower shall evaluate the income eligibility of each Tenant household in City-Assisted Units pursuant to the City's approved Tenant certification procedures set forth in the Regulatory Agreement.

(e) Borrower shall maintain all documents setting forth the household income of each household occupying a City -Assisted Unit, and the total amount for rent, utilities, and related services charged to each household occupying the Development, as prescribed by the Regulatory Agreement.

Section 3.9 Nondiscrimination.

Borrower covenants by and for itself and its successors and assigns that, there will be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, age (except for lawful senior housing in accordance with state and federal law), familial status, disability, sex, sexual orientation, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor may Borrower or any person claiming under or through Borrower establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Property. The foregoing covenant will run with the land.

Section 3.10 Transfer.

(a) For purposes of this Agreement, "Transfer" means any sale, assignment, or transfer, whether voluntary or involuntary, of (i) any rights and/or duties under this Agreement, and/or (ii) any interest in the Development, including (but not limited to) a fee simple interest, a joint tenancy interest, a life estate, a partnership interest, a leasehold interest (excluding space leased for each City-Assisted Unit), a security interest, or an interest evidenced by a land contract by which possession of the Development is transferred and Borrower retains title. The term "Transfer" excludes the leasing of any single unit in the Development to an occupant in compliance with the Regulatory Agreement.

(b) No Transfer is permitted without the prior written consent of the City, which the City may withhold in its sole discretion. The Loan will automatically accelerate and be due in full upon any Transfer made without the prior written consent of the City. Notwithstanding the

foregoing, (i) transfers of partnership interests within the Borrower do not constitute transfers prohibited by this Section 3.10 and shall not require City consent, and (ii) the Borrower may transfer the Development and assign its interest in or control of the Project and this Agreement to a non-profit affiliate or entity of which EAH Inc. is a managing general partner or member, as applicable.

Section 3.11 Insurance Requirements.

(a) Borrower shall maintain Commercial General Liability insurance with limits not less than Two Million Dollars (\$2,000,000) each occurrence combined single limit for Bodily Injury and Property Damage, including coverages for Contractual Liability, Personal Injury, Broadform Property Damage, Products and Completed Operations.

(b) Borrower shall cause any general contractor, agent, or subcontractor working on the Development under direct contract with Borrower or subcontract to maintain insurance of the types and in at least the minimum amounts described above, except that the limit of liability for comprehensive general liability insurance for subcontractors must be One Million Dollars (\$1,000,000), and must require that such insurance will meet all of the general requirements of subsections (d) and (e) below.

(c) The required insurance must be provided under an occurrence form, and Borrower shall maintain the coverage described in subsections (a) continuously throughout the Term. Should any of the required insurance be provided under a form of coverage that includes an annual aggregate limit or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit must be three times the occurrence limits specified above.

(d) Comprehensive General Liability, Comprehensive Automobile Liability and Property insurance policies must be endorsed to name as an additional insured the City and its officers, agents, employees and members of the Turlock City Council.

(e) All policies and bonds are to contain (i) the agreement of the insurer to give the City at least thirty (30) days notice prior to cancellation (including, without limitation, for non-payment of premium) or any material change in said policies; (ii) an agreement that such policies are primary and non-contributing with any insurance that may be carried by the City; (iii) a provision that no act or omission of Borrower shall affect or limit the obligation of the insurance carrier to pay the amount of any loss sustained; and (iv) a waiver by the insurer of all rights of subrogation against the City and its authorized parties in connection with any loss or damage thereby insured against.

Section 3.12 Anti-Lobbying Certification.

Borrower certifies, to the best of Borrower's knowledge or belief, that:

(a) No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of

Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;

(b) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, Disclosure Form to Report Lobbying, in accordance with its instructions.

This certification is a material representation of fact upon which reliance was placed when this Agreement was made or entered into. Submission of this certification is a prerequisite for making or entering into this Agreement imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than Ten Thousand Dollars (\$10,000) and no more than One Hundred Thousand Dollars (\$100,000) for such failure.

Section 3.13 Compliance with Applicable Laws.

Borrower shall comply with all ordinances, resolutions, statutes, rules and regulations of City and any federal, state or local governmental agency having jurisdiction at the time service is rendered. This Agreement is subject to and incorporates the terms of Federal Housing and Community Development Act of 1974 (Pub. L. 93-383), as amended (the "Act"), and the regulations promulgated thereunder (24 CFR Chapter V, Part 570) ("Regulations"), and all amendments or successor regulations or guidelines thereto. Without limiting the foregoing, Borrower shall comply with the following requirements and standards:

- (a) OMB Circular No. A-122 "Cost Principles for Non Profit Organizations";
- (b) All federal laws and regulations described in Subpart K of the Regulations, including all affirmative action requirements set forth therein, but excluding City's environmental responsibilities under 24 CFR § 570.604 and City's responsibility for initiating the review process under 24 CFR Part 52;
- (c) Borrower shall promptly pay the principal and interest when due on any Approved Financing.
- (d) Borrower shall promptly notify the City in writing of the existence of any default under any documents evidencing Approved Financing whether or not a default has been declared by the lender and provide the City copies of any notice of default.
- (e) Borrower may not amend, modify, supplement, cancel or terminate any documents related to any loan that is part of the Approved Financing without the prior written consent of the City.

(f) Borrower may not incur any indebtedness of any kind other than Approved Financing or encumber the Development with any liens (other than liens for Approved Financing approved by the City) without the prior written consent of the City.

Section 3.14 Licenses, Permits, Fees and Assessments. Borrower shall obtain and maintain all licenses, registrations, accreditations and inspections from all agencies governing its performance under this Agreement. Borrower shall insure that its staff shall obtain and maintain all required licenses, registrations, accreditations and inspections from all agencies governing Borrower's performance under this Agreement.

Section 3.15 Deleted.

Section 3.16 Further Responsibilities of Parties. Both parties shall use reasonable care and diligence to perform their respective obligations under this Agreement. Both parties shall act in good faith to execute all instruments, prepare all documents and take all actions as may be reasonably necessary to carry out the purposes of this Agreement. Unless hereafter specified, neither party shall be responsible for the obligations of the other.

Section 3.17 Special Requirements. Additional terms and conditions of this Agreement, if any, which are made a part hereof are set forth in the "Special Conditions" attached hereto as Exhibit A. In the event of a conflict between any provisions of this Agreement, the provisions of Exhibit A shall govern.

Section 3.18 HOME Requirements. Because the source of the City Loan is funds that the City has received from the United States Department of Housing and Urban Development ("HUD") pursuant to HUD's HOME Investment Partnerships Program (42 U.S.C. §12741 et seq.). Developer is required to operate the Project in compliance with all requirements of the HOME investment Partnerships Program and the HOME Regulations (24 C.F.R. §92 et seq.), including, but not limited to, those requirements set forth in this Section. In the event of any conflict between the requirements of the HOME Investment Partnerships Program and the HOME Regulations, on the one hand, and the provisions set forth in this Agreement, the HOME Investment Partnerships Program and the HOME Regulations shall control. Application of more restrictive requirements than set forth in the HOME Investment Partnerships Program or HOME Regulations shall not be deemed a conflict. Not by way of limitation of the foregoing, in compliance with 24 C.F.R. § 92.504(c), from the date of this Agreement through the end of the Term. Developer shall comply with all of the following requirements:

(a) Affordability. The HOME-Assisted Units shall meet the affordability requirements of the HOME Regulations (24 C.F.R. §92.252) or the Regulatory Agreement, whichever is more restrictive. Failure of Developer to meet the affordability requirements of the HOME Regulations for the HOME-assisted units for the required time period shall be a breach of the City Note and entitle City to accelerate the Loan and demand immediate repayment.

(b) Project Requirements. Developer shall comply with all of the following: (i) Project requirements set forth in Sections 92.250-92.258 of the HOME Regulations, as applicable in accordance with the type of project assisted; (ii) the applicable provisions of this Agreement; and (iii) the Regulatory Agreement.

(c) Housing quality Standard. Developer shall maintain the HOME-Assisted Units in compliance with all of the following and in the event of conflict between the following, the most restrictive of the following: (i) applicable federal Housing Quality Standards; (ii) applicable local housing code requirements; (iii) the provisions of this Agreement; and (iv) the City Regulatory Agreement.

(d) Records and Reports. In addition to the other provisions of this Agreement, Developer shall provide to City all records and reports relating to the Project that may be reasonably requested by City in order to enable it to perform its record keeping and reporting obligations pursuant to the HOME Regulations, including but not limited to Sections 92.508 and 92.509 of the HOME Regulations.

(e) Monitoring. Not less than once per year during the period covered by the City Regulatory Agreement, City shall review Developer's activities and operations under this Agreement and Developer's compliance with the requirements of the HOME Program and the HOME Regulations, including, but not limited to, Developer's compliance with the requirements of this Section. Such review may include an on-site inspection of the Project (including unit interiors). If such an on-site inspection of the Project is to be undertaken, City shall coordinate such inspection with Developer. The monitoring required pursuant to this paragraph shall be in compliance with the requirements of the HOME Regulations, including 24 C.F.R. § 92.504(e).

(f) Equal Opportunity and Fair Housing. Developer agrees to comply with federal regulations, which state that no person shall be excluded from participating in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with HOME funds based on race, color, national origin, religion, or sex. In addition, HOME funds will be made available in accordance with the following:

(i) All applicable requirements under the Fair Housing Act.

(ii) All applicable requirements under the Equal Opportunity Act.

(iii) To the greatest extent feasible, all opportunities for training and employment arising in connection with the planning and carrying out of any project assisted with HOME funds will be given to low-income persons residing within the City (but the foregoing shall not relieve Borrower of any similar requirements imposed by HOME Regulations or other applicable laws or regulations).

(iv) To the greatest extent feasible, contracts for work to be performed in connection with any such project be awarded to business concerns, including but not limited to individuals or firms doing business in the field of planning, consulting or design, architecture, building, rehab, construction, which are located in or owned by persons residing in the project areas.

(g) Affirmative Marketing Plan. In accordance with the regulations of the HOME Investment Partnerships Program, Borrower will establish a plan and procedures to affirmatively market units assisted with HOME Investment Partnerships Program funds. The objective of the plan is to provide information and attract eligible persons from all racial, ethnic, and general

groups in the housing market area to the available housing, subject to the Project's age restrictions in light of the development of the Project as an affordable rental housing project. The affirmative marketing plan includes the following components listed in 24 C.F.R. §921.351(b) which are as follows:

- (i) Methods for informing eligible potential tenants about the Project.
- (ii) Procedures to be used to inform and solicit rental applications from eligible potential tenants who are not likely to apply for the housing without special outreach.
- (iii) Records that will be kept describing actions taken by Developer pertaining to the affirmative marketing of units and records to assess the results of those actions,
- (iv) A description of how Borrower will assess the success of affirmative marketing actions and what corrective actions will be taken where affirmative marketing requirements are not met.

(h) Other Requirements With Which Participant Shall Be Required to Comply Upon Award of HOME Funds. Developer shall comply with the following additional requirements applicable to HOME Funds:

- (i) Consistent with the other goals and objectives of subpart H of 24 C.F.R. §92, Developer must ensure that it has taken all reasonable steps to minimize the displacement of persons as a result of this Project assisted with HOME funds.
- (ii) It is understood that housing assisted with HOME funds is subject to 24 C.F.R. part 35.
- (iii) Participant shall hereby comply with all requirements set forth regarding conflict of interest provisions as they apply in 24 CFR Section 92.356.
- (iv) Under the Flood Disaster Protection Act of 1973, HOME funds may not be used with respect to the acquisition or rehabilitation of a project located in an area identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards, unless: (A) the community in which the area is situated is participating in the National Flood Insurance Program, or less than a year has passed since FEMA notification regarding such hazards; and (B) flood insurance is obtained in an area identified by FEMA as having special flood hazards; City is responsible for assuring that flood insurance under the National Flood Insurance Program is obtained and maintained, and Developer hereby agrees to obtain and maintain such insurance, if applicable.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF BORROWER

Section 4.1 Representations and Warranties.

Borrower hereby represents and warrants to the City as follows and acknowledges, understands, and agrees that the representations and warranties set forth in this Article 4 are deemed to be continuing during all times when any portion of the Loan remains outstanding:

(a) Organization. Borrower is duly organized, validly existing and in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted.

(b) Authority of Borrower. Borrower has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all of the above.

(c) Authority of Persons Executing Documents. This Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of Borrower, and all actions required under Borrower's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken.

(d) Valid Binding Agreements. The Loan Documents and all other documents or instruments executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered, constitute legal, valid and binding obligations of Borrower enforceable against it in accordance with their respective terms.

(e) No Breach of Law or Agreement. Neither the execution nor delivery of the Loan Documents or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will (i) conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever that is binding on Borrower, or conflict with any provision of the organizational documents of Borrower, or conflict with any agreement to which Borrower is a party, or (ii) result in the creation or imposition of any lien upon any assets or property of Borrower, other than liens established pursuant hereto.

(f) Compliance with Laws, Consents and Approvals. The acquisition of the Development will comply with all applicable laws, ordinances, rules and regulations of federal, state and local governments and agencies and with all applicable directions, rules and regulations of the fire marshal, health officer, building inspector and other officers of any such government or agency.

(g) Pending Proceedings. Borrower is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of Borrower, threatened against or affecting Borrower or the Development, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to Borrower, materially

affect Borrower's ability to repay the Loan or impair the security given to the City pursuant hereto.

(h) Financial Statements. The financial statements of Borrower and other financial data and information furnished by Borrower to the City fairly and accurately present the information contained therein. As of the date of this Agreement, there has not been any material adverse change in the financial condition of Borrower from that shown by such financial statements and other data and information.

(i) Taxes. Borrower and its subsidiaries have filed all federal and other material tax returns and reports required to be filed, and have paid all federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their income or the Property otherwise due and payable, except those that are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with generally accepted accounting principles. There is no proposed tax assessment against Borrower or any of its subsidiaries that could, if made, be reasonably expected to have a material adverse effect on the property, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of Borrower and its subsidiaries, taken as a whole, or which could result in (i) a material impairment of the ability of Borrower to perform under any loan document to which it is a party, or (ii) a material adverse effect upon the legality, validity, binding effect or enforceability against Borrower of any Loan Document.

ARTICLE 5 DEFAULT AND REMEDIES

Section 5.1 Events of Default.

Each of the following constitutes an "Event of Default" by Borrower under this Agreement:

(a) Failure to Make Payment. Failure to make any payment when such payment is due pursuant to the Loan Documents.

(b) Breach of Covenants. Failure by Borrower to duly perform, comply with, or observe any of the conditions, terms, or covenants of any of the Loan Documents or the Project Agreement (other than obligations described in subsections (a) and (b) above), and Borrower fails to cure such default within thirty (30) days after receipt of written notice thereof from the City to Borrower; provided, however, that if a different period or notice requirement is specified under any other section of this Article 5, the specific provisions shall control.

(c) Default Under Other Loan. A default is declared under any other financing for the Development by the lender of such financing and such default remains uncured following any applicable notice and cure period.

(d) Insolvency. A court having jurisdiction makes or enters any decree or order (i) adjudging Borrower to be bankrupt or insolvent, (ii) approving as properly filed a petition seeking reorganization of Borrower, or seeking any arrangement for Borrower under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any

state or other jurisdiction, (iii) appointing a receiver, trustee, liquidator, or assignee of Borrower in bankruptcy or insolvency or for any of their properties, (iv) directing the winding up or liquidation of Borrower if any such decree or order described in clauses (i) to (iv), inclusive, is unstayed or undischarged for a period of ninety (90) calendar days; or (v) Borrower admits in writing its inability to pay its debts as they fall due or will have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (i) to (iv), inclusive. The occurrence of any of the Events of Default in this paragraph will act to accelerate automatically, without the need for any action by the City, the indebtedness evidenced by the Note.

(e) Assignment; Attachment. Borrower assigns its assets for the benefit of its creditors or suffers a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed upon is returned or released within ninety (90) calendar days after such event or, if sooner, prior to sale pursuant to such sequestration, attachment, or execution. The occurrence of any of the events of default in this paragraph shall act to accelerate automatically, without the need for any action by the City, the indebtedness evidenced by the Note.

(f) Suspension; Termination. Borrower voluntarily suspends its business or, the partnership is dissolved or terminated, other than a technical termination of the partnership for tax purposes.

(g) Liens on Property and the Development. Any claim of lien (other than liens approved in writing by the City) is filed against the Development or any part thereof, or any interest or right made appurtenant thereto, or the service of any notice to withhold proceeds of the Loan and the continued maintenance of said claim of lien or notice to withhold for a period of twenty (20) days, without discharge or satisfaction thereof or provision therefor (including, without limitation, the posting of bonds) satisfactory to the City.

(h) Condemnation. The condemnation, seizure, or appropriation of all or the substantial part of the Property and the Development.

(i) Unauthorized Transfer. Any Transfer other than as permitted pursuant to Section 3.10.

(j) Representation or Warranty Incorrect. Any Borrower representation or warranty contained in this Agreement, or in any application, financial statement, certificate, or report submitted to the City in connection with any of the Loan Documents, proves to have been incorrect in any material respect when made.

Section 5.2 Remedies.

Upon the occurrence of an Event of Default and until such Event of Default is cured or waived, the City is relieved of any obligation to disburse any portion of the Loan. In addition, if the Borrower does not correct the Event of Default to the satisfaction of the City within thirty (30) days after the date Borrower receives the notice, or, if the breach cannot be cured within thirty (30) days, the Borrower shall have such longer period as is reasonably necessary so long as Borrower is diligently undertaking to cure such breach and such breach is cured within ninety

(90) days, the City may, subject to the notice and cure rights of Borrower's limited partner, terminate this Agreement and, if applicable, declare all sums due under the Note immediately due and payable, and proceed with any and all remedies available under the Deed of Trust, or any other remedies available under rules of law or equity, subject to the non-recourse provision in the Note. Such remedies include but are not limited to the following:

(a) Acceleration of Note. The City may demand repayment of all indebtedness of Borrower to the City under this Agreement and the Note. Borrower waives all right to presentment, demand, protest or notice of protest or dishonor. Subject to the nonrecourse provisions of the Note, the City may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the City as a creditor and secured party under the law, including the Uniform Commercial Code, including foreclosure under one or both the Deed of Trust. Borrower is liable to pay the City on demand all reasonable expenses, costs and fees (including, without limitation, reasonable attorney's fees and expenses) paid or incurred by the City in connection with the collection of the Loan and any such foreclosure the preservation, maintenance, protection, sale, or other disposition of the security given for the Loan.

(b) Specific Performance. Subject to the nonrecourse provisions of the Note, the City has the right to mandamus or other suit, action or proceeding at law or in equity to require Borrower to perform its obligations and covenants under the Loan Documents or to enjoin acts on things that may be unlawful or in violation of the provisions of the Loan Documents.

(c) Right to Cure at Borrower's Expense. The City has the right (but not the obligation) to cure any monetary default by Borrower under a loan other than the Loan. Upon demand therefore, Borrower shall reimburse the City for any funds advanced by the City to cure such monetary default, together with interest from the date of expenditure until the date of reimbursement at the Default Rate.

(d) Cure by Limited Partner of Borrower. The City shall give any limited partner of Borrower written notice of any default hereunder concurrently with written notice to Borrower. Any limited partner of Borrower shall have the right to cure an Event of Default by Borrower provided that such cure shall occur within the same period afforded for Borrower's cure of an Event of Default. City shall accept any complete cure offered by the limited partner of Borrower as if the same were made by Borrower.

Section 5.3 Right of Contest.

Borrower may contest in good faith any claim, demand, levy, or assessment the assertion of which would constitute an Event of Default hereunder. Any such contest is to be prosecuted diligently and in a manner non prejudicial to the City or the rights of the City hereunder.

Section 5.4 Remedies Cumulative.

No right, power, or remedy given to the City by the terms of this Agreement or the other Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy is cumulative and in addition to every other right, power, or remedy given to the City by the terms of any such instrument, or by any statute or otherwise

against Borrower and any other person. Neither the failure nor any delay on the part of the City to exercise any such rights and remedies will operate as a waiver thereof, nor does any single or partial exercise by the City of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

ARTICLE 6 GENERAL PROVISIONS

Section 6.1 Relationship of Parties.

Nothing contained in this Agreement is to be interpreted or understood by any of the Parties, or by any third persons, as creating the relationship of employer and employee, principal and agent, limited or general partnership, or joint venture between the City and Borrower or its agents, employees or contractors, and Borrower will at all times be deemed an independent contractor and to be wholly responsible for the manner in which it or its agents, or both, perform the services required of it by the terms of this Agreement. Borrower has and retains the right to exercise full control of employment, direction, compensation, and discharge of all persons assisting in the performance of services under the Agreement. In regards to the operation of the Development, Borrower is solely responsible for all matters relating to payment of its employees, including compliance with Social Security, withholding, and all other laws and regulations governing such matters, and must include requirements in each contract that contractors are solely responsible for similar matters relating to their employees. Borrower is solely responsible for its own acts and those of its agents and employees.

Section 6.2 No Claims.

Nothing contained in this Agreement creates or justifies any claim against the City by any person that Borrower may have employed or with whom Borrower may have contracted relative to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the construction on the Property, the operation of the Development, and Borrower shall include similar requirements in any contracts entered into for the operation of the Development.

Section 6.3 Amendments.

No alteration or variation of the terms of this Agreement is valid unless made in writing by the Parties. The City Manager is authorized to execute on behalf of the City amendments to the Loan Documents or amended and restated Loan Documents as long as any discretionary change in the amount or terms of this Agreement is approved by the City Council.

Section 6.4 Indemnification.

Borrower shall indemnify, defend and hold the City and its board members, supervisors, directors, officers, employees, agents, successors and assigns harmless against any and all claims, suits, actions, losses and liability of every kind, nature and description made against it and expenses (including reasonable attorneys' fees) which arise out of or in connection with this Agreement, including but not limited to the development, construction, marketing and operation of the Development, except to the extent such claim arises from the grossly negligent or willful

misconduct of the City, its agents, and its employees. The provisions of this Section will survive the expiration of the Term and the reconveyance of the Deed of Trust.

Section 6.5 Non-Liability of City Officials, Employees and Agents.

No member, official, employee or agent of the City is personally liable to Borrower in the event of any default or breach of this Agreement by the City or for any amount that may become due from the City pursuant to this Agreement.

Section 6.6 No Third Party Beneficiaries.

There are no third party beneficiaries to this Agreement.

Section 6.7 Conflict of Interest.

(a) Except for approved eligible administrative or personnel costs, no person described in Section 6.7(b) below who exercises or has exercised any functions or responsibilities with respect to the activities funded pursuant to this Agreement or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during, or at any time after, such person's tenure. Borrower shall exercise due diligence to ensure that the prohibition in this Section 6.7(a) is followed.

(b) The conflict of interest provisions of Section 6.7(a) above apply to any person who is an employee, agent, consultant, officer, or any immediate family member of such person, or any elected or appointed official of the City, or any person related within the third (3rd) degree of such person.

(c) In accordance with California Government Code Section 1090 and the Political Reform Act, California Government Code section 87100 et seq., no person who is a director, officer, partner, trustee or employee or consultant of Borrower, or immediate family member of any of the preceding, may make or participate in a decision, made by the City or a City board, commission or committee, if it is reasonably foreseeable that the decision will have a material effect on any source of income, investment or interest in real property of that person or Borrower. Interpretation of this section is governed by the definitions and provisions used in the Political Reform Act, California Government Code Section 87100 et seq., its implementing regulations manual and codes, and California Government Code Section 1090.

(d) Borrower shall comply with the conflict of interest provisions set forth in 24 C.F.R. 570.611.

Section 6.8 Notices, Demands and Communications.

All notices required or permitted by any provision of this Agreement must be in writing and sent by registered or certified mail, postage prepaid, return receipt requested, or delivered by

express delivery service, return receipt requested, or delivered personally, to the principal office of the Parties as follows:

City: City of Turlock
Housing Program Services Division
156 South Broadway, Suite 250
Turlock, CA 95380
Attention: Maryn Pitt

Borrower: Avena Bella II, L.P.
c/o EAH Inc.
22 Pelican Way
San Rafael, CA 94901
Attention: President

With copy to:

Wells Fargo Affordable Housing
Community Development Corporation
MAC D1053-170
301 South College Street, 17th Floor
Charlotte, NC 28288
Attention: Director of Asset Management

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section. Receipt will be deemed to have occurred on the date shown on a written receipt as the date of delivery or refusal of delivery (or attempted delivery if undeliverable).

Section 6.9 Applicable Law.

This Agreement is governed by the laws of the State of California.

Section 6.10 Parties Bound.

Except as otherwise limited herein, this Agreement binds and inures to the benefit of the parties and their heirs, executors, administrators, legal representatives, successors, and assigns. This Agreement is intended to run with the land and to bind Borrower and its successors and assigns in the Property and the Development for the entire Term, and the benefit hereof is to inure to the benefit of the City and its successors and assigns.

Section 6.11 Attorneys' Fees.

If any lawsuit is commenced to enforce any of the terms of this Agreement, the prevailing Party will have the right to recover its reasonable attorneys' fees and costs of suit from the other Party.

Section 6.12 Severability.

If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions will continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

Section 6.13 City Approval.

The City has authorized the Housing Manager to execute the Loan Documents and deliver such approvals or consents as are required by this Agreement, and to execute estoppel certificates concerning the status of the Loan and the existence of Borrower defaults under the Loan Documents.

Section 6.14 Waivers.

Any waiver by the City of any obligation or condition in this Agreement must be in writing. No waiver will be implied from any delay or failure by the City to take action on any breach or default of Borrower or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to Borrower to perform any obligation under this Agreement does not operate as a waiver or release from any of its obligations under this Agreement. Consent by the City to any act or omission by Borrower may not be construed to be consent to any other or subsequent act or omission or to waive the requirement for the City's written consent to future waivers.

Section 6.15 Title of Parts and Sections.

Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and are to be disregarded in interpreting any part of the Agreement's provisions.

Section 6.16 Entire Understanding of the Parties

The Loan Documents and the Project Agreement constitute the entire agreement of the Parties with respect to the Loan; provided, however, if there is a conflict between the Project Agreement and the Loan Documents, the terms of the Loan Documents will prevail.

Section 6.17 Multiple Originals; Counterpart.

This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

Section 6.18 Time of Essence. Time is of the essence of this Agreement. WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

CITY:

CITY OF TURLOCK

By: _____
Roy W. Wasden
City Manager

APPROVED AS TO FORM:

City Attorney

BORROWER:

AVENA BELLA II, L.P.,
a California limited partnership

By: Avena Bella II EAH, LLC,
a California limited liability company,
its sole and managing general partner

By: Golden Oaks Manor, Inc.,
a California nonprofit
corporation,
Sole and Managing Member

By: _____
Welton Jordan, President

EXHIBIT A
SPECIAL CONDITIONS

PROMISSORY NOTE

(500 W. Linwood Avenue - HOME Loan)

\$2,467,373.00

Turlock, California
_____, 2019

FOR VALUE RECEIVED, the undersigned, AVENA BELLA II, L.P., a California limited partnership ("Borrower") hereby promises to pay to the order of the City of Turlock, a political subdivision of the State of California ("Holder"), the principal amount of Two Million Four Hundred Sixty-Seven Thousand Three Hundred Seventy-Three Dollars (\$2,467,373.00) plus interest thereon pursuant to Section 2 below.

All capitalized terms used but not defined in this Note have the meanings set forth in the Loan Agreement.

1. Borrower's Obligation. This Note evidences Borrower's obligation to repay Holder the principal amount of Two Million Four Hundred Sixty-Seven Thousand Three Hundred Seventy-Three Dollars (\$2,467,373.00) for the funds loaned to Borrower by Holder to finance the acquisition of the Development pursuant to the HOME Loan Agreement between Borrower and Holder of even date herewith (the "Loan Agreement").
2. Interest. Interest will accrue on all amounts due under this Note at the simple interest rate of three percent (3%) per annum. If an Event of Default (as defined in the Loan Agreement) occurs, interest will accrue on all amounts due under this Note at the lesser of 10% per annum or the highest rate permitted by law until such Event of Default is cured by Borrower or waived by Holder.
3. Term and Repayment Requirements. The Maturity Date of the Loan shall be _____, 2074 (the "Maturity Date"). Prior to the Maturity Date, each year the Borrower shall make payments of principal and interest to the Holder to the extent of available "Cash Flow" (as such term is defined in that certain Amended and Restated Agreement of Limited Partnership of the Borrower, dated on or about the date hereof (the "Partnership Agreement") in the priority set forth in the Partnership Agreement. Such annual payments shall be due and payable in arrears no later than May 15 of each year with respect to the previous calendar year. If requested by the Holder, the Borrower shall provide the Holder with any documentation reasonably requested by the Holder to substantiate the determination by the Borrower of the Cash Flow for the Development. Repayments shall be credited first to interest, then to principal. Interest that has accrued but for which Cash Flow is not available in a given year shall be deferred to the following year.
4. Prepayment. Prior to Maturity, the Borrower shall have the right to prepay all or a portion of the principal and interest due under this Note without any resulting charge or penalty.
5. No Assumption. Except as set forth in the Loan Agreement, this Note is not assumable by the successors and assigns of Borrower without the prior written consent of Holder.

6. Security. This Note, with interest, is secured by a Deed of Trust that refers to this Note (the "Deed of Trust"). This Note is a nonrecourse obligation of the Borrower. Neither the Borrower or any of its general or limited partners, nor any other party, shall have personal liability for repayment of the Loan or the performance of the covenants of the Borrower under the Deed of Trust. The sole recourse of the holder with respect to the principal of, or interest on the Note and default by Borrower on the performance of its covenants under the Deed of Trust shall be to the property described in the Deed of Trust.

7. Terms of Payment.

(a) Borrower shall make all payments due under this Note in currency of the United States of America to Holder at City of Turlock, Housing Program Services Division, 156 S. Broadway, Suite 250, CA 95380, Attention: Housing Manager, or to such other place as Holder may from time to time designate.

(b) All payments on this Note are without expense to Holder. Borrower shall pay all costs and expenses, including re-conveyance fees and reasonable attorney's fees of Holder, incurred in connection with the payment of this Note and the release of any security hereof.

(c) The obligations of Borrower under this Note are absolute and Borrower waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reason whatsoever.

8. Event of Default; Acceleration.

(a) Upon the occurrence of an Event of Default, the entire unpaid principal balance, together with all interest thereon, and together with all other sums then payable under this Note and the Deed of Trust will, at the option of Holder, become immediately due and payable without further demand.

(b) Holder's failure to exercise the remedy set forth in Subsection 7(a) above or any other remedy provided by law upon the occurrence of an Event of Default does not constitute a waiver of the right to exercise any remedy at any subsequent time in respect to the same or any other Event of Default. The acceptance by Holder of any payment that is less than the total of all amounts due and payable at the time of such payment does not constitute a waiver of the right to exercise any of the foregoing remedies or options at that time or at any subsequent time, or nullify any prior exercise of any such remedy or option, without the express consent of Holder, except as and to the extent otherwise provided by law.

(c) Holder will give written notice of any event of default to the parties identified in the manner provided in Section 6.8 of the Loan Agreement. Notwithstanding anything to the contrary herein, any cure of any default or event of default made or tendered by Borrower's lenders of Senior Loan(s) as described in the Loan Agreement, or limited partner shall be deemed to be a cure by Borrower and shall be approved or rejected on the same basis as if made or tendered by Borrower

9. Waivers.

(a) Borrower hereby waives diligence, presentment, protest and demand, and notice of protest, notice of demand, notice of dishonor and notice of non-payment of this Note. Borrower expressly agrees that this Note or any payment hereunder may be extended from time to time, and that Holder may accept further security or release any security for this Note, all without in any way affecting the liability of Borrower.

(b) Any extension of time for payment of this Note or any installment hereof made by agreement of Holder with any person now or hereafter liable for payment of this Note must not operate to release, discharge, modify, change or affect the original liability of Borrower under this Note, either in whole or in part.

10. Miscellaneous Provisions.

(a) All notices to Holder or Borrower are to be given in the manner and at the addresses set forth in the Loan Agreement, or to such addresses as Holder and Borrower may therein designate.

(b) Borrower promises to pay all costs and expenses, including reasonable attorney's fees, incurred by Holder in the enforcement of the provisions of this Note, regardless of whether suit is filed to seek enforcement.

(c) This Note is governed by the laws of the State of California.

(d) The times for the performance of any obligations hereunder are to be strictly construed, time being of the essence.

(e) The Loan Documents (as defined in the Loan Agreement), of which this Note is a part, contain the entire agreement between the parties as to the loan evidenced by this Note. This Note may not be modified except upon the written consent of the parties.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note as of the day and year first above written.

AVENA BELLA II, L.P.,
a California limited partnership

By: Avena Bella II EAH, LLC,
a California limited liability company,
its sole and managing general partner

By: Golden Oaks Manor, Inc.,
a California nonprofit
corporation,
Sole and Managing Member

By: _____
Welton Jordan, President

EXHIBIT B

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Turlock
Housing Program Services Division
156 S. Broadway, Suite 250
Turlock, CA 95380
Attn: Housing Manager

No fee for recording pursuant to
Government Code Section 27383

REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (HOME Funds)

This Regulatory Agreement and Declaration of Restrictive Covenants (the "Agreement") is dated _____, 2019 and is between the CITY OF TURLOCK, a political subdivision of the State of California (the "City"), and AVENA BELLA II, L.P., a California limited partnership ("Borrower").

RECITALS

A. Defined terms used but not defined in these recitals are as defined in Article 1 of this Agreement.

B. The City has adopted the Home Investment Partnerships Act ("HOME") program standards at 24 C.F.R. Part 92 (the "HOME Regulations") to define the affordable rents, continued affordability standards.

C. Borrower intends to acquire the real property commonly known as 500 W. Linwood Avenue, located in the City of Turlock, County of Stanislaus, State of California (the "Property").

D. Borrower intends to acquire the Property for the purposes of developing 61-units thereon (the "Development") and upon completion of the Development, rent the apartments to families or persons at or below sixty percent (60%) of the median income for Stanislaus County, as defined by HUD.

E. The City desires to lend HOME funds in the amount of Two Million Four Hundred Sixty-Seven Thousand Three Hundred Seventy-Three Dollars (\$2,467,373.00) to Borrower construction and develop the Development (the "Loan"). The Development will maintain the supply of affordable rental housing in the City of Turlock.

F. The City has the authority to lend the Loan to Borrower to spend funds for programs that will further a City's public purposes. In addition, the City has the authority to loan the HOME Funds pursuant to 24 C.F.R. Part 92.

G. The City has agreed to make the Loan on the condition that the Borrower maintain and operate the Development in accordance with restrictions set forth in this Agreement.

In consideration of receipt of the Loan at an interest rate substantially below the market rate, Borrower agrees to observe all the terms and conditions set forth below.

AGREEMENT

ARTICLE 1 DEFINITIONS

Section 1.1 Definitions.

The following terms have the following meanings:

- (a) "Actual Household Size" means the actual number of persons in the applicable household.
- (b) "Adjusted Income" means the total anticipated annual income of all persons in the Tenant household as calculated pursuant to 24 C.F.R. 92.203(b)(1).
- (c) "Agreement" has the meaning set forth in the first paragraph of this Agreement.
- (d) "Assumed Household Size" means the household size "adjusted for family size appropriate to the unit" as such term is defined in Health & Safety Code Section 50052.5(h).
- (e) "City" means the City of Turlock, a municipal corporation.
- (f) "City-Assisted Units" means the eleven (11) Units within the Development designated as assisted by the City pursuant to this Agreement.
- (g) "Deed of Trust" means the two Deeds of Trust with Assignment of Rents, Security Agreement and Fixture Filing of even date herewith by and among Borrower, as trustor, Old Republic Title Company, as trustee, and the City, as beneficiary, that will encumber the Property to secure repayment of the Loan and Borrower's performance of the covenants set forth in the documents evidencing the Loan.
- (h) "Development" has the meaning set forth in the Recitals.
- (i) "HOME" has the meaning set forth in the Recitals.
- (j) "HOME Regulations" has the meaning set forth in the Recitals.
- (k) "HUD" has the meaning set forth in the Recitals.

- (l) "Loan" has the meaning set forth in the Recitals.
- (m) "Loan Agreement" has the meaning set forth in the Recitals.
- (n) "Loan Documents" means this Agreement, the Note, the Deed of Trust, and the Loan Agreement.
- (o) "Low HOME Rent" means a monthly Rent amount not exceeding the maximum rent published by HUD for a Very Low Income Household for the applicable bedroom size as set forth in 24 C.F.R. 92.252(b).
- (p) "Low Income Household" means a Tenant household with an Adjusted Income that does not exceed eighty percent(80%) of Median Income, with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than eighty percent(80%) of Median Income on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes, as such definition may be amended pursuant to 24 C.F.R. Section 92.2.
- (q) "Low-60 Income Household" means a household with an Adjusted Income that does not exceed Sixty percent(60%) of Median Income, with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than sixty percent(60%) of Median Income on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes, as set forth in 24 C.F.R. Section 92.2.
- (r) "Median Income" means the median gross yearly income, adjusted for Actual Household Size as specified herein, in the City of Turlock, California, as published from time to time by HUD. In the event that such income determinations are no longer published, or are not updated for a period of at least eighteen(18) months, the City shall provide Borrower with other income determinations that are reasonably similar with respect to methods of calculation to those previously published by HUD.
- (s) "Note" means the Promissory Note of even date herewith executed by Borrower in favor of City that evidences Borrower's obligation to repay the Loan.
- (t) "Property" has the meaning set forth in Paragraph E of the Recitals.
- (u) "Rent" means the total monthly payments by the Tenant of a Unit for the following: use and occupancy of the Unit and land and associated facilities, including parking; any separately charged fees or service charges assessed by Borrower which are required of all Tenants, other than security deposits; an allowance for the cost of an adequate level of service for utilities paid by the Tenant, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuel, but not telephone service or cable TV; and any other interest, taxes, fees or charges for use of the land or associated facilities and assessed by a public or private entity other than Borrower, and paid by the Tenant.
- (v) "Tenant" means the household that occupies a Unit in the Development.

(w) “Term” means the term of this Agreement which commences as of the date of this Agreement and expires fifteen (15) years thereafter.

(x) “Unit(s)” means one (1) or more of the units in the Development.

ARTICLE 2

AFFORDABILITY AND OCCUPANCY COVENANTS

Section 2.1 Occupancy Requirements.

(a) Low-60 Income Units. During the HOME Term, Borrower shall rent eleven (11) Units, and ensure that these Units are occupied or, if vacant, available for occupancy, by Low-60 Income Households. The City -Assisted Units are comprised of Four (4) 1-bedroom units, two (4) 2-bedroom Units and Three (3) 3-bedroom Units.

(b) Disabled Persons Occupancy. Borrower shall cause the Development to be operated at all times in compliance with the provisions of: (i) the Unruh Act, (ii) the California Fair Employment and Housing Act, (iii) Section 504 of the Rehabilitation Act of 1973, (iv) the United States Fair Housing Act, as amended, and (v) the Americans With Disabilities Act of 1990, which relate to disabled persons access. Borrower shall indemnify, protect, hold harmless and defend (with counsel reasonably satisfactory to the City) the City , and its boardmembers, officers and employees, from all suits, actions, claims, causes of action, costs, demands, judgments and liens arising out of Borrower’s failure to comply with applicable legal requirements related to housing for persons with disabilities. The provisions of this subsection will survive expiration of the Term or other termination of this Agreement, and remain in full force and effect.

Section 2.2 Allowable Rent.

(a) Low Income Rent. Subject to the provisions of Section 2.3 below, the Rent paid by Tenants of Low Income Units, may not exceed the Low HOME Rent.

(b) No Additional Fees. Borrower may not charge any fee, other than Rent, to any Tenant of the City -Assisted Units for any housing or other services provided by Borrower. All Tenants must have equal access to and enjoyment of all common facilities in the Development.

Section 2.3 Rent Increases; Increased Income of Tenants.

(a) Rent Increases. The initial Rents and subsequent Rents for all City-Assisted Units must be approved by the City prior to occupancy and are subject to the HOME Regulations. All Rent increases for all City-Assisted Units are also subject to City approval. The Rent for such Units may be increased no more than once annually based upon the annual income certification described in Article 3. Tenants are to be given at least sixty(60) days written notice prior to any Rent increase. The City will provide Borrower with a schedule of maximum permissible Rents for the City-Assisted Units annually.

(b) Non-Qualifying Household. If, upon the annual certification of the income a Tenant of a City -Assisted Unit, Borrower determines that the income of a Low-60 Income Household has increased above the qualifying limit for a Low-60 Income Household, such Tenant shall be permitted to retain the Unit and upon expiration of the Tenant's lease and upon sixty(60) days written notice, the Rent must be increased to thirty percent(30%) of the actual Adjusted Income of the Tenant or the fair market rent. There is no rent cap for the units. When the Tenant vacates the Unit, the Borrower shall rent the Unit to a Low-60 Income Household, to comply with the requirements of Section 2.1 above.

(c) Termination of Occupancy. Upon termination of occupancy of a Unit by a Tenant, Borrower shall rent such Unit to a Low-60 Income Household to comply with the requirements of Section 2.1 above.

ARTICLE 3 INCOME CERTIFICATION AND REPORTING

Section 3.1 Income Certification. Borrower shall obtain, complete, and maintain on file, immediately prior to initial occupancy, and annually thereafter, income certifications from each Tenant renting any of the City-Assisted Units. Borrower shall make a good faith effort to verify the accuracy of the income provided by the applicant or occupying household, as the case may be, in an income certification. To verify the information Borrower shall take two or more of the following steps: (i) obtain a pay stub for the most recent pay period; (ii) obtain an income tax return for the most recent tax year; (iii) conduct a credit agency or similar search; (iv) obtain an income verification form from the applicant's current employer; (v) obtain an income verification form from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies; or (vi) if the applicant is unemployed and does not have a tax return, obtain another form of independent verification. Copies of Tenant income certifications are to be available to the City upon request.

Section 3.2 Tenant Selection Plan. Before leasing any Unit in the Development, Borrower shall submit to the City for review and approval, a written tenant selection plan. Borrower's tenant selection plan must, at a minimum, meet the requirements for tenant selection set out in 24 C.F.R. 92.253(d) and any modifications thereto. Borrower may not make material modifications to its tenant selection plan without the prior written approval of the City.

Section 3.3 Reporting Requirements. Borrower shall submit to the City (a) not later than the forty-fifth (45th) day after the close of each calendar year, or such other date as may be requested by the City, a statistical report, including income and rent data for all Units, setting forth the information called for therein, and (b) within fifteen (15) days after receipt of a written request, any other information or completed forms requested by the City in order to comply with reporting requirements of HUD, the State of California, and the City .

Section 3.4 Additional Information. Borrower shall provide any additional information reasonably requested by the City.

Section 3.5 Records. Borrower shall maintain complete, accurate and current records pertaining to the Development, and shall permit any duly authorized representative of the City to

inspect records, including records pertaining to the selection of Tenants, and income and household size of Tenants. All Tenant lists, applications and waiting lists relating to the Development are to be at all times: (i) separate and identifiable from any other business of Borrower, (ii) maintained as required by the City, in a reasonable condition for proper audit, and (iii) subject to examination during business hours by representatives of the City. Borrower shall retain copies of all materials obtained or produced with respect to occupancy of the units for a period of at least five (5) years. The City may examine and make copies of all books, records or other documents of Borrower that pertain to the Development.

Section 3.6 HOME Record Requirements. For the period of the HOME Term all records maintained by Borrower pursuant to Sections 3.3 and 3.5 above are to be (i) maintained in compliance with all applicable HUD records and accounting requirements, and (ii) open to and available for inspection and copying by HUD and its authorized representatives at reasonable intervals during normal business hours; provided however, records pertaining to Tenant income verifications, Rents, and Development inspections are subject to HUD inspection for five (5) years after expiration of the Term. Borrower is subject to the audit requirements set forth in 24 CFR 92.505 during the HOME Term and 24 CFR 570.502 during the Term.

Section 3.7 On-Site Inspection. The City may perform an on-site inspection of the Development at least one (1) time per year. Borrower shall cooperate in such inspection.

ARTICLE 4 OPERATION OF THE DEVELOPMENT

Section 4.1 Residential Use. Borrower shall operate the Development for residential use only. No part of the Development may be operated as transient housing.

Section 4.2 Compliance with Loan Documents and Program Requirements. Borrower's actions with respect to the Property shall at all times be in full conformity with: (i) all requirements of the Loan Documents; (ii) all requirements imposed on projects assisted with HOME Funds, and (iii) any other regulatory requirements imposed on the Development.

Section 4.3 Taxes and Assessments. Borrower shall pay all real and personal property taxes, assessments and charges and all franchise, income, employment, old age benefit, withholding, sales, and other taxes assessed against it, or payable by it, at such times and in such manner as to prevent any penalty from accruing, or any lien or charge from attaching to the Property; provided, however, that Borrower may contest in good faith, any such taxes, assessments, or charges. In the event Borrower exercises its right to contest any tax, assessment, or charge against it, Borrower, on final determination of the proceeding or contest, will immediately pay or discharge any decision or judgment rendered against it, together with all costs, charges and interest.

Section 4.4 Property Tax Exemption. Borrower shall not apply for a property tax exemption for the Property under any provision of law, except California Revenue and Taxation Section 214(g) without the prior written consent of the City.

ARTICLE 5 PROPERTY MANAGEMENT AND MAINTENANCE

Section 5.1 Management Responsibilities. Borrower is responsible for all management functions with respect to the Development, including without limitation the selection of Tenants, certification and recertification of household size and income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The City has no responsibility for management of the Development. Borrower may retain a professional property management company approved by the City in its reasonable discretion to perform Borrower's management duties hereunder. The Borrower may retain EAH Inc. or an affiliate of EAH Inc. as an approved property management company

Section 5.2 Periodic Performance Review. The City reserves the right to conduct an annual (or more frequently, if deemed necessary by the City) review of the management practices and financial status of the Development. The purpose of each periodic review will be to enable the City to determine if the Development is being operated and managed in accordance with the requirements and standards of this Agreement. Borrower shall cooperate with the City in such reviews.

Section 5.3 Replacement of Management Agent. If, as a result of a periodic review, the City determines in its reasonable judgment that the Development is not being operated and managed in accordance with any of the material requirements and standards of this Agreement, the City shall deliver notice to Borrower of its intention to cause replacement of the Management Agent, including the reasons therefor. Within fifteen (15) days after receipt by Borrower of such written notice, the City staff and Borrower shall meet in good faith to consider methods for improving the financial and operating status of the Development, including, without limitation, replacement of the Management Agent.

If, after such meeting, City staff recommends in writing the replacement of the Management Agent, Borrower shall promptly dismiss the then-current Management Agent, and shall appoint as the Management Agent a person or entity meeting the standards for a management agent.

Any contract for the operation or management of the Development entered into by Borrower shall provide that the Management Agent may be dismissed and the contract terminated as set forth above. Failure to remove the Management Agent in accordance with the provisions of this Section constitutes a default under this Agreement, and the City may enforce this provision through legal proceedings as specified in Section 6.7 below.

Section 5.4 Approval of Management Policies. Borrower shall submit its written management policies with respect to the Development to the City for its review, and shall amend such policies in any way necessary to ensure that such policies comply with the provisions of this Agreement.

Section 5.5 Property Maintenance. Borrower shall maintain, for the entire Term of this Agreement, all interior and exterior Improvements, including landscaping, on the Property in good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders and regulations of all federal, state, City, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their

respective departments, bureaus, and officials, and in accordance with the following maintenance conditions:

The City places prime importance on quality maintenance to protect its investment and to ensure that all City and City-assisted affordable housing projects within the City are not allowed to deteriorate due to below-average maintenance. Normal wear and tear of the Development will be acceptable to the City assuming Borrower agrees to provide all necessary improvements to assure the Development is maintained in good condition. Borrower shall make all repairs and replacements necessary to keep the improvements in good condition and repair.

In the event that Borrower breaches any of the covenants contained in this section and such default continues for a period of seven (7) days after written notice from the City with respect to graffiti, debris, waste material, and general maintenance or thirty (30) days after written notice from the City with respect to landscaping and building improvements, and Borrower has not diligently pursued a remedy, then the City, in addition to whatever other remedy it may have at law or in equity, has the right to enter upon the Property and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, the City is permitted (but is not required) to enter upon the Property and to perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Property, and to attach a lien on the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the City and/or costs of such cure, which amount shall be promptly paid by Borrower to the City upon demand.

ARTICLE 6 MISCELLANEOUS

Section 6.1 Lease Provisions. In leasing the Units within the Development, Borrower shall use a form of lease approved by the City. The lease must not contain any provision which is prohibited by 24 C.F.R. Section 92.253(b) and any amendments thereto. The form of lease must comply with all requirements of this Agreement, the other Loan Documents and must, among other matters; provided however, throughout the Term, Borrower may make changes to the City approved lease to remain in compliance with changes in laws affecting the lease:

(a) provide for termination of the lease for failure to: (i) provide any information required under this Agreement or reasonably requested by Borrower to establish or recertify the Tenant's qualification, or the qualification of the Tenant's household, for occupancy in the Development in accordance with the standards set forth in this Agreement, or (ii) qualify as a Low-60 Income Household as a result of any material misrepresentation made by such Tenant with respect to the income computation.

(b) be for an initial term of not less than one (1) year, unless by mutual agreement between the Tenant and Borrower, and provide for no increase in Rent during such year. After the initial year of tenancy, the lease may be month-to-month by mutual agreement of Borrower and the Tenant. Notwithstanding the above, any rent increases are subject to the requirements of Section 2.3(a) above.

(c) include a provision which requires a Tenant who is residing in a Unit required to be accessible pursuant to Section 3.11 of the Loan Agreement and who is not in need of an accessible Unit to move to a non-accessible Unit when a non-accessible Unit becomes available and another Tenant or prospective Tenant is in need of an accessible Unit.

Section 6.2 Lease Termination. Any termination of a lease or refusal to renew a lease for a City-Assisted Unit within the Development must be in conformance with 24 C.F.R. 92.253(c), and must be preceded by not less than sixty (60) days written notice to the Tenant by Borrower specifying the grounds for the action.

Section 6.3 Nondiscrimination.

(a) All of the Units must be available for occupancy on a continuous basis to members of the general public who are income eligible. Borrower may not give preference to any particular class or group of persons in renting or selling the Units, except to the extent that the Units are required to be leased to income eligible households pursuant to this Agreement. Borrower herein covenants by and for Borrower, assigns, and all persons claiming under or through Borrower, that there exist no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, source of income (e.g., SSI), ancestry, or disability, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of any unit nor will Borrower or any person claiming under or through Borrower, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of any unit or in connection with the employment of persons for the construction, operation and management of any unit.

(b) Borrower shall accept as Tenants, on the same basis as all other prospective Tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing housing program under Section 8 of the United States Housing Act, or its successor.

Borrower may not apply selection criteria to Section 8 certificate or voucher holders that is more burdensome than criteria applied to all other prospective Tenants, nor will Borrower apply or permit the application of management policies or lease provisions with respect to the Development which have the effect of precluding occupancy of units by such prospective Tenants.

Section 6.4 Term. The provisions of this Agreement apply to the Property for the Term even if the Loan is paid in full prior to the end of the terms. This Agreement binds any successor, heir or assign of Borrower, whether a change in interest occurs voluntarily or involuntarily, by operation of law or otherwise, except as expressly released by City. City is making the Loan on the condition, and in consideration of, this provision, and would not do so otherwise.

Section 6.5 Notice of Expiration of Term.

(a) At least six (6) months prior to the expiration of the Term, Borrower shall provide by first-class mail, postage prepaid, a notice to all Tenants containing (i) the anticipated

date of the expiration of the Term, (ii) any anticipated increase in Rent upon the expiration of the Term, (iii) a statement that a copy of such notice will be sent to the City , and (iv) a statement that a public hearing may be held by the City on the issue and that the Tenant will receive notice of the hearing at least fifteen (15) days in advance of any such hearing. Borrower shall also file a copy of the above-described notice with the City's Housing Manager.

(b) In addition to the notice required above, Borrower shall comply with the requirements set forth in California Government Code Sections 65863.10 and 65863.11. Such notice requirements include: (i) a twelve (12) month notice to existing tenants, prospective tenants and Affected Public Agencies (as defined in California Government Code Section 65863.10(a), prior to the expiration of the Term, (ii) a six (6) month notice requirement to existing tenants, prospective tenants and Affected Public Agencies prior to the expiration of the Term; (iii) a notice of an offer to purchase the Development to "qualified entities" (as defined in California Government Code Section 65863.11(d)), if the Development is to be sold within the Term; (iv) a notice of right of first refusal within the one hundred eighty (180) day period that qualified entities may purchase the Development.

Section 6.6 Covenants to Run With the Land. The City and Borrower hereby declare their express intent that the covenants and restrictions set forth in this Agreement run with the land, and bind all successors in title to the Property, provided, however, that on the expiration of the Term of this Agreement said covenants and restrictions expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof, is to be held conclusively to have been executed, delivered and accepted subject to the covenants and restrictions, regardless of whether such covenants or restrictions are set forth in such contract, deed or other instrument, unless the City expressly releases such conveyed portion of the Property from the requirements of this Agreement.

Section 6.7 Enforcement by The City. If Borrower fails to perform any obligation under this Agreement, and fails to cure the default within thirty (30) days after the City has notified Borrower in writing of the default or, if the default cannot be cured within thirty (30) days, fails to commence to cure within thirty (30) days and thereafter diligently pursue such cure and complete such cure within ninety (90) days, the City may enforce this Agreement by any or all of the following actions, or any other remedy provided by law:

(a) Calling the Loan. The City may declare a default under the Note, accelerate the indebtedness evidenced by the Note, and proceed with foreclosure under one or both of the Deeds of Trust.

(b) Action to Compel Performance or for Damages. The City may bring an action at law or in equity to compel Borrower's performance of its obligations under this Agreement, and may seek damages.

(c) Remedies Provided Under Loan Documents. The City may exercise any other remedy provided under the Loan Documents.

(d) Cure by Limited Partner of Borrower. The City shall give any limited partner of Borrower written notice of any default hereunder concurrently with written notice to

Borrower. Any limited partner of Borrower shall have the right to cure an Event of Default by Borrower provided that such cure shall occur within the same period afforded for Borrower's cure of an Event of Default. City shall accept any complete cure offered by the limited partner of Borrower as if the same were made by Borrower.

Section 6.8 Attorneys' Fees and Costs. In any action brought to enforce this Agreement, the prevailing party must be entitled to all costs and expenses of suit, including reasonable attorneys' fees. This section must be interpreted in accordance with California Civil Code Section 1717 and judicial decisions interpreting that statute.

Section 6.9 Recording and Filing. The City and Borrower shall cause this Agreement, and all amendments and supplements to it, to be recorded in the Official Records of the Stanislaus County.

Section 6.10 Governing Law. This Agreement is governed by the laws of the State of California.

Section 6.11 Waiver of Requirements. Any of the requirements of this Agreement may be expressly waived by the City in writing, but no waiver by the City of any requirement of this Agreement extends to or affects any other provision of this Agreement, and may not be deemed to do so.

Section 6.12 Amendments. This Agreement may be amended only by a written instrument executed by all the parties hereto or their successors in title that is duly recorded in the official records of the City of Turlock.

Section 6.13 Notices. Any notice requirement set forth herein will be deemed to be satisfied three (3) days after mailing of the notice first-class United States certified mail, postage prepaid, addressed to the appropriate party as follows:

City: City of Turlock
Housing Program Services Division
156 South Broadway, Suite 250
Turlock, CA 95380
Attention: Maryn Pitt

Borrower: Avena Bella II, L.P.
c/o EAH Inc.
22 Pelican Way
San Rafael, CA 94901
Attention: President

With copy to:

Wells Fargo Affordable Housing
Community Development Corporation
MAC D1053-170
301 South College Street, 17th Floor

Charlotte, NC 28288
Attention: Director of Asset Management

Such addresses may be changed by notice to the other party given in the same manner as provided above.

Section 6.14 Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions of this Agreement will not in any way be affected or impaired thereby.

Section 6.15 Multiple Originals; Counterparts. This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

Section 6.16 Time of Essence. Time is of the essence of each provision of this Agreement in which time is a factor.

WHEREAS, this Agreement has been entered into by the undersigned as of the date first written above.

CITY:

CITY OF TURLOCK,
a municipal corporation

By: _____
Print Name: Robert C. Lawton
Title: City Manager

APPROVED AS TO FORM:

Douglas L. White
City Attorney

BORROWER:

AVENA BELLA II, L.P.,
a California limited partnership

By: Avena Bella II EAH, LLC,
a California limited liability company,
its sole and managing general partner

By: Golden Oaks Manor, Inc.,
a California nonprofit
corporation,
Sole and Managing Member

By: _____
Welton Jordan, President

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

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

State of California)
County of Los Angeles)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature _____

(Seal)

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

State of California)
County of Los Angeles)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature _____

(Seal)

EXHIBIT A

Legal Description

The land is situated in the State of California, County of Stanislaus, and is described as follows:

ATTACHMENT NO. 2

LEGAL DESCRIPTION OF THE SITE

LEGAL DESCRIPTION

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

PARCEL ONE:

PARCEL 1, AS SHOWN ON A PARCEL MAP FILED JULY 11, 1975 IN BOOK 21 OF PARCEL MAPS, AT PAGE 54, BEING A PORTION OF THE NORTHEAST QUARTER OF SECTION 27, IN TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN.

EXCEPTING THEREFROM PARCEL 1, AS SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "PARCEL MAP NO. 11-04" FILED JANUARY 26, 2012 IN BOOK 56 OF PARCEL MAPS, AT PAGE 74, BEING A DIVISION OF PARCEL 1, AS SHOWN IN BOOK 21 OF PARCEL MAPS, PAGE 54, STANISLAUS COUNTY RECORDS, AND LYING IN THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 27, IN TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN, CITY OF TURLOCK, STATE OF CALIFORNIA.

SAID LAND IS ALSO DESIGNATED AS "REMAINDER" AS SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "PARCEL MAP NO. 11-04" FILED JANUARY 26, 2012 IN BOOK 56 OF PARCEL MAPS, AT PAGE 74, STANISLAUS COUNTY RECORDS.

PARCEL TWO:

A PRIVATE ACCESS AND UTILITY EASEMENT AS GRANTED IN THAT CERTAIN ACCESS EASEMENT AGREEMENT, RECORDED JANUARY 26, 2012, AS INSTRUMENT NO. 2012-0007120-00 OF OFFICIAL RECORDS, AND FURTHER DESCRIBED AS FOLLOWS:

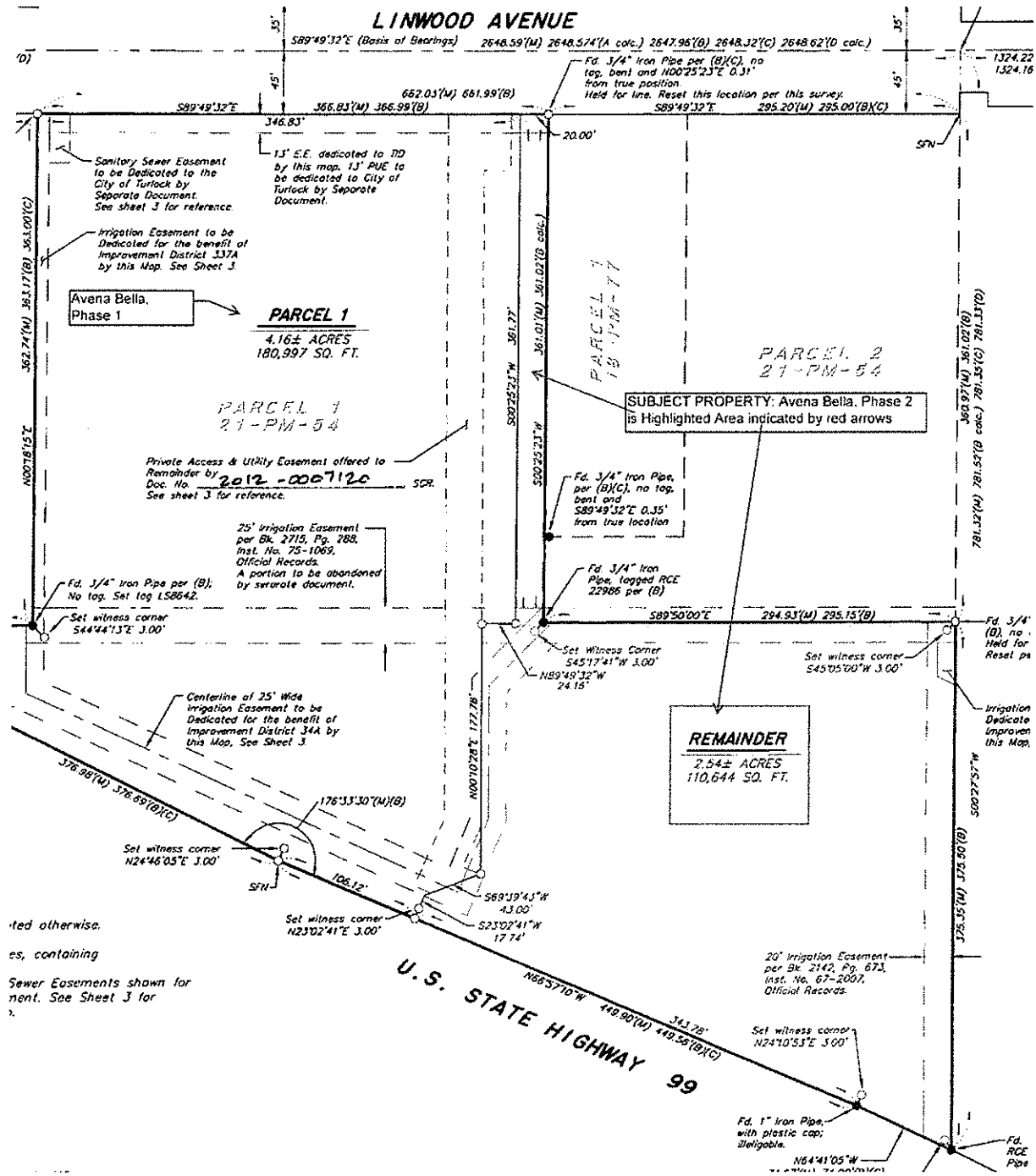
ALL THAT CERTAIN REAL PROPERTY BEING A PORTION OF PARCEL 1 AS SHOWN ON THE PARCEL MAP FILED FOR RECORD JULY 11, 1975 IN BOOK 21 OF PARCEL MAPS AT PAGE 54, STANISLAUS COUNTY RECORDS AND LYING IN THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 27, TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN, CITY OF TURLOCK, COUNTY OF STANISLAUS, STATE OF CALIFORNIA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF SAID PARCEL 1, SAID CORNER ALSO BEING A POINT ON THE SOUTHERLY RIGHT-OF-WAY LINE OF LINWOOD AVENUE; THENCE NORTH 89° 49' 32" WEST ALONG THE NORTHERLY LINE OF SAID PARCEL 1, A DISTANCE OF 26.51 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID NORTHERLY LINE SOUTH 00° 10' 28" WEST, A DISTANCE OF 39.96 FEET; THENCE NORTH 89° 49' 32" WEST, A DISTANCE OF 19.22 FEET; THENCE SOUTH 00° 10' 28" WEST, A DISTANCE OF 466.15 FEET; THENCE SOUTH 24° 40' 25" WEST, A DISTANCE OF 31.04 FEET; THENCE SOUTH 66° 51' 04" EAST, A DISTANCE OF 13.61 FEET; THENCE SOUTH 69° 39' 43" WEST, A DISTANCE OF 37.78 FEET; THENCE NORTH 66° 51' 04" WEST, A DISTANCE OF 12.90 FEET; THENCE NORTH 24° 40' 25" EAST, A DISTANCE OF 52.09 FEET; THENCE NORTH 00° 10' 28" EAST, A DISTANCE OF 500.47 FEET TO A POINT ON SAID NORTHERLY LINE; THENCE SOUTH 89° 49' 32" EAST ALONG SAID NORTHERLY LINE, A DISTANCE OF 45.22 FEET TO THE POINT OF BEGINNING.

APN: 044-064-020

ATTACHMENT NO. 1

MAP OF THE SITE



RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Turlock
Housing Program Services Division
156 South Broadway, Suite 250
Turlock, CA 95380
Attn: Housing Manager

No fee for recording pursuant to
Government Code Section 27383

DEED OF TRUST WITH ASSIGNMENT OF RENTS,
SECURITY AGREEMENT, AND FIXTURE FILING
(500 W. Linwood Avenue -HOME)

THIS DEED OF TRUST WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING ("Deed of Trust") is dated as of _____, 2019, by and among AVENA BELLA II, L.P., a California limited partnership ("Trustor"), Old Republic Title Company, a California corporation ("Trustee"), and the CITY OF TURLOCK, a municipal corporation ("Beneficiary").

FOR GOOD AND VALUABLE CONSIDERATION, including the indebtedness herein recited and the trust herein created, the receipt of which is hereby acknowledged, Trustor hereby irrevocably grants, transfers, conveys and assigns to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, under and subject to the terms and conditions hereinafter set forth, Trustor's fee interest in the property located at 500 W. Linwood Avenue, Turlock, California, that is described in the attached Exhibit A, incorporated herein by this reference (the "Property").

TOGETHER WITH all interest, estates or other claims, both in law and in equity which Trustor now has or may hereafter acquire in the Property and the rents;

TOGETHER WITH all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, including (without limiting the generality of the foregoing) all tenements, hereditaments and appurtenances thereof and thereto;

TOGETHER WITH any and all buildings and improvements of every kind and description now or hereafter erected thereon, and all property of the Trustor now or hereafter affixed to or placed upon the Property;

TOGETHER WITH all building materials and equipment now or hereafter delivered to said property and intended to be installed therein;

TOGETHER WITH all right, title and interest of Trustor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed,

adjoining the Property, and any and all sidewalks, alleys and strips and areas of land adjacent to or used in connection with the Property;

TOGETHER WITH all estate, interest, right, title, other claim or demand, of every nature, in and to such property, including the Property, both in law and in equity, including, but not limited to, all deposits made with or other security given by Trustor to utility companies, the proceeds from any or all of such property, including the Property, claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Trustor now has or may hereafter acquire, any and all awards made for the taking by eminent domain or by any proceeding or purchase in lieu thereof of the whole or any part of such property, including without limitation, any awards resulting from a change of grade of streets and awards for severance damages to the extent Beneficiary has an interest in such awards for taking as provided in Paragraph 4.1 herein;

TOGETHER WITH all of Trustor's interest in all articles of personal property or fixtures now or hereafter attached to or used in and about the building or buildings now erected or hereafter to be erected on the Property which are necessary to the complete and comfortable use and occupancy of such building or buildings for the purposes for which they were or are to be erected, including all other goods and chattels and personal property as are ever used or furnished in operating a building, or the activities conducted therein, similar to the one herein described and referred to, and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are, or will be, attached to said building or buildings in any manner; and

TOGETHER WITH all of Trustor's interest in all building materials, fixtures, equipment, work in process and other personal property to be incorporated into the Property; all goods, materials, supplies, fixtures, equipment, machinery, furniture and furnishings, signs and other personal property now or hereafter appropriated for use on the Property, whether stored on the Property or elsewhere, and used or to be used in connection with the Property; all rents, issues and profits, and all inventory, accounts, accounts receivable, contract rights, general intangibles, chattel paper, instruments, documents, notes drafts, letters of credit, insurance policies, insurance and condemnation awards and proceeds, trade names, trademarks and service marks arising from or related to the Property and any business conducted thereon by Trustor; all replacements, additions, accessions and proceeds; and all books, records and files relating to any of the foregoing.

All of the foregoing, together with the Property, is herein referred to as the "Security." To have and to hold the Security together with acquaintances to the Trustee, its successors and assigns forever.

FOR THE PURPOSE OF SECURING THE FOLLOWING OBLIGATIONS (the "Secured Obligations"):

A. Payment to Beneficiary of all sums at any time owing under or in connection with the Note (defined in Section 1.4 below) until paid or cancelled. Said principal and other payments are due and payable as provided in the Note. The Note and all its terms are

incorporated herein by reference, and this conveyance secures any and all extensions thereof, however evidenced;

B. Payment of any sums advanced by Beneficiary to protect the Security pursuant to the terms and provisions of this Deed of Trust following a breach of Trustor's obligation to advance said sums and the expiration of any applicable cure period, with interest thereon as provided herein;

C. All modifications, extensions and renewals of any of the Secured Obligations (including without limitation, (i) modifications, extensions or renewals at a different rate of interest, or (ii) deferrals or accelerations of the required principal payment dates or interest payment dates or both, in whole or in part), however evidenced, whether or not any such modification, extension or renewal is evidenced by a new or additional promissory note or notes.

AND TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR COVENANTS AND AGREES:

ARTICLE 1 DEFINITIONS

In addition to the terms defined elsewhere in this Deed of Trust, the following terms have the following meanings in this Deed of Trust:

Section 1.1 The term "Loan" means the loan made by the Beneficiary to the Trustor in the amount of Two Million Four Hundred Sixty-Seven Thousand Three Hundred Seventy-Three Dollars (\$2,467,373.00).

Section 1.2 The term "Loan Agreement" means that certain HOME Loan Agreement between Trustor and Beneficiary, of even date herewith, as such may be amended from time to time, providing for the Beneficiary to loan to Trustor of Two Million Four Hundred Sixty-Seven Thousand Three Hundred Seventy-Three Dollars (\$2,467,373.00).

Section 1.3 The term "Loan Documents" means this Deed of Trust, the Note, the Loan Agreement, and the Regulatory Agreement, and any other debt, loan or security instruments between Trustor and the Beneficiary relating to the Loan.

Section 1.4 The term "Note" means the Promissory Note in the principal amount of Two Million Four Hundred Sixty-Seven Thousand Three Hundred Seventy-Three Dollars (\$2,467,373.00) of even date herewith, executed by Trustor in favor of the Beneficiary, as it may be amended or restated, the payment of which is secured by this Deed of Trust. (A copy of the Note is on file with the Beneficiary and terms and provisions of the Note are incorporated herein by reference.)

Section 1.5 The term "Principal" means the amount required to be paid under the Note.

Section 1.6 The term “Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants of even date herewith by and between the Beneficiary and the Trustor.

ARTICLE 2 MAINTENANCE AND MODIFICATION OF THE PROPERTY AND SECURITY

Section 2.1 Maintenance and Modification of the Property by Trustor.

The Trustor agrees that at all times prior to full payment and performance of the Secured Obligations, the Trustor will, at the Trustor’s own expense, maintain, preserve and keep the Security or cause the Security to be maintained and preserved in good condition. The Trustor will from time to time make or cause to be made all repairs, replacements and renewals deemed proper and necessary by it. The Beneficiary has no responsibility in any of these matters or for the making of improvements or additions to the Security.

Trustor agrees to pay fully and discharge (or cause to be paid fully and discharged) all claims for labor done and for material and services furnished in connection with the Security, diligently to file or procure the filing of a valid notice of cessation upon the event of a cessation of labor on the work or construction on the Security for a continuous period of thirty (30) days or more, and to take all other reasonable steps to forestall the assertion of claims of lien against the Security or any part thereof. Trustor irrevocably appoints, designates and authorizes Beneficiary as its agent (said agency being coupled with an interest) with the authority, but without any obligation, to file for record any notices of completion or cessation of labor or any other notice that Beneficiary deems necessary or desirable to protect its interest in and to the Security or the Loan Documents; provided, however, that Beneficiary exercises its rights as agent of Trustor only in the event that Trustor fails to take, or fails to diligently continue to take, those actions as hereinbefore provided.

Upon demand by Beneficiary, Trustor shall make or cause to be made such demands or claims as Beneficiary specifies upon laborers, materialmen, subcontractors or other persons who have furnished or claim to have furnished labor, services or materials in connection with the Security. Nothing herein contained requires Trustor to pay any claims for labor, materials or services which Trustor in good faith disputes and is diligently contesting provided that Trustor shall, within thirty (30) days after the filing of any claim of lien, record in the Office of the Recorder of Stanislaus County, a surety bond in an amount 1 and 1/2 times the amount of such claim item to protect against a claim of lien.

Section 2.2 Granting of Easements.

Trustor may not grant easements, licenses, rights-of-way or other rights or privileges in the nature of easements with respect to any property or rights included in the Security except those required or desirable for installation and maintenance of public utilities including, without limitation, water, gas, electricity, sewer, telephone and telegraph, or those required by law, and as approved, in writing, by Beneficiary.

Section 2.3 Assignment of Rents.

As part of the consideration for the indebtedness evidenced by the Note, Trustor hereby absolutely and unconditionally assigns and transfers to Beneficiary all the rents and revenues of the Property including those now due, past due, or to become due by virtue of any lease or other agreement for the occupancy or use of all or any part of the Property, regardless of to whom the rents and revenues of the Property are payable, subject to the rights of senior lenders. Trustor hereby authorizes Beneficiary or Beneficiary's agents to collect the aforesaid rents and revenues and hereby directs each tenant of the Property to pay such rents to Beneficiary or Beneficiary's agents; provided, however, that prior to written notice given by Beneficiary to Trustor of the breach by Trustor of any covenant or agreement of Trustor in the Loan Documents, Trustor shall collect and receive all rents and revenues of the Property as trustee for the benefit of Beneficiary and Trustor to apply the rents and revenues so collected to the Secured Obligations with the balance, so long as no such breach has occurred, to the account of Trustor, it being intended by Trustor and Beneficiary that this assignment of rents constitutes an absolute assignment and not an assignment for additional security only. Upon delivery of written notice by Beneficiary to Trustor of the breach by Trustor of any covenant or agreement of Trustor in the Loan Documents, and without the necessity of Beneficiary entering upon and taking and maintaining full control of the Property in person, by agent or by a court-appointed receiver, Beneficiary shall immediately be entitled to possession of all rents and revenues of the Property as specified in this Section 2.3 as the same becomes due and payable, including but not limited to, rents then due and unpaid, and all such rents will immediately upon delivery of such notice be held by Trustor as trustee for the benefit of Beneficiary only; provided, however, that the written notice by Beneficiary to Trustor of the breach by Trustor contains a statement that Beneficiary exercises its rights to such rents. Trustor agrees that commencing upon delivery of such written notice of Trustor's breach by Beneficiary to Trustor, each tenant of the Property shall make such rents payable to and pay such rents to Beneficiary or Beneficiary's agents on Beneficiary's written demand to each tenant therefor, delivered to each tenant personally, by mail or by delivering such demand to each rental unit, without any liability on the part of said tenant to inquire further as to the existence of a default by Trustor.

Trustor hereby covenants that Trustor has not executed any prior assignment of said rents except in connection with the Bond Loan, that Trustor has not performed, and will not perform, any acts or has not executed and will not execute, any instrument which would prevent Beneficiary from exercising its rights under this Section 2.3, and that at the time of execution of this Deed of Trust, there has been no anticipation or prepayment of any of the rents of the Property for more than two (2) months prior to the due dates of such rents. Trustor covenants that Trustor will not hereafter collect or accept payment of any rents of the Property more than two (2) months prior to the due dates of such rents. Trustor further covenants that Trustor will execute and deliver to Beneficiary such further assignments of rents and revenues of the Property as Beneficiary may from time to time request.

Upon Trustor's breach of any covenant or agreement of Trustor in the Loan Documents, Beneficiary may in person, by agent or by a court-appointed receiver, regardless of the adequacy of Beneficiary's security, enter upon and take and maintain full control of the Property in order to perform all acts necessary and appropriate for the operation and maintenance thereof including, but not limited to, the execution, cancellation or modification of leases, the collection

of all rents and revenues of the Property, the making of repairs to the Property and the execution or termination of contracts providing for the management or maintenance of the Property, all on such terms as are deemed best to protect the security of this Deed of Trust. In the event Beneficiary elects to seek the appointment of a receiver for the Property upon Trustor's breach of any covenant or agreement of Trustor in this Deed of Trust, Trustor hereby expressly consents to the appointment of such receiver. Beneficiary or the receiver will be entitled to receive a reasonable fee for so managing the Property.

All rents and revenues collected subsequent to delivery of written notice by Beneficiary to Trustor of the breach by Trustor of any covenant or agreement of Trustor in the Loan Documents are to be applied first to the costs, if any, of taking control of and managing the Property and collecting the rents, including, but not limited to, attorney's fees, receiver's fees, premiums on receiver's bonds, costs of repairs to the Property, premiums on insurance policies, taxes, assessments and other charges on the Property, and the costs of discharging any obligation or liability of Trustor as lessor or landlord of the Property and then to the sums secured by this deed of Trust. Beneficiary or the receiver is to have access to the books and records used in the operation and maintenance of the Property and will be liable to account only for those rents actually received. Beneficiary is not liable to Trustor, anyone claiming under or through Trustor or anyone having an interest in the Property by reason of anything done or left undone by Beneficiary under this Section 2.3.

If the rents of the Property are not sufficient to meet the costs, if any, of taking control of and managing the Property and collecting the rents, any funds expended by Beneficiary for such purposes will become part of the Secured Obligations pursuant to Section 3.3 hereof. Unless Beneficiary and Trustor agree in writing to other terms of payment, such amounts are payable by Trustor to Beneficiary upon notice from Beneficiary to Trustor requesting payment thereof and will bear interest from the date of disbursement at the rate stated in Section 3.3.

If the Beneficiary or the receiver enters upon and takes and maintains control of the Property, neither that act nor any application of rents as provided herein will cure or waive any default under this Deed of Trust or invalidate any other right or remedy available to Beneficiary under applicable law or under this Deed of Trust. This assignment of rents of the Property will terminate at such time as this Deed of Trust ceases to secure the Secured Obligations.

ARTICLE 3 TAXES AND INSURANCE; ADVANCES

Section 3.1 Taxes, Other Governmental Charges and Utility Charges.

Trustor shall pay, or cause to be paid, prior to the date of delinquency, all taxes, assessments, charges and levies imposed by any public authority or utility company that are or may become a lien affecting the Security or any part thereof; provided, however, that Trustor is not required to pay and discharge any such tax, assessment, charge or levy so long as (a) the legality thereof is promptly and actively contested in good faith and by appropriate proceedings, and (b) Trustor maintains reserves adequate to pay any liabilities contested pursuant to this Section 3.1. With respect to taxes, special assessments or other similar governmental charges, Trustor shall pay such amount in full prior to the attachment of any lien therefor on any part of

the Security; provided, however, if such taxes, assessments or charges can be paid in installments, Trustor may pay in such installments. Except as provided in clause (b) of the first sentence of this paragraph, the provisions of this Section 3.1 may not be construed to require that Trustor maintain a reserve account, escrow account, impound account or other similar account for the payment of future taxes, assessments, charges and levies.

In the event that Trustor fails to pay any of the items required by this Section to be paid by Trustor, Beneficiary may (but is under no obligation to) pay the same, after the Beneficiary has notified the Trustor of such failure to pay and the Trustor fails to fully pay such items within seven (7) business days after receipt of such notice. Any amount so advanced therefor by Beneficiary, together with interest thereon from the date of such advance at the maximum rate permitted by law, will become part of the Secured Obligations secured hereby, and Trustor agrees to pay all such amounts.

Section 3.2 Provisions Respecting Insurance.

Trustor agrees to provide insurance conforming in all respects to that required under the Loan Documents at all times until all amounts secured by this Deed of Trust have been paid, all Secured Obligations secured hereunder have been fulfilled, and this Deed of Trust has been reconveyed.

All such insurance policies and coverages are to be maintained at Trustor's sole cost and expense. Certificates of insurance for all of the above insurance policies, showing the same to be in full force and effect, are to be delivered to the Beneficiary upon demand therefor at any time prior to Trustor's satisfaction of the Secured Obligations.

Section 3.3 Advances.

In the event the Trustor fails to maintain the full insurance coverage required by this Deed of Trust or fails to keep the Security in accordance with the Loan Documents, the Beneficiary, after at least seven (7) days prior notice to Trustor, may (but is under no obligation to) (i) take out the required policies of insurance and pay the premiums on the same, and (ii) make any repairs or replacements that are necessary and provide for payment thereof. All amounts so advanced by the Beneficiary will become part of the Secured Obligations (together with interest as set forth below) and will be secured hereby, which amounts the Trustor agrees to pay on the demand of the Beneficiary, and if not so paid, will bear interest from the date of the advance at the lesser of ten percent (10%) per annum or the maximum rate permitted by law.

ARTICLE 4

DAMAGE, DESTRUCTION OR CONDEMNATION

Section 4.1 Awards and Damages.

Subject to the rights of senior lenders, all judgments, awards of damages, settlements and compensation made in connection with or in lieu of (1) the taking of all or any part of or any interest in the Property by or under assertion of the power of eminent domain, (2) any damage to or destruction of the Property or any part thereof by insured casualty, and (3) any other injury or damage to all or any part of the Property (collectively, the "Funds") are hereby assigned to and

are to be paid to the Beneficiary by a check made payable to the Beneficiary. The Beneficiary is authorized and empowered (but not required) to collect and receive any Funds and is authorized to apply them in whole or in part to any indebtedness or obligation secured hereby, in such order and manner as the Beneficiary determines at its sole option. The Beneficiary is entitled to settle and adjust all claims under insurance policies provided under this Deed of Trust and may deduct and retain from the proceeds of such insurance the amount of all expenses incurred by it in connection with any such settlement or adjustment. All or any part of the amounts so collected and recovered by the Beneficiary may be released to Trustor upon such conditions as the Beneficiary may impose for its disposition. Application of all or any part of the Funds collected and received by the Beneficiary or the release thereof will not cure or waive any default under this Deed of Trust. The rights of the Beneficiary under this Section 4.1 are subject to the rights of any senior mortgage lender. The Beneficiary shall release the Funds to Trustor to be used to reconstruct the improvements on the Property provided that Beneficiary reasonably determines that Trustor (taking into account the Funds) has sufficient funds to rebuild the improvements in substantially the form that existed prior to the casualty or condemnation.

ARTICLE 5
AGREEMENTS AFFECTING THE PROPERTY;
FURTHER ASSURANCES; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.1 Other Agreements Affecting Property.

The Trustor shall duly and punctually perform all terms, covenants, conditions and agreements binding upon it under the Loan Documents and any other agreement of any nature whatsoever now or hereafter involving or affecting the Security or any part thereof.

Section 5.2 Agreement to Pay Attorneys' Fees and Expenses.

In the event of any Event of Default (as defined in Section 7.1) hereunder, and if the Beneficiary employs attorneys or incurs other expenses for the collection of amounts due hereunder or the enforcement of performance or observance of an obligation or agreement on the part of the Trustor in this Deed of Trust, the Trustor agrees that it will, on demand therefor, pay to the Beneficiary the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Beneficiary. Any such amounts paid by the Beneficiary will be added to the Secured Obligations, and will bear interest from the date such expenses are incurred at the lesser of ten percent (10%) per annum or the maximum rate permitted by law.

Section 5.3 Payment of the Principal.

The Trustor shall pay to the Beneficiary the Principal and any other payments as set forth in the Note in the amounts and by the times set out therein.

Section 5.4 Personal Property.

To the maximum extent permitted by law, the personal property subject to this Deed of Trust is deemed to be fixtures and part of the real property and this Deed of Trust constitutes a fixtures filing under the California Commercial Code. As to any personal property not deemed

or permitted to be fixtures, this Deed of Trust constitutes a security agreement under the California Commercial Code.

Section 5.5 Financing Statement.

The Trustor shall execute and deliver to the Beneficiary such financing statements pursuant to the appropriate statutes, and any other documents or instruments as are required to convey to the Beneficiary a valid perfected security interest in the Security. The Trustor shall perform all acts that the Beneficiary reasonably requests so as to enable the Beneficiary to maintain a valid perfected security interest in the Security in order to secure the payment of the Note in accordance with its terms. The Beneficiary is authorized to file a copy of any such financing statement in any jurisdiction(s) as it deems appropriate from time to time in order to protect the security interest established pursuant to this instrument.

Section 5.6 Operation of the Security.

The Trustor shall operate the Security (and, in case of a transfer of a portion of the Security subject to this Deed of Trust, the transferee shall operate such portion of the Security) in full compliance with the Loan Documents.

Section 5.7 Inspection of the Security.

At any and all reasonable times upon seventy-two (72) hours' notice, the Beneficiary and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, may inspect the Security, without payment of charges or fees.

Section 5.8 Nondiscrimination.

The Trustor herein covenants by and for itself, its heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there will be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, age, sex, sexual orientation, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Security, nor will the Trustor itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Security. The foregoing covenants run with the land.

ARTICLE 6 HAZARDOUS WASTE

Trustor shall keep and maintain the Property in compliance with, and shall not cause or permit the Property to be in violation of any federal, state or local laws, ordinances or regulations relating to industrial hygiene or to the environmental conditions on, under or about the Property including, but not limited to, soil and ground water conditions. Trustor shall not use, generate, manufacture, store or dispose of on, under, or about the Property or transport to or from the Property any flammable explosives, radioactive materials, hazardous wastes, toxic substances or related materials, including without limitation, any substances defined as or included in the

definition of “hazardous substances,” hazardous wastes,” “hazardous materials,” or “toxic substances” under any applicable federal or state laws or regulations (collectively referred to hereinafter as “Hazardous Materials”) except such of the foregoing as may be customarily used in construction or operation of a multi-family residential development.

Trustor shall immediately advise Beneficiary in writing if at any time it receives written notice of: (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against Trustor or the Property pursuant to any applicable federal, state or local laws, ordinances, or regulations relating to any Hazardous Materials, (“Hazardous Materials Law”); (ii) all claims made or threatened by any third party against Trustor or the Property relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in clauses (i) and (ii) above are hereinafter referred to as “Hazardous Materials Claims”); and (iii) Trustor’s discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be classified as “border-zone property” (as defined in California Health and Safety Code Section 25117.4) under the provision of California Health and Safety Code Section 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Property under any Hazardous Materials Law.

Beneficiary has the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims and to have its reasonable attorneys’ fees in connection therewith paid by Trustor. Trustor shall indemnify and hold harmless Beneficiary and its board members, supervisors, directors, officers, employees, agents, successors and assigns from and against any loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to the use, generation, storage, release, threatened release, discharge, disposal, or presence of Hazardous Materials on, under, or about the Property including without limitation: (a) all foreseeable consequential damages; (b) the costs of any required or necessary repair, clean-up or detoxification of the Property and the preparation and implementation of any closure, remedial or other required plans; and (c) all reasonable costs and expenses incurred by Beneficiary in connection with clauses (a) and (b), including but not limited to reasonable attorneys’ fees and consultant’s fees. This indemnification applies whether or not any government agency has issued a clean-up order. Losses, claims, costs, suits, liability, and expenses covered by this indemnification provision include, but are not limited to: (1) losses attributable to diminution in the value of the Property; (2) loss or restriction of use of rentable space on the Property; (3) adverse effect on the marketing of any rental space on the Property; and (4) penalties and fines levied by, and remedial or enforcement actions of any kind issued by any regulatory agency (including but not limited to the costs of any required testing, remediation, repair, removal, clean-up or detoxification of the Property and surrounding properties).

Without Beneficiary’s prior written consent, which may not be unreasonably withheld, Trustor may not take any remedial action in response to the presence of any Hazardous Materials on, under or about the Property, nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Material Claims, which remedial action, settlement, consent decree or compromise might, in Beneficiary’s reasonable judgment, impairs the value of the Beneficiary’s security hereunder; provided, however, that Beneficiary’s prior consent is not

necessary in the event that the presence of Hazardous Materials on, under, or about the Property either poses an immediate threat to the health, safety or welfare of any individual or is of such a nature that an immediate remedial response is necessary and it is not reasonably possible to obtain Beneficiary's consent before taking such action, provided that in such event Trustor notifies Beneficiary as soon as practicable of any action so taken. Beneficiary agrees not to withhold its consent, where such consent is required hereunder, if (i) a particular remedial action is ordered by a court of competent jurisdiction; (ii) Trustor will or may be subjected to civil or criminal sanctions or penalties if it fails to take a required action; (iii) Trustor establishes to the reasonable satisfaction of Beneficiary that there is no reasonable alternative to such remedial action which would result in less impairment of Beneficiary's security hereunder; or (iv) the action has been agreed to by Beneficiary.

The Trustor hereby acknowledges and agrees that (i) this Article is intended as the Beneficiary's written request for information (and the Trustor's response) concerning the environmental condition of the Property as required by California Code of Civil Procedure Section 726.5, and (ii) each representation and warranty in this Deed of Trust or any of the other Loan Documents (together with any indemnity applicable to a breach of any such representation and warranty) with respect to the environmental condition of the property is intended by the Beneficiary and the Trustor to be an "environmental provision" for purposes of California Code of Civil Procedure Section 736.

In the event that any portion of the Property is determined to be "environmentally impaired" (as that term is defined in California Code of Civil Procedure Section 726.5(e)(3)) or to be an "affected parcel" (as that term is defined in California Code of Civil Procedure Section 726.5(e)(1)), then, without otherwise limiting or in any way affecting the Beneficiary's or the Trustee's rights and remedies under this Deed of Trust, the Beneficiary may elect to exercise its rights under California Code of Civil Procedure Section 726.5(a) to (1) waive its lien on such environmentally impaired or affected portion of the Property and (2) exercise (a) the rights and remedies of an unsecured creditor, including reduction of its claim against the Trustor to judgment, and (b) any other rights and remedies permitted by law. For purposes of determining the Beneficiary's right to proceed as an unsecured creditor under California Code of Civil Procedure Section 726.5(a), the Trustor will be deemed to have willfully permitted or acquiesced in a release or threatened release of hazardous materials, within the meaning of California Code of Civil Procedure Section 726.5(d)(1), if the release or threatened release of hazardous materials was knowingly or negligently caused or contributed to by any lessee, occupant, or user of any portion of the Property and the Trustor knew or should have known of the activity by such lessee, occupant, or user which caused or contributed to the release or threatened release. All costs and expenses, including (but not limited to) attorneys' fees, incurred by the Beneficiary in connection with any action commenced under this paragraph, including any action required by California Code of Civil Procedure Section 726.5(b) to determine the degree to which the Property is environmentally impaired, plus interest thereon at the default rate specified in the Loan Agreement until paid, will be added to the indebtedness secured by this Deed of Trust and will be due and payable to the Beneficiary upon its demand made at any time following the conclusion of such action.

ARTICLE 7 EVENTS OF DEFAULT AND REMEDIES

Section 7.1 Events of Default.

The following are events of default following the expiration of any applicable notice and cure periods (each an “Event of Default”): (i) failure to make any payment to be paid by Trustor under the Loan Documents; (ii) failure to observe or perform any of Trustor’s other covenants, agreements or obligations under the Loan Documents, including, without limitation, the provisions concerning discrimination; (iii) failure to make any payment or observe or perform any of Trustor’s other covenants, agreements, or obligations under any Secured Obligations, which default is not cured within the times and in the manner provided therein; and (iv) failure to make any payments or observe or perform any of Trustor’s other covenants, agreements or obligations under any other debt instrument or regulatory agreement secured by the Property, which default is not cured within the time and in the manner provided therein.

Section 7.2 Acceleration of Maturity.

If an Event of Default has occurred and is continuing, then at the option of the Beneficiary, the amount of any payment related to the Event of Default and all unpaid Secured Obligations are immediately due and payable, and no omission on the part of the Beneficiary to exercise such option when entitled to do so may be construed as a waiver of such right.

Section 7.3 The Beneficiary’s Right to Enter and Take Possession.

If an Event of Default has occurred and is continuing, the Beneficiary may:

(a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of its security, enter upon the Property and take possession thereof (or any part thereof) and of any of the Security, in its own name or in the name of Trustee, and do any acts that it deems necessary or desirable to preserve the value or marketability of the Property, or part thereof or interest therein, increase the income therefrom or protect the security thereof. The entering upon and taking possession of the Security will not cure or waive any Event of Default or Notice of Sale (as defined in Section 7.3(c), below) hereunder or invalidate any act done in response to such Event of Default or pursuant to such Notice of Sale, and, notwithstanding the continuance in possession of the Security, Beneficiary will be entitled to exercise every right provided for in this Deed of Trust, or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

(b) Commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants hereof;

(c) Deliver to Trustee a written declaration of an Event of Default and demand for sale, and a written notice of default and election to cause Trustor’s interest in the Security to be sold (“Notice of Sale”), which notice Trustee or Beneficiary shall cause to be duly filed for record in the Official Records of Stanislaus County; or

(d) Exercise all other rights and remedies provided herein, in the instruments by which the Trustor acquires title to any Security, or in any other document or agreement now or hereafter evidencing, creating or securing the Secured Obligations.

Section 7.4 Foreclosure By Power of Sale.

Should the Beneficiary elect to foreclose by exercise of the power of sale herein contained, the Beneficiary shall deliver to the Trustee the Notice of Sale and shall deposit with Trustee this Deed of Trust which is secured hereby (and the deposit of which will be deemed to constitute evidence that the Secured Obligations are immediately due and payable), and such receipts and evidence of any expenditures made that are additionally secured hereby as Trustee may require.

(a) Upon receipt of the Notice of Sale from the Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such Notice of Sale as is then required by law and by this Deed of Trust. Trustee shall, without demand on Trustor, after the lapse of that amount of time as is then required by law and after recordation of such Notice of Sale as required by law, sell the Security, at the time and place of sale set forth in the Notice of Sale, whether as a whole or in separate lots or parcels or items, as Trustee deems expedient and in such order as it determines, unless specified otherwise by the Trustor according to California Civil Code Section 2924g(b), at public auction to the highest bidder, for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed or any matters of facts will be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale.

(b) After deducting all reasonable costs, fees and expenses of Trustee, including costs of evidence of title in connection with such sale, Trustee shall apply the proceeds of sale to payment of: (i) the unpaid Principal amount of the Note; (ii) all other Secured Obligations owed to Beneficiary under the Loan Documents; (iii) all other sums then secured hereby; and (iv) the remainder, if any, to Trustor.

(c) Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale, and from time to time thereafter, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new Notice of Sale.

Section 7.5 Receiver.

If an Event of Default occurs and is continuing, Beneficiary, as a matter of right and without further notice to Trustor or anyone claiming under the Security, and without regard to the then value of the Security or the interest of Trustor therein, may apply to any court having jurisdiction to appoint a receiver or receivers of the Security (or a part thereof), and Trustor hereby irrevocably consents to such appointment and waives further notice of any application therefor. Any such receiver or receivers will have all the usual powers and duties of receivers in like or similar cases, and all the powers and duties of Beneficiary in case of entry as provided

herein, and will continue as such and exercise all such powers until the date of confirmation of sale of the Security, unless such receivership is sooner terminated.

Section 7.6 Remedies Cumulative.

No right, power or remedy conferred upon or reserved to the Beneficiary by this Deed of Trust is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy will be cumulative and concurrent and will be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity.

Section 7.7 No Waiver.

(a) No delay or omission of the Beneficiary to exercise any right, power or remedy accruing upon any Event of Default will exhaust or impair any such right, power or remedy, and may not be construed to be a waiver of any such Event of Default or acquiescence therein; and every right, power and remedy given by this Deed of Trust to the Beneficiary may be exercised from time to time and as often as may be deemed expeditious by the Beneficiary. Beneficiary's express or implied consent to breach, or waiver of, any obligation of the Trustor hereunder will not be deemed or construed to be a consent to any subsequent breach, or further waiver, of such obligation or of any other obligations of the Trustor hereunder. Failure on the part of the Beneficiary to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, will not constitute a waiver by the Beneficiary of its right hereunder or impair any rights, power or remedies consequent on any Event of Default by the Trustor.

(b) If the Beneficiary (i) grants forbearance or an extension of time for the payment or performance of any Secured Obligation, (ii) takes other or additional security or the payment of any sums secured hereby, (iii) waives or does not exercise any right granted in the Loan Documents, (iv) releases any part of the Security from the lien of this Deed of Trust, or otherwise changes any of the terms, covenants, conditions or agreements in the Loan Documents, (v) consents to the granting of any easement or other right affecting the Security, or (vi) makes or consents to any agreement subordinating the lien hereof, any such act or omission will not release, discharge, modify, change or affect the original liability under this Deed of Trust, or any other obligation of the Trustor or any subsequent purchaser of the Security or any part thereof, or any maker, co-signer, endorser, surety or guarantor (unless expressly released); nor will any such act or omission preclude the Beneficiary from exercising any right, power or privilege herein granted or intended to be granted in any Event of Default then made or of any subsequent Event of Default, nor, except as otherwise expressly provided in an instrument or instruments executed by the Beneficiary, will the lien of this Deed of Trust be altered thereby.

Section 7.8 Suits to Protect the Security.

The Beneficiary has the power to (a) institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Security and the rights of the Beneficiary as may be unlawful or any violation of this Deed of Trust, (b) preserve or protect its interest (as described in this Deed of Trust) in the Security, and (c) restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be

unconstitutional or otherwise invalid, if the enforcement for compliance with such enactment, rule or order would impair the Security thereunder or be prejudicial to the interest of the Beneficiary.

Section 7.9 Trustee May File Proofs of Claim.

In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting the Trustor, its creditors or its property, the Beneficiary, to the extent permitted by law, will be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of the Beneficiary allowed in such proceedings and for any additional amount that becomes due and payable by the Trustor hereunder after such date.

Section 7.10 Waiver.

The Trustor waives presentment, demand for payment, notice of dishonor, notice of protest and nonpayment, protest, notice of interest on interest and late charges, and diligence in taking any action to collect any Secured Obligations or in proceedings against the Security, in connection with the delivery, acceptance, performance, default, endorsement or guaranty of this Deed of Trust.

ARTICLE 8
MISCELLANEOUS

Section 8.1 Amendments.

This Deed of Trust cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by Beneficiary and Trustor.

Section 8.2 Reconveyance by Trustee.

Upon written request of Beneficiary stating that all Secured Obligations have been paid or forgiven, and all obligations under the Loan Documents have been performed in full, and upon surrender of this Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey the Security to Trustor, or to the person or persons legally entitled thereto.

Section 8.3 Notices.

If at any time after the execution of this Deed of Trust it becomes necessary or convenient for one of the parties hereto to serve any notice, demand or communication upon the other party, such notice, demand or communication must be in writing and is to be served personally or by depositing the same in the registered United States mail, return receipt requested, postage prepaid and (1) if intended for Beneficiary is to be addressed to:

City of Turlock
Housing Program Services Division
156 South Broadway, Suite 250

Turlock, CA 95380
Attention: Housing Manager

and (2) if intended for Trustor is to be addressed to:

Avena Bella II, L.P.
c/o EAH
22 Pelican Way
San Rafael, CA 94901
Attention: President

Any notice, demand or communication will be deemed given, received, made or communicated on the date personal delivery is effected or, if mailed in the manner herein specified, on the delivery date or date delivery is refused by the addressee, as shown on the return receipt. Either party may change its address at any time by giving written notice of such change to Beneficiary or Trustor as the case may be, in the manner provided herein, at least ten (10) business days prior to the date such change is desired to be effective.

Section 8.4 Successors and Joint Trustors.

Where an obligation created herein is binding upon Trustor, the obligation also applies to and binds any transferee or successors in interest. Where the terms of the Deed of Trust have the effect of creating an obligation of the Trustor and a transferee, such obligation will be deemed to be a joint and several obligation of the Trustor and such transferee. Where Trustor is more than one entity or person, all obligations of Trustor will be deemed to be a joint and several obligation of each and every entity and person comprising Trustor.

Section 8.5 Captions.

The captions or headings at the beginning of each Section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

Section 8.6 Invalidity of Certain Provisions.

Every provision of this Deed of Trust is intended to be severable. In the event any term or provision hereof is declared to be illegal or invalid for any reason whatsoever by a court or other body of competent jurisdiction, such illegality or invalidity will not affect the balance of the terms and provisions hereof, which terms and provisions will remain binding and enforceable. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Security, the unsecured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, will be considered to have been first paid or applied to the full payment of that portion of the debt that is not secured or partially secured by the lien of this Deed of Trust.

Section 8.7 Governing Law.

This Deed of Trust is governed by the laws of the State of California.

Section 8.8 Gender and Number.

In this Deed of Trust the singular includes the plural and the masculine includes the feminine and neuter and vice versa, if the context so requires.

Section 8.9 Deed of Trust, Mortgage.

Any reference in this Deed of Trust to a mortgage also refers to a deed of trust and any reference to a deed of trust also refers to a mortgage.

Section 8.10 Actions.

Trustor shall appear in and defend any action or proceeding purporting to affect the Security.

Section 8.11 Substitution of Trustee.

Beneficiary may from time to time substitute a successor or successors to any Trustee named herein or acting hereunder to execute this Trust. Upon such appointment, and without conveyance to the successor trustee, the latter will be vested with all title, powers, and duties conferred upon any Trustee herein named or acting hereunder. Each such appointment and substitution is to be made by written instrument executed by Beneficiary, containing reference to this Deed of Trust and its place of record, which, when duly recorded in the proper office of the county or counties in which the Property is situated, will be conclusive proof of proper appointment of the successor trustee.

Section 8.12 Statute of Limitations.

The pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived to the full extent permissible by law.

Section 8.13 Acceptance by Trustee.

Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made public record as provided by law. Except as otherwise provided by law, the Trustee is not obligated to notify any party hereto of a pending sale under this Deed of Trust or of any action or proceeding in which Trustor, Beneficiary, or Trustee is a party unless brought by Trustee.

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust as of the day and year first above written.

AVENA BELLA II, L.P.,
a California limited partnership

By: Avena Bella II EAH, LLC,
a California limited liability company,
its sole and managing general partner

By: Golden Oaks Manor, Inc.,
a California nonprofit
corporation,
Sole and Managing Member

By: _____
Welton Jordan, President

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

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

State of California)
County of Los Angeles)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

LEGAL DESCRIPTION

The land is situated in the State of California, County of Stanislaus, and is described as follows:

ATTACHMENT NO. 2

LEGAL DESCRIPTION OF THE SITE

LEGAL DESCRIPTION

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

PARCEL ONE:

PARCEL 1, AS SHOWN ON A PARCEL MAP FILED JULY 11, 1975 IN BOOK 21 OF PARCEL MAPS, AT PAGE 54, BEING A PORTION OF THE NORTHEAST QUARTER OF SECTION 27, IN TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN.

EXCEPTING THEREFROM PARCEL 1, AS SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "PARCEL MAP NO. 11-04" FILED JANUARY 26, 2012 IN BOOK 56 OF PARCEL MAPS, AT PAGE 74, BEING A DIVISION OF PARCEL 1, AS SHOWN IN BOOK 21 OF PARCEL MAPS, PAGE 54, STANISLAUS COUNTY RECORDS, AND LYING IN THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 27, IN TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN, CITY OF TURLOCK, STATE OF CALIFORNIA.

SAID LAND IS ALSO DESIGNATED AS "REMAINDER" AS SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "PARCEL MAP NO. 11-04" FILED JANUARY 26, 2012 IN BOOK 56 OF PARCEL MAPS, AT PAGE 74, STANISLAUS COUNTY RECORDS.

PARCEL TWO:

A PRIVATE ACCESS AND UTILITY EASEMENT AS GRANTED IN THAT CERTAIN ACCESS EASEMENT AGREEMENT, RECORDED JANUARY 26, 2012, AS INSTRUMENT NO. 2012-0007120-00 OF OFFICIAL RECORDS, AND FURTHER DESCRIBED AS FOLLOWS:

ALL THAT CERTAIN REAL PROPERTY BEING A PORTION OF PARCEL 1 AS SHOWN ON THE PARCEL MAP FILED FOR RECORD JULY 11, 1975 IN BOOK 21 OF PARCEL MAPS AT PAGE 54, STANISLAUS COUNTY RECORDS AND LYING IN THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 27, TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN, CITY OF TURLOCK, COUNTY OF STANISLAUS, STATE OF CALIFORNIA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF SAID PARCEL 1, SAID CORNER ALSO BEING A POINT ON THE SOUTHERLY RIGHT-OF-WAY LINE OF LINWOOD AVENUE; THENCE NORTH 89° 49' 32" WEST ALONG THE NORTHERLY LINE OF SAID PARCEL 1, A DISTANCE OF 26.51 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID NORTHERLY LINE SOUTH 00° 10' 28" WEST, A DISTANCE OF 39.96 FEET; THENCE NORTH 89° 49' 32" WEST, A DISTANCE OF 19.22 FEET; THENCE SOUTH 00° 10' 28" WEST, A DISTANCE OF 466.15 FEET; THENCE SOUTH 24° 40' 25" WEST, A DISTANCE OF 31.04 FEET; THENCE SOUTH 66° 51' 04" EAST, A DISTANCE OF 13.61 FEET; THENCE SOUTH 69° 39' 43" WEST, A DISTANCE OF 37.78 FEET; THENCE NORTH 66° 51' 04" WEST, A DISTANCE OF 12.90 FEET; THENCE NORTH 24° 40' 25" EAST, A DISTANCE OF 52.09 FEET; THENCE NORTH 00° 10' 28" EAST, A DISTANCE OF 500.47 FEET TO A POINT ON SAID NORTHERLY LINE; THENCE SOUTH 89° 49' 32" EAST ALONG SAID NORTHERLY LINE, A DISTANCE OF 45.22 FEET TO THE POINT OF BEGINNING.

APN: 044-064-020

MAP OF THE SITE

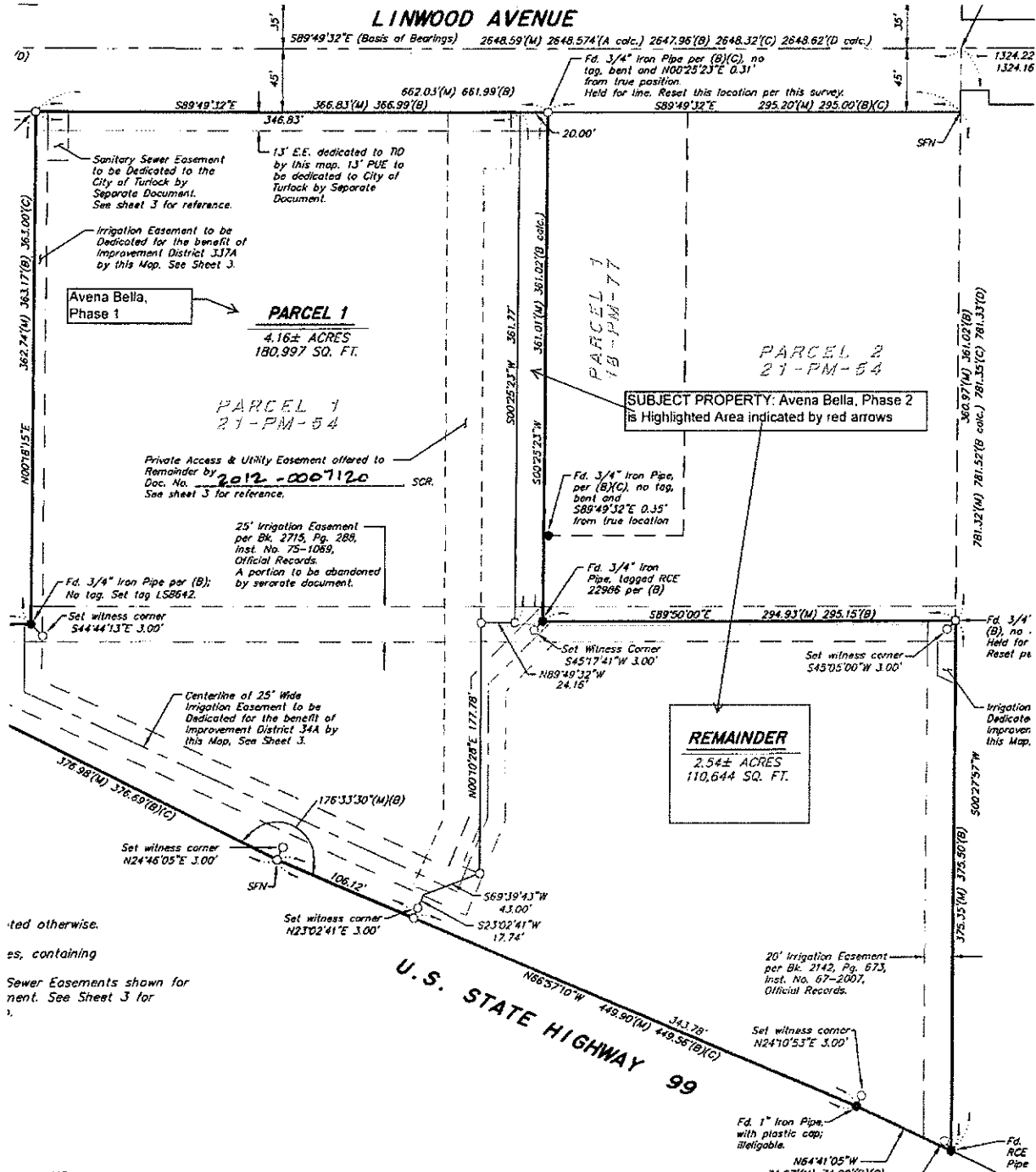


EXHIBIT D

Avena Bella 2
Tab 2
Financing Plan

I. Construction Financing

1	Conventional Construction Loan	\$10,063,967	Committed
---	--------------------------------	--------------	-----------

The Applicant has received a commitment for a conventional construction loan in the amount shown above from Wells Fargo Bank. The term is projected to be 21 months, and the interest rate is based on the 30-day LIBOR rate plus a 1.75% spread, plus an underwriting cushion. The loan is being underwritten at 5.75%. The full loan balance will be repaid from syndication proceeds at permanent conversion.

2	City of Turlock Housing Loan	\$4,000,000	Committed
---	------------------------------	-------------	-----------

The City of Turlock will provide a housing development loan in the amount shown above. The simple interest rate will be set at 3.00%. The loan is residual receipts with a 55 year term. The Housing Loan commitment is pursuant to a DDA between the Sponsor and former Redevelopment Agency of the City of Turlock (RDA). The City of Turlock through its City Council is the Successor Agency to the RDA. The California Department of Finance had provided a Final and Conclusive Determination Letter.

3	City of Turlock HOME Loan	\$2,200,000	Committed
---	---------------------------	-------------	-----------

The City of Turlock will provide a HOME loan in the amount shown above. The simple interest rate will be set at 3.00%. The loan is residual receipts with a 55 year term.

4	Federal Home Loan Bank Affordable Housing Program	\$600,000	Committed
---	---	-----------	-----------

The Federal Home Loan Bank of San Francisco's Affordable Housing Program has awarded funds in the amount shown above. The fund will be provide as a loan with an interest rate at 0%, 55 year term, and deferred payments.

5	Donated Land Value	\$885,000	Committed
---	--------------------	-----------	-----------

The City of Turlock will be donating the land for the project for \$0. The land value has been determined by third-party appraisal, with the valuation based on value at the date the DDA with the City of Turlock was executed. The land will be transferred pursuant to a DDA between the Sponsor and former Redevelopment Agency of the City of Turlock (RDA). The City of Turlock through its City Council is the Successor Agency to the RDA. The California Department of Finance had provided a Final and Conclusive Determination Letter.

6	Impact Fee Waiver	\$300,913	Committed
---	-------------------	-----------	-----------

The permit fees waiver is a waiver of permit fees that would ordinarily be paid to the County of Stanislaus, but are instead waived by the County, resulting in a cost saving to the project. This fee waiver is granted by the County of Stanislaus to benefit affordable housing.

7	LP Equity	\$694,196	
---	-----------	-----------	--

The project is expected to receive net equity pay-ins from the investor limited partner during construction in the amount shown above.

8	Solar Investment Tax Credit Equity	\$104,263	
---	------------------------------------	-----------	--

The project is expected to receive net equity pay-ins for the sale of Federal Section 48 Solar Investment Tax Credit from the investor limited partner during construction in the amount shown above.

9	Costs Deferred to Conversion	\$807,826	
---	------------------------------	-----------	--

The project will defer certain project costs to permanent loan conversion including capitalized reserves, permanent loan legal, permanent loan title & recording, and a portion of developer fee.

TOTAL CONSTRUCTION PERIOD FINANCING		\$19,656,165	
--	--	---------------------	--

Avena Bella 2
Tab 2
Financing Plan

II. Permanent Financing

1	Conventional Permanent Loan	\$445,000	Committed
	The Applicant has received a commitment for a conventional construction loan in the amount shown above from California Community Reinvestment Corporation. The proposed loan carries a term of 15 years with an amortization term of 15 years. The interest rate is based on the 10-year treasury yield plus a spread of 3.00%. The loan is underwritten at 5.65%.		
2	CA HCD Affordable Housing & Sustainable Communities Loan	\$1,661,667	Committed
	The State of California's Dept. of Housing & Community Development will provide a housing development loan from the Affordable Housing & Sustainable Communities program in the amount shown above. The interest rate will be set at 3.00%. The loan is residual receipts with a 55 year term, with the exception of an annual interest payment equivalent to 0.42% of the outstanding loan balance to offset HCD compliance & asset management costs, per standard HCD loan requirements.		
3	City of Turlock Housing Loan	\$4,000,000	Committed
	See description in construction financing above.		
4	City of Turlock HOME Loan	\$2,200,000	Committed
	See description in construction financing above.		
5	Federal Home Loan Bank Affordable Housing Program	\$600,000	Committed
	See description in construction financing above.		
6	Donated Land Value	\$885,000	Committed
	See description in construction financing above.		
7	Impact Fee Waiver	\$300,913	Committed
	See description in construction financing above.		
9	Deferred Developer Fee	\$210,996	Committed
	The Sponsor will defer a portion of its Developer Fee as a project source in the amount shown above.		
10	LP Equity	\$9,248,326	
	The project is expected to receive total net pay-ins from the investor limited partner in the amount shown above.		
11	Solar Investment Tax Credit Equity	\$104,263	
	See description in construction financing above.		
	TOTAL PERMANENT FINANCING	\$19,656,165	

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Wells Fargo Bank, National Association
Community Lending and Investment
MAC# A0119-177
333 Market Street, 17th Floor
San Francisco, CA 94105
Attention: Loan Administration Manager
Loan No. 1019162

SUBORDINATION AGREEMENT
(City of Turlock)

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT ("Agreement") is dated as of _____, 2019, by AVENA BELLA II, L.P., a California limited partnership ("Owner"), and the CITY OF TURLOCK (the "Subordinate Lender") in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION, its successors, transferees and assigns ("Senior Lender").

RECITALS

- A. Owner is the owner of the real property interests described on Exhibit A, attached hereto and incorporated herein by reference (the "Property"). Owner proposes to construct on the Property certain improvements consisting of a 61-unit affordable housing project, together with other appurtenances, fixtures, and tenant improvements now or hereafter located on the Property ("Improvements" or the "Project").
- B. Subordinate Lender has made, or had agreed to make, a loan to Owner in the original principal amount of \$4,000,000.00 (the "City Loan"), evidenced by (i) that certain Disposition and Development Agreement dated as of April 12, 2011 ("DDA") by and between the Redevelopment Agency of the City of Turlock ("Agency") (the predecessor in interest to Subordinate Lender) and EAH Inc., a California nonprofit public benefit corporation ("Developer") (the predecessor in interest to Owner), (ii) that certain Promissory Note dated as of _____, 2019 executed by Owner to the order of Subordinate Lender in the principal amount of \$4,000,000.00 ("City Note"), (iii) that certain Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing executed by Owner for the benefit of Subordinate Lender to be recorded in the Official Records of Stanislaus County, California ("Official Records") substantially concurrently herewith ("Subordinate Deed of Trust") and (iv) that certain Affordable Housing Covenant dated as of _____, 2019 by and between Owner and Subordinate Lender to be recorded in the Official Records substantially concurrently herewith and Notice of Affordability Restrictions on Transfer of Property to be recorded in the Official Records substantially concurrently herewith (collectively, the "City Restrictions"). The DDA, City Note, Subordinate Deed of Trust and all other documents or instruments executed in connection with the City Loan are hereinafter collectively referred to as the "Subordinate Loan Documents."
- C. Owner has requested that the Senior Lender make a loan to Owner in the original principal amount of up to _____ and No/100 Dollars (\$_____.00) ("Senior Loan"). The obligations of Owner to repay the principal of the Senior Loan and accrued interest and premium thereon are evidenced by that certain Construction/Permanent Loan Agreement dated as of even date herewith (the "Senior Loan Agreement"), executed by and between Owner and Senior Lender Promissory Note dated as of even date herewith, made by Owner to the order of Senior Lender in the original principal amount of \$_____.00

("Senior Note"), and Owner has executed and delivered to Senior Lender that certain Construction and Permanent Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing (the "**Senior Deed of Trust**") dated as of even date herewith, naming TRSTE, Inc., as trustee and Lender as beneficiary, encumbering the real property and securing, among other things, the payments due from Owner under the Senior Loan to be recorded in the Official Records concurrently herewith. The Senior Loan Agreement, Senior Note, Senior Deed of Trust, and any other loan documents executed in connection with the Senior Loan shall be referred to herein collectively as the "**Senior Loan Documents**." Any capitalized terms used herein but not defined shall have the meaning set forth in the Senior Loan Agreement.

- D. Pursuant to that certain Loan Purchase Agreement dated as of even date herewith (the "**Loan Purchase Agreement**") by and among Senior Lender, Owner and California Community Reinvestment Corporation ("**CCRC**"), and upon the satisfaction of certain terms and conditions contained therein, (i) CCRC has agreed to purchase a portion of the Senior Loan from Senior Lender on the Conversion Date (as defined in the Loan Purchase Agreement) and thereupon become the "Lender" under the Senior Loan Agreement, (ii) Senior Lender has agreed to assign its rights under the Senior Deed of Trust to CCRC on the Conversion Date, and (iii) Owner has agreed to execute certain additional documents in connection with such purchase and assignment. In connection with CCRC's entry into the Loan Purchase Agreement, Owner has executed and delivered that certain Delivery Assurance Fee Multifamily Deed of Trust, Security Agreement and Fixture Filing dated as of even date herewith in favor of CCRC ("**Delivery Assurance Fee Deed of Trust**") to be recorded in the Official Records substantially concurrently herewith.
- E. As a condition to Senior Lender making the Senior Loan secured by the Senior Deed of Trust, Senior Lender requires that the Senior Deed of Trust be unconditionally and at all times remain a lien or charge upon the Property, prior and superior to all the rights of the Subordinate Lender secured by the Subordinate Loan Documents, the repayment of the Subordinate Loan and the Subordinate Lender's rights under any other Subordinate Loan Documents and that the Subordinate Lender specifically and unconditionally subordinates the Subordinate Loan Documents, the repayment of the Subordinate Loan and the Subordinate Lender's rights under any other Subordinate Loan Documents to the lien or charge of the Senior Deed of Trust, the repayment of the Senior Loan and the other Senior Loan Documents.
- F. The Subordinate Lender and Owner agree to the above-referenced subordination in favor of Senior Lender.

THEREFORE, for valuable consideration and to induce Senior Lender to make the Senior Loan, Owner and Subordinate Lender hereby agree for the benefit of Senior Lender as follows:

- 1.1 Each of Lender, Owner and the Subordinate Lender agree that the Subordinate Loan Documents are unconditionally and will remain at all times, liens, claims, or charges on the property in the following priority order:
 - (a) the Senior Deed of Trust and Senior Loan;
 - (b) the Subordinate Deed of Trust and Subordinate Loan Documents; and
 - (c) the Delivery Assurance Fee Deed of Trust.
- 1.2 The Senior Deed of Trust securing the Senior Note in favor of Senior Lender, and any modifications, renewals or extensions thereof (including, without limitation, any modifications, renewals or extensions with respect to any additional advances made subject to the Senior Deed of Trust), together with Senior Lender's right to repayment of the Senior Loan and Senior Lender's rights under any other Senior Loan Documents, shall unconditionally be and at all times remain a lien or charge on the Property prior and superior to the Subordinate Loan Documents, the repayment of the Subordinate Loan and Subordinate Lender's rights under any other Subordinate Loan Documents, subject to the terms of this Agreement; provided, however, Subordinate Lender must have given its prior written consent to any modification, renewal or extension that affects the principal sum and/or increases the interest rate accruing on the principal sum of the Senior Loan and/or has an adverse effect upon the terms and provisions of the City

Restrictions as a condition to the subordination of the Subordinate Loan Documents to any such change in terms.

- 1.3 This Agreement shall be the whole agreement with regard to the subordination of the Subordinate Loan Documents, the repayment of the Subordinate Loan and Subordinate Lender's rights under any other Subordinate Loan Documents to the lien or charge of the Senior Deed of Trust together with Senior Lender's right to repayment of the Senior Loan and Senior Lender's rights under any other Senior Loan Documents and shall supersede and cancel, but only insofar as would affect the priority of the Senior Deed of Trust, any prior agreements as to such subordination, including, without limitation, those provisions, if any, contained in the Subordinate Loan Documents, which provide for the subordination of the Subordinate Deed of Trust, the Delivery Assurance Fee Deed of Trust or any other Subordinate Loan Documents to a deed or deeds of trust or to a mortgage or mortgages.
- 1.4 Owner and Subordinate Lender each makes the following representations and warranties to Senior Lender:
- (a) The Subordinate Loan is evidenced by the Subordinate Note and is secured by the Subordinate Deed of Trust and other Subordinate Loan Documents;
 - (b) Subordinate Lender is not in possession of any facts which would lead it to believe that Senior Lender is an affiliate of Borrower;
 - (c) The term of the Subordinate Note does not end before the stated term of the Senior Note;
 - (d) The executed Subordinate Loan Documents are substantially in the same forms as those submitted to, and approved by, Senior Lender prior to the date of this Agreement. Upon execution and delivery of the Subordinate Loan Documents, Owner shall deliver to Senior Lender an executed copy of each of the Subordinate Loan Documents, certified to be true, correct and complete; and
 - (e) Upon execution and delivery of the Senior Loan Documents, Owner shall deliver to Subordinate Lender an executed copy of each of the Senior Loan Documents, certified to be true, correct and complete.

Subordinate Lender further declares, agrees and acknowledges for the benefit of Senior Lender, that:

- 1.5 Senior Lender, in making disbursements pursuant to the Senior Loan Agreement, is under no obligation or duty to, nor has Senior Lender represented that it will, see to the application of such proceeds by the person or persons to whom Senior Lender disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part.
- 1.6 Subject to the order of priority set forth in Section 1.1, Subordinate Lender intentionally and unconditionally waives, relinquishes and subordinates all of its right, title and interest in and to the Property to the lien or charge of the Senior Deed of Trust upon the Property and understand that in reliance upon, and in consideration of, this waiver, relinquishment and subordination, specific loans and advances are being and will be made by Senior Lender and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.
- 1.7 Until the Senior Loan has been paid in full and Senior Lender has released the Senior Deed of Trust, Subordinate Lender shall not, without Senior Lender's prior written consent, demand, receive or accept any payment (whether of principal, interest or otherwise) from Owner in respect of its Subordinate Loan, or exercise any right of or permit any setoff in respect of its Subordinate Loan, except that Subordinate Lender may accept scheduled payments (but not prepayments) of principal and interest that are required

to be paid under its promissory note, so long as no default has occurred and is continuing or will occur as a result of or immediately following any such payment under the Senior Loan Documents.

In consideration of the mutual covenants and agreements contained in this Agreement, Senior Lender and Subordinate Lender agree as follows:

- 1.8 In the event of any default of Owner under the Senior Loan Documents, Senior Lender shall deliver to Subordinate Lender a copy of any notice delivered to Owner in connection therewith, concurrently with delivery to Owner of the same. In such event, Subordinate Lender has the right, but not the obligation, to cure the noticed default by thirty (30) days after the date Subordinate Lender receives a copy of the notice of default (the "**Subordinate Lender Cure Period**"), and Senior Lender shall accept such cure by Subordinate Lender as if it were cured by Owner, provided that Senior Lender shall have the continuing right to declare and record a notice of default and/or obtain a court-ordered receiver and the Subordinate Lender Cure Period shall not toll or extend the statutory cure period after Senior Lender's recordation of a notice of default. Notwithstanding the foregoing, Senior Lender shall not conduct any foreclosure sale nor accept any deed in lieu in resolution of such foreclosure process prior to the expiration of the Subordinate Lender Cure Period. Any amounts advanced by Subordinate Lender to cure a default under the Senior Loan Documents shall be an advance under the Subordinate Loan Documents and secured by the Subordinate Deed of Trust.
- 1.9 In the event of any default of Owner under the Subordinate Loan Documents, Subordinate Lender shall deliver to Senior Lender a copy of any notice delivered to Owner in connection therewith, concurrently with delivery to Owner of the same. In such event, Senior Lender has the right, but not the obligation, to cure the noticed default by forty-five (45) days after the date Senior Lender receives a copy of the notice of default (the "**Senior Lender Cure Period**"), and Subordinate Lender shall accept such cure by Senior Lender as if it were cured by Owner. Any amounts advanced by Senior Lender to cure a default under the Subordinate Loan Documents shall be an advance under the Senior Loan Documents and secured by the Senior Deed of Trust.
- 1.10 Subordinate Lender declares, agrees, and acknowledges that it will not, without prior written notice to, and consent from, Senior Lender: (i) commence any action to foreclose or exercise any power of sale under the Subordinate Deed of Trust or the Subordinate Loan Documents; (ii) accept a deed or assignment in lieu of foreclosure for the Property or any part or portion thereof; (iii) take possession or control of the Property, or collect or accept any rents from the Property; (iv) seek or obtain appointment of a receiver for the Property; (v) take any action that would terminate any leases or other rights held by or granted to or by third parties with respect to the Property; (vi) initiate any petition for bankruptcy, assignment for the benefit of creditors or creditor's agreement with respect to the Owner; or (vii) take any other enforcement action against the Property or any part or portion thereof, except that Subordinate Lender may seek performance by Borrower specifically to enforce the covenants and agreements made by Borrower set forth in the City Restrictions after providing notice to Borrower and Senior Lender and providing Borrower with thirty (30) days to cure such noncompliance and an additional thirty (30) days for Senior Lender to cure such noncompliance.
- 1.11 Senior Lender has delivered to Subordinate Lender true and complete copies of the Senior Loan Documents prior to Subordinate Lender's execution of this Agreement, and such documents have not been amended, modified or supplemented in any way except as disclosed therein.
- 1.12 Subordinate Lender hereby consents to the Senior Loan, the terms and provisions of the Senior Loan Documents and the execution and delivery by Owner to Senior Lender of the Senior Loan Documents. Subordinate Lender specifically acknowledges that subject to the construction of certain improvements on the Property and the satisfaction by Owner of certain other conditions within the time set forth in the Loan Purchase Agreement, CCRC shall purchase the Senior Loan from Senior Lender. Upon such purchase, the Senior Loan will become nonrecourse with certain exceptions and will automatically convert from an interest only construction loan into an amortizing term loan, all as more particularly set forth in the Senior Note. Subordinate Lender acknowledges that upon the purchase of the Senior Note by CCRC, the following Senior Loan Documents shall terminate:

- (a) Pledge and Security Agreement;
- (b) Security Agreement Rights to Payment;
- (c) UCC-1 Financing Statement (Tax Credits);
- (d) Completion Guaranty;
- (e) Repayment Guaranty; and
- (f) Assignment of Development Fee Agreement.

- 1.13 Subordinate Lender acknowledges that if CCRC should become the owner and holder of the Senior Loan Documents, including the Senior Note, then CCRC shall become the "Senior Lender" hereunder and this Agreement shall continue to inure to the benefit of CCRC and its successors and/or assigns.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute and be construed as one and the same instrument.

Exhibit A is attached hereto and incorporated herein by this reference.

[Remainder of Page Left Intentionally Blank.]

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT HERETO.

"OWNER"

AVENA BELLA II, L.P.,
a California limited partnership

By: Avena Bella II EAH, LLC,
a California limited liability company,
its sole and managing general partner

By: Golden Oaks Manor, Inc.,
a California nonprofit corporation,
its sole and managing member

By: _____
Welton Jordan
President

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

"CITY"

CITY OF TURLOCK

By:

Name: _____

Title: _____

"SENIOR LENDER"

WELLS FARGO BANK, NATIONAL ASSOCIATION

By:

Eric Leimbach
Vice President

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

PROPERTY DESCRIPTION

Exhibit A to Subordination Agreement executed by AVENA BELLA II, L.P., a California limited partnership and the CITY OF TURLOCK in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION, dated as of _____, 2019.

Exhibit A to Subordination Agreement

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

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____

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

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____

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

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____

City Council Staff Report

August 27, 2019



9B

From: Maryn Pitt, Assistant to the City Manager for Economic Development and Housing

Prepared by: Maryn Pitt, Assistant to the City Manager for Economic Development and Housing

Agendized by: Robert C. Lawton, City Manager

1. ACTION RECOMMENDED:

Motion: Approving and authorizing the execution of the First Amendment to the Disposition and Development Agreement, Estoppel Certificate, and any other supporting documents between the City of Turlock as the Housing Successor Agency and EAH, Inc. for the development of Avena Bella Phase 2

2. SYNOPSIS:

Approve the First Amendment to the Disposition and Development Agreement and supporting documents in order to construct Avena Bella Phase 2, a sixty one unit affordable housing project.

3. DISCUSSION OF ISSUE:

Affordable Housing is a challenge in Turlock and throughout California. Additional affordable housing for low-income residents is needed in Turlock, as demonstrated by the lack of vacant affordable units and lengthy waitlists within the community. The occupancy for all affordable family comparables is effectively 100%, with extremely low turnover, and any vacancies filled immediately via waitlists. Additionally, there are more than 10,000 families on the waiting list for a Housing Authority Section 8 voucher.

The subject property will be developed as the second and final phase of the previously constructed Avena Bella, Phase 1 affordable housing project (Phase 1 was approved as TCAC #CA-2011-146). Initially, both phases of the project were conceived of and approved as a single 140+ unit affordable housing development. However, due to a poor economy and shortage of available financing, the project was divided into two (2) phases. The previously constructed Phase 1 contains 80 residential units and has been placed-in-service. Phase 1 included such

community-wide amenities as a leasing office, a community room, recreational equipment, and an outdoor pool. Avena Bella, Phase 2 will contain 61 units in two (2) buildings as well as outdoor play equipment, seating, and recreation areas.

Background

The property was purchased on March 19, 2001 and was intended to develop the parcel for affordable housing. A few community meetings were held to receive input on the project and a RFP was started, but never finished. However, it was always the City's and the Agency's intention to develop the subject parcel into affordable housing.

In October 2009, the City of Turlock issued an RFP for the development of the Linwood parcel. Ten proposals were submitted. The proposals were reviewed and scored by a panel and EAH, Inc. was selected to engage in an exclusive negotiating agreement. The ENA was authorized by City Council on February 9, 2010 and subsequently executed and the Agency and EAH, Inc. has moved forward in negotiating the terms and conditions of the proposed DDA. The Disposition and Development Agreement was approved by the Agency on April 27, 2010. In addition, EAH has obtained the entitlements for the Minor Discretionary Permit for the project.

Financing

Total Project Cost: \$18,000,000

Total City/Redevelopment Agency Loan: \$5,000,000

The financial structure has the following elements:

1. The developer executes a note secured by a deed of trust in the amount of \$300,000 for the purchase of the property. No payments are required. Instead, 1/30 of the balance due is forgiven for each year if the developer acts in accordance with the loan agreement.
2. The City will loan the developer \$4,000,000 in former RDA Housing Set aside funds for the construction phase of the project. The note is secured by a deed of trust. A \$4 million construction loan on a draw basis carrying a 3% interest rate for 55 years, to be repayable through residual receipts after conversion to a permanent loan of the same rate and term.
3. Up to \$500,000 of the \$4,000,000 loan has been made available for pre-development purposes on an as-expended draw basis. This portion of the loan would carry a 0% interest rate for the earlier of: two years from the date of execution, or when the construction loan closes, when the expended pre-development amount would be rolled into the construction loan.

4. The developer must obtain tax credits in the amount of not less than \$10,500,000.
5. The developer has obtained funds in the amount of not less than \$600,000. from the affordable housing program of the Federal Home Loan Bank.
6. The developer has obtained AHSC funds from the State of California in the amount of \$800,000.
7. The developer must obtain construction financing in the amount of not less than \$1,137,574.

Other Provisions and Controls

1. City and Agency Promissory Notes will be secured by Deeds of Trust subordinate to the senior loan.
2. The Developer must comply with some restrictions based on performance prior to the transfer of property that require city approval.
3. Developer must secure project funding, which includes tax credits.
4. Developer must conform to the schedule of performance, provide evidence of funding and insurance and conform to the 55-year affordability covenant requirements.
5. Agency and City funds will be disbursed as all City fees are due and phasing of construction is completed.

4. BASIS FOR RECOMMENDATION:

- A. Funding will allow the City of Turlock Housing Program Services the opportunity to provide 61 additional units of affordable rental housing to families between low and moderate income.
- B. The First Amendment required an amendment due to the lengthy process to secure project funding. The DDA Agreement outlines the schedule for the construction, completion, occupancy, and management of the project.

5. FISCAL IMPACT / BUDGET AMENDMENT:

Fiscal Impact

There will be no impact to the General Fund. Funds are being held in an escrow account and have been approved in Fund 625 of the City's 2019-2020 budget for this project.

6. CITY MANAGER'S COMMENTS:

Recommend Approval.

7. ENVIRONMENTAL DETERMINATION:

The project underwent a CEQA review as part of the local entitlements which were issued, applied for, and received a minor discretionary permit as the required entitlements to this project. A mitigated negative declaration was filed upon the completion of CEQA review on March 30, 2010 under Minor Discretionary Permit No. 2010-01.

Further, due to the use of HOME Consortium funds, a NEPA environmental review which was completed on June 11, 2018 and was subsequently submitted to the United States Department of Housing and Urban Development (HUD) for a request for Release of Funds and Certification which was granted on April 26, 2018.

8. ALTERNATIVES:

- A. Do not agree to enter into the Amendment to the DDA and appropriate funds for this project. This option is not recommended as projects such as this are required as part of the City's Housing Element. Further, this project will provide affordable housing for 60 low and very low income families.
- B. Reject the DDA and direct staff to renegotiate a revised agreement. This option is not recommended as this Amendment and original DDA was negotiated with City Staff, EAH, Inc and the RDA's outside Counsel to insure that all legal provisions and requirements have been met.

Attachments to staff report:

First Amendment to the Disposition and Development Agreement

Estoppel Certificate

**FIRST AMENDMENT TO
DISPOSITION AND DEVELOPMENT AGREEMENT**

THIS FIRST AMENDMENT TO DISPOSITION AND DEVELOPMENT AGREEMENT (the “**Amendment**”) is dated as of _____, 2019 and is entered into by and between the CITY OF TURLOCK, a municipal corporation, as successor to REDEVELOPMENT AGENCY OF THE CITY OF TURLOCK, a public body, corporate and politic (“**City**” or “**Agency**”), EAH INC., a California non-profit corporation (“**Original Developer**”) and and AVENA BELLA II, L.P., a California limited partnership (“**Developer**”).

RECITALS

A. Agency and Original Developer entered into a Disposition and Development Agreement dated April 12, 2012 (including all exhibits thereto, the “**DDA**”). Capitalized terms used but not defined in the Amendment shall have the meanings ascribed thereto in the DDA.

B. Agency and Developer have agreed to amend the DDA as hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing recitals, the development, use and maintenance covenants and restrictions in the DDA and other consideration, the adequacy of which is hereby acknowledged, Agency and Developer hereby agree as follows:

1. **DDA Modifications.**

a. Original Developer hereby assigns to Developer all of Original Developer’s rights, titles, interests, obligations and responsibilities under and with respect to the DDA. Developer hereby assumes all of Original Developer’s rights, titles, interests, obligations and responsibilities under and with respect to the DDA. City hereby consents to foregoing assignment and assumption.

b. All references to the “**Agency**” in the DDA shall be deemed to refer to the “**City**.”

c. **Site.** The first sentence of Section 104 of the DDA is hereby deleted and the following is substituted in lieu thereof:

“104. The Site.

The “**Site**” is comprised of land in the City of Turlock, bordered described in Attachment No. 1 hereto (the “**Map of the Site**”), and described in the Legal Description of the Site, attached hereto as Attachment No. 2 and incorporated herein by reference (the “**Legal Description of the Site**”).”

d. Section 201 of the DDA is hereby deleted and following is hereby substituted in lieu thereof:

“201. Land Transfer.

In accordance with and subject to all the terms, covenants and conditions of this Agreement, the Agency agrees to convey, and the Developer agrees to accept for development, the Site for a purchase price equal to EIGHT HUNDRED EIGHTY-FIVE THOUSAND DOLLARS (\$885,000) (the "**Purchase Price**"). The Purchase Price constitutes the fair market value of the Site as of the date of the DDA and shall be financed by the Agency through a carryback loan to the Developer in the amount of the Purchase Price (the "**Acquisition Loan**"), which Acquisition Loan shall be evidenced by a promissory note in the form attached hereto as Attachment No. 9A (the "**Acquisition Note**"). The Developer represents and warrants that the Site will be conveyed to the Developer for purposes of development pursuant to this Agreement and not for speculation in undeveloped land."

e. Changes to Attachments. The Attachments to the DDA (except for Attachments No.1, 2, 5, 8, 10, 11 and 12) are hereby deleted and the revised Attachment No. 1 [Map of Site], Attachment No. 2 [Legal Description of Site], Attachment No. 3 [Schedule of Performance], and Attachment No. 4 [Scope of Development], Attachment No. 6 [Form of Affordable Housing Covenant], Attachment No. 7 [Form of Notice of Affordability Restrictions], Attachment No. 9A [Form of Acquisition Note], Attachment No. 9B [Form of Agency Note], Attachment No. 10 [Form of Agency Deed of Trust]) that are attached to this Amendment are hereby substituted in lieu thereof.

f. Change to Section 301: Increase in Loan Amount. The first paragraph of Section 301 of the DDA and the paragraph following it that is numbered 1 and 2 are hereby deleted and the following is substituted in lieu thereof:

g. **"301. Agency Loan**

The Agency desires to assist the Developer with the costs of development of the Housing Project and creating affordable housing within the Redevelopment Project Area. Subject to the conditions set forth herein, the Agency shall provide a loan to the Developer in a total amount not to exceed THREE MILLION SEVEN HUNDRED THIRTY TWO THOUSAND SIX HUNDRED TWENTY SEVEN DOLLARS (\$3,732,627) (the "**Agency Loan**") from the Agency's available Low and Moderate Income Housing Fund, subject to the Agency's delivery to Developer of a notice indicating that Agency has accumulated sufficient low/mod set aside funds to fund the entire amount of the Agency Loan.. The Agency Loan will consist of the following elements::

1. Pre-Construction Loan. An amount not to exceed FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) (the "**Pre-Construction Loan**"), to be used to reimburse the Developer for certain design, engineering and other pre-development costs incurred by the Developer for the Housing Project. Upon the execution of this Agreement, Developer shall execute and deliver to Agency a promissory note in the form attached hereto as Attachment No. 8 and assignments and comments in the forms attached hereto as Attachments No. 11 and 12 from all architects, engineers and contractors (the "**Pre-Construction Loan Note**"). The Pre-Construction Loan Note shall be repayable in accordance with the provisions of the Pre-Construction Loan Note until

such time as Developer acquires the Site from the Agency. Upon close of escrow and conveyance of the Site to the Developer, the Pre-Construction Loan shall be "rolled into" and become part of the Agency Loan evidenced by the Agency Note and Agency shall return the Pre-Construction Loan Note to Developer marked "Cancelled", but the assignments and consents shall remain in effect. If Developer engages any other architects, engineers or contractors, Developer shall promptly provide similar assignments and consents.

2. Development Costs. The remaining amount of THREE MILLION FIVE TWO HUNDRED THIRTY TWO THOUSAND SIX HUNDRED TWENTY SEVEN DOLLARS S (\$3,232,627.00), shall be available for use by the Developer to pay other costs associated with the construction and development of the Housing Project excluding any development fees, development management fees or similar fees."

2. General Provisions.

a. Entire Agreement. This Amendment constitutes the entire agreement between the parties pertaining to the subject matter hereof, and supersedes all prior agreements and understandings of the parties with respect to the subject matter hereof. This Amendment may not be modified, amended, supplemented, or otherwise changed, except by a writing executed by both parties hereto.

b. Waiver. No failure or delay by any party in the exercise of any right hereunder shall constitute a waiver thereof, nor shall any single or partial exercise of any such right preclude other or further exercise thereof, or any other right.

c. Counterparts. This Amendment may be executed in two or more counterparts and by different parties hereto on separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

d. Governing Law. This Amendment shall be deemed to be a contract made under the laws of the State of California and for all purposes shall be governed by and construed in accordance with the laws of the State of California.

e. Attorneys' Fees and Costs. If a dispute arises under or in connection with this Amendment (including, without limitation, the enforcement or interpretation of this Amendment), the prevailing party (as determined by the trier of fact) shall be entitled to recover its reasonable attorneys' fees and costs from the other party.

IN WITNESS WHEREOF, the Parties have entered into this Amendment as of the day and year first above written.

“ORIGINAL DEVELOPER”:

EAH INC.,
a California non-profit corporation

By: _____
Welton Jordan, Assistant Secretary

“AGENCY” or “CITY”:

CITY OF TURLOCK

By: _____
Robert C. Lawton
City Manager

APPROVED AS TO FORM:

City Attorney

“DEVELOPER”:

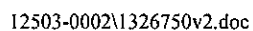
AVENA BELLA II, L.P.,
a California limited partnership

By: Avena Bella II EAH, LLC,
a California limited liability company,
its sole and managing general partner

By: Golden Oaks Manor, Inc.,
a California nonprofit
corporation,
Sole and Managing Member

By: _____
Welton Jordan, President

MAP OF THE SITE



ATTACHMENT NO. 2

LEGAL DESCRIPTION OF THE SITE

LEGAL DESCRIPTION

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

PARCEL ONE:

PARCEL 1, AS SHOWN ON A PARCEL MAP FILED JULY 11, 1975 IN BOOK 21 OF PARCEL MAPS, AT PAGE 54, BEING A PORTION OF THE NORTHEAST QUARTER OF SECTION 27, IN TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN.

EXCEPTING THEREFROM PARCEL 1, AS SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "PARCEL MAP NO. 11-04" FILED JANUARY 26, 2012 IN BOOK 56 OF PARCEL MAPS, AT PAGE 74, BEING A DIVISION OF PARCEL 1, AS SHOWN IN BOOK 21 OF PARCEL MAPS, PAGE 54, STANISLAUS COUNTY RECORDS, AND LYING IN THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 27, IN TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN, CITY OF TURLOCK, STATE OF CALIFORNIA.

SAID LAND IS ALSO DESIGNATED AS "REMAINDER" AS SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "PARCEL MAP NO. 11-04" FILED JANUARY 26, 2012 IN BOOK 56 OF PARCEL MAPS, AT PAGE 74, STANISLAUS COUNTY RECORDS.

PARCEL TWO:

A PRIVATE ACCESS AND UTILITY EASEMENT AS GRANTED IN THAT CERTAIN ACCESS EASEMENT AGREEMENT, RECORDED JANUARY 26, 2012, AS INSTRUMENT NO. 2012-0007120-00 OF OFFICIAL RECORDS, AND FURTHER DESCRIBED AS FOLLOWS:

ALL THAT CERTAIN REAL PROPERTY BEING A PORTION OF PARCEL 1 AS SHOWN ON THE PARCEL MAP FILED FOR RECORD JULY 11, 1975 IN BOOK 21 OF PARCEL MAPS AT PAGE 54, STANISLAUS COUNTY RECORDS AND LYING IN THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 27, TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN, CITY OF TURLOCK, COUNTY OF STANISLAUS, STATE OF CALIFORNIA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF SAID PARCEL 1, SAID CORNER ALSO BEING A POINT ON THE SOUTHERLY RIGHT-OF-WAY LINE OF LINWOOD AVENUE; THENCE NORTH 89° 49' 32" WEST ALONG THE NORTHERLY LINE OF SAID PARCEL 1, A DISTANCE OF 26.51 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID NORTHERLY LINE SOUTH 00° 10' 28" WEST, A DISTANCE OF 39.96 FEET; THENCE NORTH 89° 49' 32" WEST, A DISTANCE OF 19.22 FEET; THENCE SOUTH 00° 10' 28" WEST, A DISTANCE OF 466.15 FEET; THENCE SOUTH 24° 40' 25" WEST, A DISTANCE OF 31.04 FEET; THENCE SOUTH 66° 51' 04" EAST, A DISTANCE OF 13.61 FEET; THENCE SOUTH 69° 39' 43" WEST, A DISTANCE OF 37.78 FEET; THENCE NORTH 66° 51' 04" WEST, A DISTANCE OF 12.90 FEET; THENCE NORTH 24° 40' 25" EAST, A DISTANCE OF 52.09 FEET; THENCE NORTH 00° 10' 28" EAST, A DISTANCE OF 500.47 FEET TO A POINT ON SAID NORTHERLY LINE; THENCE SOUTH 89° 49' 32" EAST ALONG SAID NORTHERLY LINE, A DISTANCE OF 45.22 FEET TO THE POINT OF BEGINNING.

APN: 044-064-020

ATTACHMENT NO. 3

SCHEDULE OF PERFORMANCE

ACTION	DATE
1. <u>Opening of Escrow.</u> The Agency and Developer shall open an escrow for conveyance of the Site to the Developer (section 202)	Completed, Escrow Opened w/ First American Title Company
2. <u>Developer Inspections; Condition of the Site.</u> The Developer shall complete its investigation of the Site; its physical condition, the soils and toxic conditions of the Site and all other matters that may affect the Developer's ability to develop the Site pursuant to this Agreement. (Section 212)	Completed, Developer has no objections.
3. <u>Submission – Project Budget and Project Financing.</u> The Developer shall submit to the Agency for review and approval a revised Project Budget and the proposed Project Financing. (Section 304)	Completed.
4. <u>Applications and Awards for Tax Credit.</u> The Developer shall make application to the California Tax Credit Allocation Committee for 9% tax credits.	Completed.
5. <u>Close of Escrow.</u> The Escrow Agent shall close the escrow in accordance with Section 202, and the Agency shall convey title to the Site to the Developer, and the Developer shall accept such conveyance. (Section 203)	Earlier of 180 days after award of tax credit reservation by TCAC, but in no event later than December 9, 2019.
6. <u>Submission – Certificates of Insurance.</u> The Developer shall furnish to the Agency duplicate originals or appropriate certificates of bodily injury and property damage insurance policies. (Section 401.6)	Prior to Close of Escrow.
7. <u>Commencement of Construction of Developer's Improvements.</u> The Developer shall commence construction of the improvements to be constructed on the Site. (Section 401.7)	Within 20 days after the Close of Escrow.

ACTION

DATE

- | | |
|---|--|
| 8. <u>Completion of Construction of Developer's Improvements.</u> The Developer shall complete construction of the improvements to be constructed on the Site.
(Section 401.6) | As soon as reasonably possible, but in any event within 24 months after commencement thereof by the Developer. |
|---|--|

ATTACHMENT NO. 4

SCOPE OF DEVELOPMENT

I. PRIVATE DEVELOPMENT

A. General.

The Developer agrees that the Site shall be developed and improved in accordance with the provisions of this Agreement and the City approved plans for Avena Bella, Phase 2.

B. Improvements.

The Developer shall construct, or cause to be constructed, in accordance with all City of Turlock requirements, a multi-family housing complex consisting of two (2) buildings containing 61 units of rental housing (including one unrestricted Manager's unit). The unit mix and general elements shall include: (a) 21 one-bedroom/ one bath units ranging between 633 to 636 square feet, 22 two-bedroom / one bath units, ranging between 814 to 874 square feet, (b) 18 three-bedroom / two bath units, ranging between 1,087 to 1,434 square feet, (c) , BBQ Area and a play structure and (d) 107 parking stalls, including 62 covered stalls and 5 handicapped stalls.

C. Architecture and Design.

The Improvements shall be of high architectural quality, shall be well landscaped and shall be effectively and aesthetically designed. The shape, scale of volume, exterior design and exterior finish of the building must be consonant with, visually related to, physically related to and an enhancement of adjacent buildings within the Redevelopment Project Area. Developer's plans submitted to the Agency shall describe in detail the architectural character intended for the improvements.

D. Applicable Codes.

The improvements shall be constructed in accordance with the Uniform Building Code (with City modifications) and the City Municipal Code and any other applicable law, statute, rule, regulation or ordinance.

E. Mitigation Measures.

In constructing the improvements, Developer shall observe and comply with any and all mitigation measures that are required pursuant to the final environmental impact report or mitigated negative declaration that is prepared and certified in connection with the development of the improvements.

II. SITE CLEARANCE AND PREPARATION

The Developer shall perform, or cause to be performed, at its sole cost and expense, the following work.

A. On-Site Utilities.

Remove, plug and/or crush in place utilities, such as storm sewers, sanitary sewers, water systems, electrical overhead and underground systems and telephone and gas systems located on the Site, as may be required following any necessary relocation of the utilities.

B. Compaction, Finish Grading and Site Work.

The Developer shall compact, finish grade and do such Site preparation as is necessary for the construction of the improvements on the Site.

III. SITE REMEDIATION

Remediation of any hazardous materials at the Site shall be performed by Developer. Developer shall be solely responsible for (a) contracting with all appropriate and necessary contractors; (b) administering all contracts; (c) compliance with remediation plan requirements of the administering agency; and (d) the payment of all remediation costs, including without limitation, all studies, investigations, tests and site remediation as required by the administering agency.

ATTACHMENT NO. 5

FORM OF GRANT DEED

<p>RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO: Redevelopment Agency of the City of Turlock 156 South Broadway, Suite 230 Turlock, CA 95380 Attention: Maryn Pitt</p> <p>This document is Exempt from recording fee per Gov. Code § 27383</p>	
--	--

(Space Above This Line for Recorder's Use Only)

Exempt from documentary transfer tax; conveyance for no consideration
(California Revenue & Taxation Code Section 11911).

GRANT DEED

For valuable consideration, the receipt of which is hereby acknowledged:

The **CITY OF TURLOCK**, a public body, corporate and politic, as successor in interest to the **REDEVELOPMENT AGENCY OF THE CITY OF TURLOCK**, a public body, corporate and politic, (herein called "**Grantor**" or "**Agency**"), acting to carry out the Redevelopment Plan for the Turlock Redevelopment Project Area (herein called "**Redevelopment Plan**"), under the Community Redevelopment Law of the State of California, hereby grants to EAH INC., a California nonprofit corporation (herein called "**Grantee**"), the land (the "**Site**") described in Exhibit A hereto.

1. The Site is conveyed subject to the Redevelopment Plan and to a Disposition and Development Agreement entered into by and between the Grantor and the Grantee dated April 12, 2011, as amended by a First Amendment to Disposition and Development Agreement dated August _____, 2019 (the "**DDA**"), and Grantee and its successors and assigns shall comply therewith. The Site is also conveyed subject to the Redevelopment Plan all matters of record.

2. Pursuant to the DDA, Grantee shall develop on the Site a multi-family residential complex consisting of rental units and related improvements (the "**Housing Project**"), a portion of which (the "**Affordable Units**") shall be rented to Eligible Households, as defined in and in accordance with the terms of the Affordable Housing Covenant dated substantially concurrently herewith and recorded against the Site.

3. The Grantee shall not, except as expressly permitted by the DDA, sell, transfer, convey, assign or lease the whole or any part of the Site without the prior written approval of the Grantor. This prohibition shall not be deemed to prevent the granting of easements or permits to

facilitate the development of the Site in accordance with the DDA. Subsequent to the issuance of the Certificate of Completion, Developer shall not sell, transfer, convey, assign or lease the whole or any part of the Site, except as permitted in accordance with the terms and provisions set forth the DDA.

4. Option To Repurchase. Prior to the issuance of a Certificate of Completion by Grantor as provided in Section 406.1 of the DDA, Grantee hereby grants to Grantor the option to repurchase the Site hereby conveyed and all improvements subsequently constructed thereon upon the terms and provisions more fully set forth in Section 607 of the DDA, which provisions are incorporated herein by this reference thereto. As more fully provided in such Section 607:

- a. The option shall be exercisable by Grantor in each and every one of the following circumstances:
 - (1) Grantee fails to commence construction of approved improvements on the Site as required in the Schedule of Performance attached as Attachment No. 3 to the DDA, for any reason whatsoever; or
 - (2) Once construction has been commenced in accordance with subparagraph (1) above, Grantee fails to diligently prosecute construction of the improvements through completion, where such failure has not been cured within one (1) month; or
 - (3) Grantee abandons or substantially suspends construction of improvements on the Site for a period of one (1) month; or
 - (4) Grantor violates Section 105.2 of the DDA.
- b. Grantor's option shall be subordinate and subject to and be limited by and shall not defeat, render invalid or limit:
 - (1) Any first mortgage, deed of trust or other security instrument permitted by the DDA; or
 - (2) Any rights or interests provided in the DDA for the protection of the holder of such mortgages, deeds of trust or other security instruments.

5. Nondiscrimination. The Grantee shall refrain from restricting the rental, sale or lease of the Site, or any portion thereof or any dwelling constructed thereon, on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses.

6. All deeds, leases or contracts made relative to the Site, the improvements thereon or any part thereof shall contain or be subject to substantially the following nondiscrimination clauses:

- a. **In deeds.** “The grantee herein covenants by and for himself, his heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee himself, or any person claiming under or through him, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land.”
- b. **In leases.** “The lessee herein covenants by and for himself, his heirs, executors, administrators and assigns, and all persons claiming under or through him, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased, nor shall the lessee himself, or any person claiming under or through him, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the land herein leased.”
- c. **In contracts.** “There shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee himself, or any person claiming under or through him, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the land.””

The provisions of this Paragraph 6 shall run with the land and shall be contained in each subsequent grant deed conveying title to the Site to any subsequent owner.

7. No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Grant Deed shall defeat or render invalid or in any way impair the

lien or charge of any mortgage, deed of trust or other financing or security instrument permitted by the DDA, provided, however, that any successor of Grantee to the Site shall be bound by such remaining covenants, conditions, restrictions, limitations and provisions, whether such successor's title was acquired by foreclosure, deed in lieu of foreclosure, trustee's sale or otherwise.

8. The covenants contained herein shall be binding for the benefit of the Grantor, its successors and assigns, the City of Turlock and any successor in interest to the Site or any part thereof, and such covenants shall run in favor of the Grantor and such aforementioned parties for the entire period during which such covenants shall be in force and effect, without regard to whether the Grantor is or remains an owner of any land or interest therein to which such covenants relate. The Grantor and such aforementioned parties, in the event of any breach of any such covenants, shall have the right to exercise all of the rights and remedies and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach. The covenants contained in this Grant Deed shall be for the benefit of and shall be enforceable only by the Grantor, its successors and such aforementioned parties.

CITY OF TURLOCK
a municipal corporation

By: _____
Print Name: Robert C. Lawton
Title: City Manager

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

STATE OF CALIFORNIA)
) SS.
COUNTY OF LOS ANGELES)

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

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

WITNESS my hand and official seal.

Signature of Notary Public

[SEAL]

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

STATE OF CALIFORNIA)
) SS.
COUNTY OF LOS ANGELES)

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

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

WITNESS my hand and official seal.

Signature of Notary Public

[SEAL]

EXHIBIT A to Grant Deed

DESCRIPTION OF SITE

LEGAL DESCRIPTION

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

PARCEL ONE:

PARCEL 1, AS SHOWN ON A PARCEL MAP FILED JULY 11, 1975 IN BOOK 21 OF PARCEL MAPS, AT PAGE 54, BEING A PORTION OF THE NORTHEAST QUARTER OF SECTION 27, IN TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN.

EXCEPTING THEREFROM PARCEL 1, AS SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "PARCEL MAP NO. 11-04" FILED JANUARY 26, 2012 IN BOOK 56 OF PARCEL MAPS, AT PAGE 74, BEING A DIVISION OF PARCEL 1, AS SHOWN IN BOOK 21 OF PARCEL MAPS, PAGE 54, STANISLAUS COUNTY RECORDS, AND LYING IN THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 27, IN TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN, CITY OF TURLOCK, STATE OF CALIFORNIA.

SAID LAND IS ALSO DESIGNATED AS "REMAINDER" AS SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "PARCEL MAP NO. 11-04" FILED JANUARY 26, 2012 IN BOOK 56 OF PARCEL MAPS, AT PAGE 74, STANISLAUS COUNTY RECORDS.

PARCEL TWO:

A PRIVATE ACCESS AND UTILITY EASEMENT AS GRANTED IN THAT CERTAIN ACCESS EASEMENT AGREEMENT, RECORDED JANUARY 26, 2012, AS INSTRUMENT NO. 2012-0007120-00 OF OFFICIAL RECORDS, AND FURTHER DESCRIBED AS FOLLOWS:

ALL THAT CERTAIN REAL PROPERTY BEING A PORTION OF PARCEL 1 AS SHOWN ON THE PARCEL MAP FILED FOR RECORD JULY 11, 1975 IN BOOK 21 OF PARCEL MAPS AT PAGE 54, STANISLAUS COUNTY RECORDS AND LYING IN THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 27, TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN, CITY OF TURLOCK, COUNTY OF STANISLAUS, STATE OF CALIFORNIA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF SAID PARCEL 1, SAID CORNER ALSO BEING A POINT ON THE SOUTHERLY RIGHT-OF-WAY LINE OF LINWOOD AVENUE; THENCE NORTH 89° 49' 32" WEST ALONG THE NORTHERLY LINE OF SAID PARCEL 1, A DISTANCE OF 26.51 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID NORTHERLY LINE SOUTH 00° 10' 28" WEST, A DISTANCE OF 39.96 FEET; THENCE NORTH 89° 49' 32" WEST, A DISTANCE OF 19.22 FEET; THENCE SOUTH 00° 10' 28" WEST, A DISTANCE OF 466.15 FEET; THENCE SOUTH 24° 40' 25" WEST, A DISTANCE OF 31.04 FEET; THENCE SOUTH 66° 51' 04" EAST, A DISTANCE OF 13.61 FEET; THENCE SOUTH 69° 39' 43" WEST, A DISTANCE OF 37.78 FEET; THENCE NORTH 66° 51' 04" WEST, A DISTANCE OF 12.90 FEET; THENCE NORTH 24° 40' 25" EAST, A DISTANCE OF 52.09 FEET; THENCE NORTH 00° 10' 28" EAST, A DISTANCE OF 500.47 FEET TO A POINT ON SAID NORTHERLY LINE; THENCE SOUTH 89° 49' 32" EAST ALONG SAID NORTHERLY LINE, A DISTANCE OF 45.22 FEET TO THE POINT OF BEGINNING.

APN: 044-064-020

ATTACHMENT NO. 6

FORM OF AFFORDABLE HOUSING COVENANT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Redevelopment Agency of
the City of Turlock
156 South Broadway, Suite 230
Turlock, CA 95380
Attention: Maryn Pitt

This document is exempt from recording fees
pursuant to Government Code § 27383.

AFFORDABLE HOUSING COVENANT

For valuable consideration, the receipt of which is hereby acknowledged, **EAH INC.**, a California nonprofit corporation (“Original **Developer**”), **AVENA BELLA II, L.P.**, a California limited partnership (“Developer”), **THE CITY OF TURLOCK** (“**Agency**”) agree as follows with reference to the following facts:

- A. Developer owns that certain real property legally described on Exhibit A (the “**Site**”).
- B. Agency, in acting to carry out the obligations under the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 et seq.) with respect to affordable housing, has entered into a Development Agreement dated April 12, 2011, between Developer and Agency, as amended by a First Amendment to Disposition and Development Agreement dated _____, 2019 (the “**DDA**”) pursuant to which the Agency has conveyed the Site to the Developer, and the Developer shall construct on the Site a multi-family residential complex consisting of 80 units of housing and related improvements (including one Manager’s unit) (the “**Housing Project**”), a portion of which units are to be available at an affordable rent to persons and families of low income levels. Under the DDA, the Agency has provided the Developer with loans in the total amount not to exceed THREE MILLION SEVEN HUNDRED THIRTY TWO THOUSAND SIX HUNDRED TWENTY SEVEN DOLLARS (\$3,732,627) (the “**Agency Loan**”). Developer has executed a promissory note evidencing the Agency Loan (the “**Agency Note**”), which is secured by a deed of trust recorded against the Site (the “**Agency Deed of Trust**”).
- C. Developer and Agency agree that the Site shall be subject to the conditions and restrictions, and the rights of Agency under this Affordable Housing Covenant (the “**Covenant**”) as specified below.

Now, therefore, the Agency and Developer hereby agree as follows:

ARTICLE 1. RENT AND INCOME RESTRICTIONS

1.01. Rent and Income Restrictions. twenty-nine (29) of the residential units constructed on the Site (the “**Affordable Units**”) shall be rented to very-low income households whose income does not exceed the limits set forth below (“**Eligible Households**”):

(a) Six (6) of the Affordable Units constructed on the Site shall be available to Eligible Households whose income does not exceed thirty percent (30%) of the Area Median Income (as defined below). These Affordable Units shall be available at rents that do not exceed 30% of 30% of the Area Median Income, adjusted by family size appropriate to the unit, less a utility allowance.

(b) Twelve (12) of the Affordable Units constructed on the Site shall be available to Eligible Households whose income does not exceed forty percent (40%) of the Area Median Income. These Affordable Units shall be available at rents that do not exceed 30% of 40% of the Area Median Income, adjusted by family size appropriate to the unit, less a utility allowance.

(c) Eleven (11) of the Affordable Units constructed on the Site shall be available to Eligible Households whose income does not exceed fifty percent (50%) of the Area Median Income. These Affordable Units shall be available at rents that do not exceed 30% of 60% of the Area Median Income, adjusted by family size appropriate to the unit, less a utility allowance.

Rent for the Affordable Units shall be no greater than that considered as “**affordable rent**” for very low-income households, adjusted for family size appropriate to the unit, pursuant to Section 50053 of the California Health and Safety Code, as amended, or any successor statute thereto (the “**Affordable Rent**”). The maximum housing cost of the Eligible Households for each of the income levels set forth above must comply with the regulations promulgated by the California Department of Housing and Community Development Sections 6910-6932 in Title 25 of the California Code of Regulations, governing the Agency’s set aside housing fund.

For purposes of this Covenant:

“**Area Median Income**” shall mean the median income for households in Stanislaus County, California, as published from time to time by the California Tax Credit Allocation Committee (“**TCAC**”) or as published by the United States Department of Housing and Urban Development (“**HUD**”) in a manner consistent with the determination of median gross income under Section 8 of the United States Housing Act of 1937, as amended, and as defined in Title 25, California Code of Regulations, Section 6932, whichever is greater. In the event that such income determinations are no longer published by TCAC or HUD, or are not updated for a period of at least 18 months, the Agency shall provide the Developer with other income determinations that are reasonably similar with respect to methods of calculation to those previously published by HUD.

“**Adjusted by family size appropriate to the unit**” shall mean for a household of two persons in the case of a one-bedroom unit, three persons in the case of a two-bedroom unit, four persons in the case of a three-bedroom unit, and five persons in the case of a four-bedroom unit.

If an occupant of an Affordable Unit no longer qualifies for the income category designated for that Affordable Unit, the occupant may continue to occupy the Affordable Unit, provided the occupant's gross income does not exceed the limitations for households, as appropriate for the Affordable Unit.

The income of all persons residing in the Affordable Unit shall be considered for purposes of calculating the applicable income. Except as otherwise required by applicable law, no less than one person per bedroom shall be allowed; no more than three persons shall be permitted to occupy a one bedroom Affordable Unit; and no more than four persons shall be permitted to occupy a two bedroom Affordable Unit.

ARTICLE 2. REPORTING REQUIREMENTS

2.01 Reporting Requirements. Annual reports and annual income certifications or re-certifications must be submitted to the Agency in form and content approved by the Agency. The reports, at a minimum, shall include:

- (1) The number of persons per unit;
- (2) Tenant name;
- (3) Initial occupancy date;
- (4) Rent paid per month;
- (5) Gross income per year;
- (6) Percent of rent paid in relation to income; and
- (7) Copies of those documents used by Developer to certify the tenant as an Eligible Household.

The first annual report and annual income certification (the "**Initial Report**") shall be submitted to the Agency within thirty (30) days after the date of the initial rental of all the Affordable Units on the Site, or as otherwise agreed to by the Agency. Subsequent annual reports and annual income certifications or re-certifications shall be submitted to the Agency on the anniversary date of submittal of the Initial Report. The Agency may, from time to time during the term of this Covenant, request additional or different information and Developer shall promptly supply such information in the reports required hereunder. Developer shall maintain all necessary books and records, including property, personal and financial records, in accordance with requirements prescribed by the Agency with respect to all matters covered by this Covenant. Developer, at such time and in such forms as the Agency may require, shall furnish to Agency statements, records, reports, data and information pertaining to matters covered by this Covenant. Upon request for examination by the Agency, Developer, at any time during normal business hours, shall make available all of its records with respect to all matters covered by this Covenant. Owner shall permit the Agency to audit, examine and make excerpts or transcripts from these records.

ARTICLE 3. PROVISION OF SERVICES, MAINTENANCE AND MANAGEMENT OF PROPERTY

3.01. Maintenance. During the term of this Covenant, Developer and all successors in interest shall maintain, or cause to be maintained, the Site in a manner consistent with the provisions set forth therefore in the Turlock Municipal Code, and shall keep the entire Site reasonably free from any accumulation of debris or waste materials prior to and after construction.

If, at any time, Developer fails to maintain the Site, and has either failed to commence to cure such condition or to diligently prosecute to completion the condition or the condition is not corrected after expiration of thirty (30) days from the date of written notice from the Agency to the Developer, Agency may perform the necessary corrective maintenance, and Developer shall pay such costs as are reasonably incurred for such maintenance. The Agency shall have the right to place a lien on the Site should Developer not reimburse Agency for such costs within sixty (60) days follow Agency's written demand to Developer for reimbursement of such costs. Developer, on behalf of itself, its heirs, successors and assigns, hereby grants to Agency and its officers, employees and agents, an irrevocable license to enter upon the Site to perform such maintenance during normal business hours after receipt of written notice from Agency as hereinabove described and Developer's failure to cure or remedy such failure within thirty (30) days of such notice. Any such entry shall be made only after reasonable notice to Developer, and Agency shall indemnify and hold Developer harmless from any claims or liabilities pertaining to any such entry by Agency.

3.02. Management and Management Plan. Developer shall maintain (i) a comprehensive management plan for the housing project on the Site, including a fair housing component; and (ii) a reputable and experienced property manager for management of the housing project. The management plan, asset and property manager and property management agreements must be approved by the Agency. Any changes in the property manager, asset manager or modifications or amendments to the management plan or any management agreement shall be subject to review and approval by the Agency.

ARTICLE 4. NO TRANSFER

4.01. Prohibition. The identity and qualifications of Developer as an experienced and successful Developer and operator of affordable rental housing developments are of particular concern to the Agency. It is because of this identity and these qualifications that the Agency has entered into this Covenant with the Developer. Except with respect to Permitted Transferees (as defined below), no voluntary or involuntary successor in interest of the Developer shall acquire any rights or powers under this Covenant by assignment or otherwise, nor shall Developer make any total or partial sale, transfer, conveyance, encumbrance to secure financing, assignment or lease of the whole or any part of the Housing Project without the prior written approval of the Agency, which approval shall not be unreasonably withheld.

4.02. Permitted Transfers. Notwithstanding any other provision of this Covenant to the contrary, Agency approval of an assignment or transfer of this Covenant, the Agency Loan, the

Agency Note, the Agency Deed of Trust, the DDA, or conveyance of the Site or any part thereof shall not be required in connection with any of the following (the “**Permitted Transfers**”):

- A. The lease or rental of Affordable Units to Eligible Households.
- B. Assignment for financing purposes, and any foreclosure thereunder, subject to such financing being considered and approved by the Agency as permitted by the DDA.
- C. Transfer of the Housing Project to (a) an entity which has the Developer or an affiliate as the general partner, managing member or controlling entity, or (b) an entity in which Developer or an affiliate are a “controlling person” (as defined in Section 20(a) of the Securities Exchange Act of 1934, as amended); all subject to and in accordance with the terms of the DDA.
- D. In the event of an assignment by Developer pursuant to subparagraph C. not requiring the Agency’s prior approval, Developer nevertheless agrees that at least thirty (30) days prior to such assignment or transfer it shall give written notice to Agency of such assignment or transfer.
- E. Any other transfer expressly permitted by the express terms of the DDA.

Changes in the control or management of Developer and any management company shall be governed by Section 105.2 of the DDA and shall require Agency’s consent to the extent described therein.

4.03. Agency Consideration of Requested Transfer. Any request for approval made pursuant to this Section 4.03 shall be accompanied by and subject to (a) a description with the proposed assignee or transferee’s operational experience and capability, and, net worth and resources, (it being understood that those of the proposed assignee or transferee must be comparable to those of the proposed transferor or assignor), and (c) the assignee or transferee written assumption of the obligations of the Developer under this Agreement (contingent upon approval of the transfer by the Agency). The Agency (acting through its Executive Director) shall approve or disapprove the request within forty-five (45) days of its receipt of the Developer’s notice and all information and materials required herein. In no event, however, shall the Agency be obligated to approve the assignment or transfer of the Agency Loan, Agency Note or Agency Deed of Trust, except to an approved transferee or assignee of the Developer’s rights in and to the Housing Project.

ARTICLE 5. NO DISCRIMINATION

5.01. No Discrimination. Developer covenants, by and for itself and any successors in interest, that there shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall Developer, itself or any person claiming under or through it, establish or permit any such

practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, subleases or vendees in the Site.

ARTICLE 6. NONDISCRIMINATION AND NONSEGREGATION CLAUSES

All deeds, leases or contracts made relative to the Site, the improvements thereon or any part thereof, shall contain or be subject to substantially the following nondiscrimination and nonsegregation clauses:

1. **In deeds:** (a) “The grantee herein covenants, by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee, himself or herself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, subleases or vendees in the land herein conveyed. The foregoing covenants shall run with the land.”

(b) Notwithstanding paragraph (a), with respect to familial status, paragraph (a) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (a) shall be construed to affect Section 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code relating to housing for senior citizens. Subdivisions (d) of Section 51 and Section 1360 of the Civil Code and subdivision (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (a).
2. **In leases:** “The lessee herein covenants, by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

(a) “That there shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased, nor shall the lessee, himself or herself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subleases, subtenants or vendees in the land herein leased.”

- (b) Notwithstanding paragraph (a), with respect to familial status, paragraph (a) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (a) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivisions (d) of Section 51 and Section 1360 of the Civil Code and subdivision (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (a).
3. **In contracts:** "There shall be no discrimination against or segregation of any person or group of persons on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee, himself or herself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subleases, subtenants or vendees in the land."

ARTICLE 7. NO IMPAIRMENT OF LIEN

No violation or breach of the covenants, conditions, restrictions, provisions or limitation contained in this Covenant shall defeat or render invalid or in any way impair the lien or charge of any mortgage, deed of trust or other financing or security instrument; provided, however, that any successor of Developer to the Site shall be bound by such covenants, conditions, restrictions, limitations and provisions, whether such successor's title was acquired by foreclosure, deed in lieu of foreclosure, trustee's sale or otherwise.

ARTICLE 8. DURATION

The covenants contained in Article 1 of this Covenant shall be deemed to run with the land in accordance with Section 33334.3(f) of the Health and Safety Code or any successor statute and shall remain in effect for not less than fifty-five (55) years following recordation of this Covenant. The covenants against discrimination contained in Articles 5 and 6 of this Covenant shall be deemed to run with the land in accordance with Section 33438 of the Health and Safety Code or any successor statute and shall remain in effect in perpetuity.

ARTICLE 9. SUCCESSORS AND ASSIGNS

The covenants contained in the Covenant shall be binding for the benefit of the Agency and its respective successors and assigns, third party beneficiaries, and any successor in interest to the Site or any part thereof, and such covenants shall run in favor of the Agency and such aforementioned parties for the entire period during which such covenants shall be in force and effect, without regard as to whether the Agency is or remains an owner of any land or interest therein to which such covenants relate. The Agency, and such aforementioned parties, in the event of any breach of any such covenants, shall have the right to exercise all of the rights and

remedies, and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach. The covenants contained in the Covenant shall be for the benefit of and shall be enforceable only by the Agency, and its respective successors and assigns, third party beneficiaries, and such aforementioned parties.

ARTICLE 10. SUBORDINATION

Upon written request by Developer, Agency shall agree that the terms and conditions of this Covenant shall be subject to and subordinate to a regulatory agreement and deed of trust for Developer's Tax Credit Financing, and regulatory agreements and deeds of trust for other financing obtaining by the Developer pursuant to the DDA, through a lender acceptable to the Agency (the "**Lender**") and upon terms and conditions reasonably approved by the Agency, for Tax Credit Financing, or any other construction or permanent financing obtained by Developer, to be secured by a deed of trust against the Site; provided the total aggregate amount of permanent loan financing secured by Developer, together with the Agency Note provided for under the DDA, shall not exceed the estimated value of the Housing Project upon completion; and provided, further, that in any requested subordination agreement, the senior Lender must agree to the following conditions: (i) the Lender shall give to Agency copies of any notices of default issued by Lender to Developer; (ii) Agency shall have the right to cure any default by Developer within forty-five (45) days after it receives a notice of default; (iii) Agency shall have the right to foreclose its Deed of Trust without Lender accelerating its debt, provided Agency has cured or is attempting to cure any defaults under the deed of trust; and (iv) Agency shall, with the written consent of Lender, which consent shall not be unreasonably withheld, have the right to transfer the Housing Project to another nonprofit corporation, or to a limited partnership whose general partner is a nonprofit corporation, who shall own and operate the Housing Project as an affordable rental housing project.

ARTICLE 11 CURE BY LIMITED PARTNER OF DEVELOPER. The Agency shall give any limited partner of Developer written notice of any default hereunder concurrently with written notice to Developer. Any limited partner of Developer shall have the right to cure an Event of Default by Developer provided that such cure shall occur within the same period afforded for Developer's cure of an Event of Default. Agency shall accept any complete cure offered by the limited partner of Developer as if the same were made by Developer. Copies of all notices shall be sent to Developer's limited partner at Wells Fargo Community Lending and Investment, MAC D1053-170, 301 South College Street, 17th Floor, Charlotte, North Carolina 28202-6000, Attention: Michael Loose, Asset Management.

[Signatures to appear on the following page.]

IN WITNESS WHEREOF, Agency and Developer have caused this Covenant to be executed on their behalf by their respective officers thereunto duly authorized.

Dated for reference purposes only as of _____, 2019.

"ORIGINAL DEVELOPER":

EAH, INC.,
a California non-profit corporation

By: _____
Welton Jordan, Assistant Secretary

CITY OF TURLOCK
a municipal corporation

By: _____
Print Name: Robert C. Lawton
Title: City Manager

APPROVED AS TO FORM:

Douglas L. White
City Attorney

"DEVELOPER":

AVENA BELLA II, L.P.,
a California limited partnership

By: Avena Bella II EAH, LLC,
a California limited liability company,
its sole and managing general partner

By: Golden Oaks Manor, Inc.,
a California nonprofit
corporation,
Sole and Managing Member

By: _____
Welton Jordan, President

ACKNOWLEDGMENTS

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

STATE OF CALIFORNIA)
) SS.
COUNTY OF LOS ANGELES)

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

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

WITNESS my hand and official seal.

Signature of Notary Public

[SEAL]

EXHIBIT A

DESCRIPTION OF SITE

LEGAL DESCRIPTION

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

PARCEL ONE:

PARCEL 1, AS SHOWN ON A PARCEL MAP FILED JULY 11, 1975 IN BOOK 21 OF PARCEL MAPS, AT PAGE 54, BEING A PORTION OF THE NORTHEAST QUARTER OF SECTION 27, IN TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN.

EXCEPTING THEREFROM PARCEL 1, AS SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "PARCEL MAP NO. 11-04" FILED JANUARY 26, 2012 IN BOOK 56 OF PARCEL MAPS, AT PAGE 74, BEING A DIVISION OF PARCEL 1, AS SHOWN IN BOOK 21 OF PARCEL MAPS, PAGE 54, STANISLAUS COUNTY RECORDS, AND LYING IN THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 27, IN TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN, CITY OF TURLOCK, STATE OF CALIFORNIA.

SAID LAND IS ALSO DESIGNATED AS "REMAINDER" AS SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "PARCEL MAP NO. 11-04" FILED JANUARY 26, 2012 IN BOOK 56 OF PARCEL MAPS, AT PAGE 74, STANISLAUS COUNTY RECORDS.

PARCEL TWO:

A PRIVATE ACCESS AND UTILITY EASEMENT AS GRANTED IN THAT CERTAIN ACCESS EASEMENT AGREEMENT, RECORDED JANUARY 26, 2012, AS INSTRUMENT NO. 2012-0007120-00 OF OFFICIAL RECORDS, AND FURTHER DESCRIBED AS FOLLOWS:

ALL THAT CERTAIN REAL PROPERTY BEING A PORTION OF PARCEL 1 AS SHOWN ON THE PARCEL MAP FILED FOR RECORD JULY 11, 1975 IN BOOK 21 OF PARCEL MAPS AT PAGE 54, STANISLAUS COUNTY RECORDS AND LYING IN THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 27, TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN, CITY OF TURLOCK, COUNTY OF STANISLAUS, STATE OF CALIFORNIA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF SAID PARCEL 1, SAID CORNER ALSO BEING A POINT ON THE SOUTHERLY RIGHT-OF-WAY LINE OF LINWOOD AVENUE; THENCE NORTH 89° 49' 32" WEST ALONG THE NORTHERLY LINE OF SAID PARCEL 1, A DISTANCE OF 26.51 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID NORTHERLY LINE SOUTH 00° 10' 28" WEST, A DISTANCE OF 39.96 FEET; THENCE NORTH 89° 49' 32" WEST, A DISTANCE OF 19.22 FEET; THENCE SOUTH 00° 10' 28" WEST, A DISTANCE OF 466.15 FEET; THENCE SOUTH 24° 40' 25" WEST, A DISTANCE OF 31.04 FEET; THENCE SOUTH 66° 51' 04" EAST, A DISTANCE OF 13.61 FEET; THENCE SOUTH 69° 39' 43" WEST, A DISTANCE OF 37.78 FEET; THENCE NORTH 66° 51' 04" WEST, A DISTANCE OF 12.90 FEET; THENCE NORTH 24° 40' 25" EAST, A DISTANCE OF 52.09 FEET; THENCE NORTH 00° 10' 28" EAST, A DISTANCE OF 500.47 FEET TO A POINT ON SAID NORTHERLY LINE; THENCE SOUTH 89° 49' 32" EAST ALONG SAID NORTHERLY LINE, A DISTANCE OF 45.22 FEET TO THE POINT OF BEGINNING.

APN: 044-064-020

ATTACHMENT NO. 7

FORM OF NOTICE OF AFFORDABILITY RESTRICTIONS

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Redevelopment Agency of
the City of Turlock
156 South Broadway, Suite 230
Turlock, CA 95380
Attention: Maryn Pitt

**NOTICE OF AFFORDABILITY RESTRICTIONS
ON TRANSFER OF PROPERTY**

Important notice to owners, purchasers, tenants, lenders, brokers, escrow and title companies, and other persons, regarding affordable housing restrictions on the real property described in this Notice: Restrictions have been recorded with respect to the property described below (referred to in this Notice as the "Property") which restrict the price and terms at which the Property may be sold or rented. These restrictions may limit the sales price or rents of the Property to an amount which is less than the fair market value of the Property. These restrictions also limit the income of persons and households who are permitted to purchase and rent the Property.

Title of Document Containing Affordable Housing Restrictions: Affordable Housing Covenant (referred to in this Notice as the "Affordable Housing Restrictions").

Parties to Affordable Housing Restrictions:

City of Turlock ("Agency"), and
EAH Inc., a California nonprofit corporation ("Original Developer") and
AVENA BELLA II, L.P., a California limited partnership ("Owner" or "Developer").
The Affordable Housing Restrictions are recorded *(check one)*

- ☐ as Document No. _____, official records of the County Recorder, County of Stanislaus; or
- ☒ concurrently with this Notice, official records of Stanislaus County.

Legal Description of Property:

See Exhibit A (Attached hereto)

Street Address of Property: 500 West Linwood Avenue, Turlock, California.

Assessor's Parcel Number of Property: [APN: 044-064-020][?]

Summary of Affordable Housing Restrictions

The Affordable Housing Restrictions restrict the amount of rent which may be charged for a portion of the rental housing units on the Property, as follows:

The Housing Project to be constructed on the Property consists of 61 rental units (including one unrestricted Manager's unit) and related improvements.

Not less than six (6) of the units shall be available to Eligible Households whose income does not exceed 30% of the area median income; these units shall be available at rents that do not exceed 30% of 30% of the Area Median Income, adjusted by Household Size appropriate to the unit, less a utility allowance.

Not less than twelve (12) of the units shall be available to Eligible Households whose income does not exceed 40% of the area median income; these units shall be available at rents that do not exceed 30% of 40% of the Area Median Income, adjusted by Household Size appropriate to the unit, less a utility allowance.

Not less than eleven (11) of the units shall be available to Eligible Households whose income does not exceed 50% of the area median income; these units shall be available at rents that do not exceed 30% of 50% of the Area Median Income, adjusted by Household Size appropriate to the unit, less a utility allowance.

Term of Restrictions: Fifty-five (55) years, commencing on the recordation of the Affordable Housing Covenant, and terminating on the date that is fifty-five (55) years after such recordation.

This Notice does not contain a full description of the details of all of the terms and conditions of the Affordable Housing Restrictions. You will need to obtain and read the Affordable Housing Covenant to fully understand the restrictions and requirements which apply to the Property. In the event of any conflict between the terms of this Notice and the terms of the Affordable Housing Covenant, the terms of the Affordable Housing Covenant shall control.

This Notice is being recorded and filed in compliance with Health and Safety Code Section 33334.3(f)(3) and (4), and shall be indexed against the Agency and the current Owner of the Property.

Dated: _____, 20__

“ORIGINAL DEVELOPER”:

EAH, INC.,
a California non-profit corporation

By: _____
Welton Jordan, Assistant Secretary

“Agency”

CITY OF TURLOCK
a municipal corporation

By: _____
Print Name: Robert C. Lawton
Title: City Manager

“DEVELOPER”:

AVENA BELLA II, L.P.,
a California limited partnership

By: Avena Bella II EAH, LLC,
a California limited liability company,
its sole and managing general partner

By: Golden Oaks Manor, Inc.,
a California nonprofit
corporation,
Sole and Managing Member

By: _____
Welton Jordan, President

ACKNOWLEDGMENTS

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

STATE OF CALIFORNIA)
) SS.
COUNTY OF LOS ANGELES)

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

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

WITNESS my hand and official seal.

Signature of Notary Public

[SEAL]

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

LEGAL DESCRIPTION

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

PARCEL ONE:

PARCEL 1, AS SHOWN ON A PARCEL MAP FILED JULY 11, 1975 IN BOOK 21 OF PARCEL MAPS, AT PAGE 54, BEING A PORTION OF THE NORTHEAST QUARTER OF SECTION 27, IN TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN.

EXCEPTING THEREFROM PARCEL 1, AS SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "PARCEL MAP NO. 11-04" FILED JANUARY 26, 2012 IN BOOK 56 OF PARCEL MAPS, AT PAGE 74, BEING A DIVISION OF PARCEL 1, AS SHOWN IN BOOK 21 OF PARCEL MAPS, PAGE 54, STANISLAUS COUNTY RECORDS, AND LYING IN THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 27, IN TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN, CITY OF TURLOCK, STATE OF CALIFORNIA.

SAID LAND IS ALSO DESIGNATED AS "REMAINDER" AS SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "PARCEL MAP NO. 11-04" FILED JANUARY 26, 2012 IN BOOK 56 OF PARCEL MAPS, AT PAGE 74, STANISLAUS COUNTY RECORDS.

PARCEL TWO:

A PRIVATE ACCESS AND UTILITY EASEMENT AS GRANTED IN THAT CERTAIN ACCESS EASEMENT AGREEMENT, RECORDED JANUARY 26, 2012, AS INSTRUMENT NO. 2012-0007120-00 OF OFFICIAL RECORDS, AND FURTHER DESCRIBED AS FOLLOWS:

ALL THAT CERTAIN REAL PROPERTY BEING A PORTION OF PARCEL 1 AS SHOWN ON THE PARCEL MAP FILED FOR RECORD JULY 11, 1975 IN BOOK 21 OF PARCEL MAPS AT PAGE 54, STANISLAUS COUNTY RECORDS AND LYING IN THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 27, TOWNSHIP 5 SOUTH, RANGE 10 EAST, MOUNT DIABLO BASE AND MERIDIAN, CITY OF TURLOCK, COUNTY OF STANISLAUS, STATE OF CALIFORNIA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF SAID PARCEL 1, SAID CORNER ALSO BEING A POINT ON THE SOUTHERLY RIGHT-OF-WAY LINE OF LINWOOD AVENUE; THENCE NORTH 89° 49' 32" WEST ALONG THE NORTHERLY LINE OF SAID PARCEL 1, A DISTANCE OF 26.51 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID NORTHERLY LINE SOUTH 00° 10' 28" WEST, A DISTANCE OF 39.96 FEET; THENCE NORTH 89° 49' 32" WEST, A DISTANCE OF 19.22 FEET; THENCE SOUTH 00° 10' 28" WEST, A DISTANCE OF 466.15 FEET; THENCE SOUTH 24° 40' 25" WEST, A DISTANCE OF 31.04 FEET; THENCE SOUTH 66° 51' 04" EAST, A DISTANCE OF 13.61 FEET; THENCE SOUTH 69° 39' 43" WEST, A DISTANCE OF 37.78 FEET; THENCE NORTH 66° 51' 04" WEST, A DISTANCE OF 12.90 FEET; THENCE NORTH 24° 40' 25" EAST, A DISTANCE OF 52.09 FEET; THENCE NORTH 00° 10' 28" EAST, A DISTANCE OF 500.47 FEET TO A POINT ON SAID NORTHERLY LINE; THENCE SOUTH 89° 49' 32" EAST ALONG SAID NORTHERLY LINE, A DISTANCE OF 45.22 FEET TO THE POINT OF BEGINNING.

APN: 044-064-020

ATTACHMENT NO. 9A
FORM OF ACQUISITION NOTE

\$885,000

_____, 2019
Turlock, California

FOR VALUE RECEIVED, Avena Bella II, L.P., a California limited partnership, (the “**Maker**”), having an address of **22 Pelican Way**, San Rafael, CA 94901, promises to pay the **CITY OF TURLOCK**, or order (“**Holder**”), the initial principal sum of **EIGHT HUNDRED EIGHTY-FIVE THOUSAND AND NO CENTS (\$885,000.00)**, or so much of said amount which may be advanced from time to time, with simple interest at the rate of **One Percent (1%)** per annum..

1. This Note is made pursuant to Section 201 of that Disposition and Development Agreement dated as of April 12, 2011, as amended by that certain First Amendment to Disposition and Development Agreement dated _____, 2019 (collectively, the “**DDA**”) between Maker and Holder to finance the acquisition of the Site. All capitalized terms not otherwise defined herein shall have the meaning set forth in the DDA.

Pursuant to the DDA, Maker has acquired that certain real property defined in the DDA as the “**Site**”, and will construct on the Site a multi-family residential housing project consisting of 61 residential units (the “**Units**”), one of which shall be a manager’s units and some of the rest of which a portion of which shall be rented to qualified very-low income persons and families (the “**Housing Project**”), as described in the DDA and the Affordable Housing Covenant dated concurrently herewith between Developer and Agency.

2. Payment of this Note is secured by a deed of trust, assignment of rents, security agreement and fixture filing (the “**Deed of Trust**”) from Maker to Holder upon the Site.

3. The entire outstanding balance of principal and interest owing under this Note shall be due and payable on the date that is fifty-five (55) years from the date hereof (the “**Maturity Date**”). No payments shall be due on this Acquisition Note prior to the Maturity Date. Any unpaid principal amount owing from year to year shall continue to accrue interest. All payments made hereunder shall be credited first to any accrued but unpaid interest, then to current interest due and owing and lastly to principal. Interest not paid current shall accrue and shall not be compounded.

4. The principal of this Acquisition Note may be voluntarily prepaid at any time, in its entirety or in any partial amount, without penalty. Payment shall be made in lawful money of the United States to Holder, 156 South Broadway, Suite 230, Turlock, CA 95380, Attn: Finance. The place of payment may be changed from time to time as the Holder may from time to time designate in writing.

5. A failure to pay any sum due hereunder within ten (10) business days after it is due shall constitute an event of default under this Note.

If written request is made by Maker's limited partner, Holder shall also deliver a copy of default notice to such limited partner. Any partner of Maker shall have the right to cure any default within the applicable cure periods set forth hereinabove, whether in its own capacity or on behalf of Maker, and Holder shall accept such cure as if tendered by Maker. However, failure by Holder to deliver such notice to Maker's limited partner shall not be a default under this Note or the DDA.

Upon the occurrence of any event of default, or at any time thereafter, at the option of the Holder hereof and without notice, the entire unpaid principal and interest owing on this Note shall become immediately due and payable. This option may be exercised at any time following any such event, and the acceptance of one or more installments thereafter shall not constitute a waiver of Holder's option. Holder's failure to exercise such option shall not constitute a waiver of such option with respect to any subsequent event. Holder's failure in the exercise of any other right or remedy hereunder or under any agreement which secures the indebtedness or is related thereto shall not affect any right or remedy and no single or partial exercise of any such right or remedy shall preclude any further exercise thereof.

7. At all times when Maker is in default hereunder by reason of Maker's failure to pay principal due under this Note or any amounts due under any loan documents securing this Note, the interest rate on the sums as to which Maker is in default (including principal, if Holder has elected to declare it immediately due and payable), shall be the lower of (i) the highest rate then allowed by law or (ii) two percent (2%) over the prime interest rate announced by Wells Fargo Bank, N.A., as of the date of the default.

8. Maker and any endorsers hereof and all others who may become liable for all or any part of this obligation, severally waive presentment for payment, demand and protest and notice of protest, and of dishonor and nonpayment of this Note, and expressly consent to any extension of the time of payment hereof or of any installment hereof, to the release of any party liable for this obligation, and any such extension or release may be made without notice to any of said parties and without any way affecting or discharging this liability.

9. Maker agrees to pay immediately upon demand all costs and expenses of Holder including reasonable attorneys' fees, (i) if after default this Note be placed in the hands of an attorney or attorneys for collection, (ii) if after a default hereunder or under the Deed of Trust, the DDA or under any loan document referred to herein Holder finds it necessary or desirable to secure the services or advice of one or more attorneys with regard to collection of this Note against Maker, any guarantor or any other party liable therefor or to the protection of its rights under this Note, the Deed of Trust, the DDA or other loan document, or (iii) if Holder seeks to have the Site abandoned by or reclaimed from any estate in bankruptcy, or attempts to have any stay or injunction prohibiting the enforcement or collection of the Note or prohibiting the enforcement of the Deed of Trust or any other agreement evidencing or securing this Note lifted by any bankruptcy or other court.

10. If Holder shall be made a party to or shall reasonably intervene in any action or proceeding, whether in court or before any governmental agency, affecting the property or the title thereto or the interest of the Holder under the Deed of Trust, including, without limitation, any form of condemnation or eminent domain proceeding, Holder shall be reimbursed by maker

immediately upon demand for all costs, charges and attorneys' fees incurred by Holder in any such case, and the same shall be secured by the Deed of Trust as a further charge and lien upon the Site.

11. Any notices provided for in this Note shall be given by mailing such notice by certified mail, return receipt requested at the address stated in this Note or at such address as either party may designate by written notice. Copies of all notices to Maker shall be sent concurrently to Maker's limited partner at Wells Fargo Community Lending and Investment, MAC D1053-170, 301 South College Street, 17th Floor, Charlotte, North Carolina 28202-6000, Attention: Michael Loose, Asset Management.

12. This Note shall be binding upon Maker, its successors and assigns.

13. This Note shall be construed in accordance with and be governed by the laws of the State of California.

14. If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

15. Except for misrepresentation, waste and willful misconduct, the obligation to repay this Note is a nonrecourse obligation of the Borrower.

16. Except for any misrepresentation or willful misconduct by Maker, and except as otherwise provided in the Deed of Trust, this Note is nonrecourse and neither Maker nor any member, officer, partner or employee of Maker shall have any personal liability for repayment of the sums evidenced hereby, and the Holder must resort only to the Housing Project for repayment should the Maker fail to repay the sums evidenced hereby.

MAKER:

AVENA BELLA II, L.P.,

a California limited partnership

By: Avena Bella II EAH, LLC,
a California limited liability company,
its sole and managing general partner

By: Golden Oaks Manor, Inc.,
a California nonprofit
corporation,
Sole and Managing Member

By: _____
Welton Jordan, President

ATTACHMENT NO. 9B

FORM OF AGENCY NOTE

Not to Exceed
\$3,732,627

_____, 2019
Turlock, California

FOR VALUE RECEIVED, Avena Bella II, L.P., a California limited partnership, (the “**Maker**”), having an address of **22 Pelican Way**, San Rafael, CA 94901, promises to pay the **CITY OF TURLOCK**, or order (“**Holder**”), the initial principal sum of **THREE MILLION SEVEN HUNDRED THIRTY TWO THOUSAND SIX HUNDRED TWENTY SEVEN DOLLARS (\$3,732,627)**, or so much of said amount which may be advanced from time to time, with simple interest at the rate of **Three Percent (3%)** per annum. As of the date of this Note, the outstanding principal balance hereof is \$ _____. The remaining \$ _____ will be disbursed by the Agency from time to time in accordance with the terms of Section 301 of the DDA (as defined below) for costs of constructing the Housing Project.

1. This Note is made pursuant to Section 301 of that Disposition and Development Agreement dated as of April 12, 2011, as amended by that certain First Amendment to Disposition and Development Agreement dated _____, 2019 (the “**DDA**”) between Maker and Holder. All capitalized terms not otherwise defined herein shall have the meaning set forth in the DDA.

Pursuant to the DDA, Maker has acquired that certain real property defined in the DDA as the “**Site**”, and will construct on the Site a multi-family residential housing project consisting of 61 residential units (the “**Units**”), one of which shall be a manager’s units and some of the rest of which a portion of which shall be rented to qualified very-low income persons and families (the “**Housing Project**”), as described in the DDA and the Affordable Housing Covenant dated concurrently herewith between Developer and Agency.

2. Payment of this Note is secured by a deed of trust, assignment of rents, security agreement and fixture filing (the “**Deed of Trust**”) from Maker to Holder upon the Site.

3. Payments of interest and principal shall be made to Holder from Holder’s Share of Surplus Cash. “**Holder’s Share of Surplus Cash**” shall mean a percentage derived from a fraction in which the principal amount of the Agency Loan is the numerator and the sum of the Agency Loan plus all other Surplus Case Loans is the denominator, multiplied by fifty percent (50%); provided, however, that Holder’s Share of Surplus Cash shall be subject and subordinate to the priority in payment out of net cash flow of any loan made by the State of California if required by State law or adopted policy. To the extent there is Surplus Cash available from the Housing Project, Maker shall pay to Holder, on an annual basis, payments Holder’s Share of Surplus Cash. The first payment under this Note shall be due on the first May 1 after the earlier of (i) of six (6) months after the issuance of a certificate of occupancy for any portion of the Housing Project or (ii) closing of permanent financing for the Project as determined in good faith by Holder. Each subsequent payment shall be due on May 1 of each calendar year thereafter.

Any unpaid principal amount owing from year to year shall continue to accrue interest. All payments made hereunder shall be credited first to any accrued but unpaid interest, then to current interest due and owing and lastly to principal. Interest not paid current shall accrue and shall not be compounded.

Notwithstanding the foregoing, the entire outstanding balance of principal and interest owing under this Note shall be due and payable on the date that is fifty-five (55) years from the date hereof.

4. **“Surplus Cash”** for purposes of this Note shall mean the sum of money computed on a 12 month basis based on the Maker’s fiscal year as follows:

(a) All rents, revenues, consideration or income (of any form) derived by Maker in connection with or relating to the ownership or operation of the Housing Project, including any Excess Refinancing Proceeds (hereinafter defined) derived from any refinancing of the Housing Project but excluding initial loan proceeds, insurance proceeds and partner capital contributions and also excluding all of the following: (i) all customary and reasonable costs and expenses in connection with the operation and maintenance of the Housing Project; (ii) a property management fee equal to \$20,490 per annum or such other reasonable, fair market property management fee, as approved by Holder; (iii) principal and interest paid by Maker on account of any loan(s) or other obligations approved by Holder; (iv) amounts (previously approved by Holder) expended to restore the Housing Project after a casualty loss or condemnation; (v) reasonable and customary cost for accounting and auditing the books and records of the Housing Project; (vi) an administrative or asset management fee charged by a tax credit investment partner (**“Investor Asset Management Fee”**) not to exceed \$8,500 adjusted annually by up to 3%; (vii) any deferred developer fee paid pursuant to Maker’s Amended and Restated Partnership Agreement (**“Maker’s Partnership Agreement”**); (viii) a management fee (**“Partnership Management Fee”**) not to exceed the lesser of (i) \$26,926 (which amount may be adjusted annually by three percent (3%), beginning on the first anniversary date of this Note and continuing for each year thereafter) or (ii) a fair market partnership management fee, such Partnership Management Fee is paid to the general partner for performing its general partnership duties, including but not limited to reviewing the monthly operating budget; overseeing the performance of the property manager; meetings, coordination and conflict resolution with the adjacent property owner; review and approval of the annual operating budget; prepare, review and approval of annual partnership reports; review and approval of tax returns; coordination with the investor limited partner; and resolution of miscellaneous issues normally associated with the ownership and operation of multi-family housing; (ix) reasonable salary and benefit costs (reasonably approved by Holder) to match the part-time social services staff position accounted for in the annual operating budget, in order to provide a staff position to serve the residents and tenants of the Housing Project; (x) amounts (previously approved by Holder) reserved by Maker as an operating contingency reserve account and a replacement reserve account (and deposited in an account approved by Holder) and other reserves required under the Tax Credit Financing (as defined in the DDA) or set forth in Maker’s Partnership Agreement, or other senior financing secured for the Housing Project, and (xi) payment of credit adjusters to the Maker’s limited partner, repayment of any loans made by Maker’s limited partner, and repayment of any loans made by Maker’s general partner in accordance with Maker’s Partnership Agreement.

(b) As used herein, the term “**Excess Refinancing Proceeds**” shall mean refinancing proceeds less (a) the amount of the repayment of the refinanced debt, (b) all reasonable out-of-pocket costs and expenses paid by Borrower to third parties in obtaining such refinancing, (c) all costs and expenses paid by Borrower for all capital improvements to the completed Housing Project completed by Borrower in accordance with the terms of the loan documents or consented to in writing by Agency for which Borrower’s funds and not loan or grant funds are used (and for purposes of this clause (c), such costs may include, without limitation, reasonable architects’ and engineers’ fees and other reasonable “soft” costs relating to the making of such permitted capital improvements), (d) the amount by which the Borrower’s increases its reserves for the Project as a condition imposed by the refinancing lender, and (e) any amount paid to the limited partner in borrower for any repurchase or redemption of such partner’s limited partnership interest in Borrower completed by Borrower in accordance with the terms of the Borrower’s partnership agreement approved in writing by Agency, or otherwise expressly consented to in writing by Agency, and in either case based on a reasonable and customary fair market value calculation for such limited partnership interest.

(c) Notwithstanding the generality of the foregoing, the following items are not expenses or deductible in computing Surplus Cash:

- (i) Except as may be expressly described in clause (a) above, payment of any rents, revenues or income to Maker or any affiliate of Maker;
- (ii) Income taxes imposed upon Maker’s income;
- (iii) Payment of interest on any indebtedness of Maker to any affiliate of Maker (individual or entity) or to any other third-party lender or partner not otherwise approved in writing by Holder; and
- (iv) Depreciation, cost recovery, amortization and similar items which do not involve the expenditure of cash.

5. Maker shall deliver annual balance sheets showing all revenues and expenses of the Housing Project. An audited financial statement shall be delivered within ninety (90) days of the end of each calendar year along with payment of the Surplus Cash. Holder shall have the right to inspect and audit Maker’s books and records concerning the calculation of Surplus Cash within thirty (30) days from receipt of Maker’s statement. Failure to timely object shall be deemed acceptance. If Holder does object, Holder shall specify the reasons for disapproval. Maker shall have thirty (30) days to reconcile any disapproved item. If Maker and Holder cannot agree on the amount of the Surplus Cash, an independent auditor mutually selected by Maker and Holder shall resolve any disputed items. The cost of the auditor shall be shared equally by Maker and Holder.

6. Maker shall prepare and submit to Holder a proposed annual operating budget for the management and operation of the Project for the following calendar year by no later than November 1 of each year until this Note is paid in full. The proposed budget shall include a line item showing the projected Surplus Cash from the Project for the year. Holder will review the proposed budget and, if acceptable, approve it, which approval shall not be unreasonably

withheld. If the budget is not acceptable, Holder shall specify the reasons for disapproval. The intent of this paragraph is to provide Holder an opportunity to disapprove any unreasonable expenses which would diminish the Surplus Cash from the Project. Once approved, any changes to the budget relating to discretionary items which exceed ten percent (10%) of the total budget shall require Holder's prior written consent, which consent shall not be unreasonably withheld.

7. Notwithstanding anything to the contrary provided herein, in the event that the Project is in material default under the terms of the Affordable Housing Covenant or the Tax Credit Financing provisions such that the affordability restrictions are no longer in effect, or if there shall have been an event of default under this Note or the Deed of Trust securing this Note, all of the foregoing subject to applicable cure periods, then the entire unpaid principal of this Note and accrued interest thereon shall be immediately due and payable.

8. Payment shall be made in lawful money of the United States to Holder, 156 South Broadway, Suite 230, Turlock, CA 95380, Attn: Finance. The place of payment may be changed from time to time as the Holder may from time to time designate in writing.

9. Maker hereby covenants and agrees that it shall maintain, or cause to be maintained, the Site in a manner consistent with the provisions set forth therefore in the Turlock Municipal Code, and shall keep the entire Site reasonably free from any accumulation of debris or waste materials prior to and after construction.

If, at any time, Maker fails to maintain the Site, and has either failed to commence to cure such condition or to diligently prosecute to completion the condition or the condition is not corrected after expiration of thirty (30) days from the date of written notice from Holder to Maker, Holder may perform the necessary corrective maintenance, and Maker shall pay such costs as are reasonably incurred for such maintenance. The Holder shall have the right to place a lien on the property should Maker not reimburse Holder for such costs within sixty (60) days following Holder's written demand to Maker for reimbursement of such costs. Maker, on behalf of itself its heirs, successors and assigns, hereby grants to Holder and its officers, employees and agents, an irrevocable license to enter upon the Site to perform such maintenance during normal business hours after receipt of written notice from Holder as hereinabove described and Maker's failure to cure or remedy such failure within thirty (30) days of such notice. Any such entry shall be made only after reasonable notice to Maker, and Holder shall indemnify and hold Maker harmless from any claims or liabilities pertaining to any such entry by Holder.

Failure by Maker to maintain the Site in the condition provided in this Section 9 may, in Holder's reasonable discretion, constitute a default under this Note and the related Deed of Trust.

The foregoing covenants shall remain in effect for the Site for a period of fifty-five (55) years from the date of this Note, or until all amounts due Holder hereunder are paid in full.

10. A default by Maker under the DDA not cured within any applicable cure period under the DDA, and a failure to pay any sum due hereunder within ten (10) business days after it is due shall constitute an event of default under this Note.

If written request is made by Maker's limited partner, Holder shall also deliver a copy of default notice to such limited partner. Any partner of Maker shall have the right to cure any default within the applicable cure periods set forth hereinabove, whether in its own capacity or on behalf of Maker, and Holder shall accept such cure as if tendered by Maker. However, failure by Holder to deliver such notice to Maker's limited partner shall not be a default under this Note or the DDA.

Upon the occurrence of any event of default, or at any time thereafter, at the option of the Holder hereof and without notice, the entire unpaid principal and interest owing on this Note shall become immediately due and payable. This option may be exercised at any time following any such event, and the acceptance of one or more installments thereafter shall not constitute a waiver of Holder's option. Holder's failure to exercise such option shall not constitute a waiver of such option with respect to any subsequent event. Holder's failure in the exercise of any other right or remedy hereunder or under any agreement which secures the indebtedness or is related thereto shall not affect any right or remedy and no single or partial exercise of any such right or remedy shall preclude any further exercise thereof.

11. At all times when Maker is in default hereunder by reason of Maker's failure to pay principal due under this Note or any amounts due under any loan documents securing this Note, the interest rate on the sums as to which Maker is in default (including principal, if Holder has elected to declare it immediately due and payable), shall be the lower of (i) the highest rate then allowed by law or (ii) two percent (2%) over the prime interest rate announced by Wells Fargo Bank, N.A., as of the date of the default.

12. Maker and any endorsers hereof and all others who may become liable for all or any part of this obligation, severally waive presentment for payment, demand and protest and notice of protest, and of dishonor and nonpayment of this Note, and expressly consent to any extension of the time of payment hereof or of any installment hereof, to the release of any party liable for this obligation, and any such extension or release may be made without notice to any of said parties and without any way affecting or discharging this liability.

13. Maker agrees to pay immediately upon demand all costs and expenses of Holder including reasonable attorneys' fees, (i) if after default this Note be placed in the hands of an attorney or attorneys for collection, (ii) if after a default hereunder or under the Deed of Trust, the DDA or under any loan document referred to herein Holder finds it necessary or desirable to secure the services or advice of one or more attorneys with regard to collection of this Note against Maker, any guarantor or any other party liable therefor or to the protection of its rights under this Note, the Deed of Trust, the DDA or other loan document, or (iii) if Holder seeks to have the Site abandoned by or reclaimed from any estate in bankruptcy, or attempts to have any stay or injunction prohibiting the enforcement or collection of the Note or prohibiting the enforcement of the Deed of Trust or any other agreement evidencing or securing this Note lifted by any bankruptcy or other court.

14. If Holder shall be made a party to or shall reasonably intervene in any action or proceeding, whether in court or before any governmental agency, affecting the property or the title thereto or the interest of the Holder under the Deed of Trust, including, without limitation, any form of condemnation or eminent domain proceeding, Holder shall be reimbursed by maker

immediately upon demand for all costs, charges and attorneys' fees incurred by Holder in any such case, and the same shall be secured by the Deed of Trust as a further charge and lien upon the Site.

15. Any notices provided for in this Note shall be given by mailing such notice by certified mail, return receipt requested at the address stated in this Note or at such address as either party may designate by written notice. Copies of all notices to Maker shall be sent concurrently to Maker's limited partner at Wells Fargo Community Lending and Investment, MAC D1053-170, 301 South College Street, 17th Floor, Charlotte, North Carolina 28202-6000, Attention: Michael Loose, Asset Management.

16. This Note shall be binding upon Maker, its successors and assigns.

17. This Note shall be construed in accordance with and be governed by the laws of the State of California.

18. If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

19. Except for misrepresentation, waste and willful misconduct, the obligation to repay this Note is a nonrecourse obligation of the Borrower.

20. Except for any misrepresentation or willful misconduct by Maker, and except as otherwise provided in the Deed of Trust, this Note is nonrecourse and neither Maker nor any member, officer, partner or employee of Maker shall have any personal liability for repayment of the sums evidenced hereby, and the Holder must resort only to the Housing Project for repayment should the Maker fail to repay the sums evidenced hereby.

MAKER:

AVENA BELLA II, L.P.,
a California limited partnership

By: Avena Bella II EAH, LLC,
a California limited liability company,
its sole and managing general partner

By: Golden Oaks Manor, Inc.,
a California nonprofit
corporation,
Sole and Managing Member

By: _____
Welton Jordan, President

ATTACHMENT NO. 10

FORM OF AGENCY LOAN DEED OF TRUST

RECORDING REQUESTED BY:
AND WHEN RECORDED MAIL TO:

Redevelopment Agency of the City of Turlock
156 South Broadway, Suite 230
Turlock, CA 95380
Attention: Maryn Pitt

No fee required for recording pursuant to
Government Code §
27383

Space Above This Line For Recorder's Use

**DEED OF TRUST, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING**

(AGENCY LOAN)

This Deed of Trust, together with the Addendum to Deed of Trust, attached hereto as Exhibit B and made a part hereof, is made as of _____, by Avena Bella II, L.P. whose address is **22 Pelican Way**, San Rafael, CA 94901, ("**Trustor**"), _____, whose address is _____, CA _____ ("**Trustee**"), and the CITY OF TURLOCK, whose address is 156 South Broadway, Suite 230, Turlock, CA 95380 ("**Beneficiary**").

Trustor irrevocably grants, conveys, transfers and assigns to Trustee in trust, with power of sale and right of entry and possession, all of Trustor's estate, right, title and interest in, to and under the following property (collectively, the "**Property**"): (a) the real property in Stanislaus County, California, described on Exhibit A attached hereto and incorporated herein by this reference, together with all existing and future easements and rights affording access to it (the "**Land**"), (b) together with all buildings, structures and improvements now existing or hereafter constructed thereon (the "**Improvements**"), (c) together with all articles of personal property now or hereafter attached to, placed upon for an indefinite term, or used in connection with the Land and/or Improvements, together with all goods and other property that are, or at any time become, so related to the Property that an interest in them arises under real estate law, or they are otherwise adjudged to be a "fixture" under applicable law (each a "**Fixture**," collectively "**Fixtures**"), (d) together with all other property and interests of any kind or character which may be reasonably necessary or desirable to promote the present and future beneficial use and enjoyment of such real property and improvements.

1. **Secured Obligations.** Trustor makes the grant, conveyance, transfer and assignment herein for the purpose of securing the following obligations (the "**Secured Obligations**"): (a)

payment of the sum of \$3,732,627 with interest thereon according to the terms of a promissory note (the "Agency Note") of even date herewith, executed by Trustor in favor of Beneficiary or order and any extension or renewals thereof; (b) payment of the sum of \$885,000 according to the terms of the Acquisition Note, (the "Acquisition Note" and together with the Agency Note, the "Note"), (b) payment of such further sums as the then record owner of the Property may borrow from Beneficiary, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust; (c) the obligations of Trustor under that certain Affordable Housing Covenant executed by Trustor in favor of Beneficiary; and (d) performance by Trustor of the terms of this Deed of Trust.

2. Maintenance and Repair. Trustor shall (a) keep the Property in good condition and repair and not remove or demolish any building; (b) complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed; (c) pay when due all claims for labor performed and materials furnished (or removed them from title by bonding while contesting them); (d) comply with all laws affecting the Property or requiring any alterations or improvements to be made; (e) not commit or permit waste; and (f) cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of the Property may be reasonably necessary.

3. Insurance. Trustor shall maintain the insurance required by Section 401.6 of that certain Disposition and Development Agreement dated as of April 12, 2011, as amended by that certain First Amendment to Disposition and Development Agreement dated _____, 2019.

4. Defense of Security. Trustor shall appear in and defend any action or proceeding purporting to affect the security or the rights or powers of Beneficiary or Trustee. Trustor shall pay all costs and expenses, including costs of evidence of title and attorneys' fees, in any such action or proceeding in which Trustee or Beneficiary may appear, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

5. Payment of Taxes and Liens. Trustor shall pay (a) at least 10 days before delinquency, all taxes and assessments affecting the Property, including water stock assessments; (b) when due, all encumbrances, charges and liens, with interest, on the Property, which are or appear to be prior or superior to this Deed of Trust; and (c) upon demand all costs, fees and expenses of this Deed of Trust. If Trustor fails to make any payment or to do any act provided for in this Deed of Trust, then Beneficiary or Trustee may, without obligation to do so, and with or without notice to or

demand upon Trustor, and without releasing Trustor from any obligation under this Deed of Trust: (a) make or do the same in such manner and to such extent as either may deem necessary to protect the security, Beneficiary or Trustee being authorized to enter upon the Property for such purposes; (b) appear in or commence any action or proceeding purporting to affect the security, or the rights or powers of Beneficiary or Trustee; (c) pay, purchase, contest or settle any encumbrance, charge or lien which in the judgment of either appears to be senior to this Deed of Trust; and (d) in exercising any such powers, pay allowable expenses, including attorneys' fees.

6. Reimbursement of Costs. Trustor shall pay upon demand all sums expended by Beneficiary or Trustee provided for in this Deed of Trust or allowed by law, with interest from date of expenditure at the maximum rate provided in the Note.

7. No Waiver. By accepting payment of any sum after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums or declare a default for failure to pay.

8. Reconveyance. That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and said note or notes to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals of such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

9. Assignment of Rents. Trustor hereby absolutely and unconditionally assigns to Beneficiary all of the rents, issues, profits, royalties, revenues, income and other benefits (collectively, the "**Rents**") derived from the Property, whether now due, past due or to become due, and hereby gives to and confers upon Beneficiary, either directly or through a receiver, the right, power and authority, but not the obligation, to collect the Rents, and to sue, either in the name of Trustor or Beneficiary, for all such Rents and to apply the same to the indebtedness secured hereby in such order as Beneficiary may determine in its sole discretion. This assignment of Rents is intended to create and shall be construed to create an absolute assignment to Beneficiary of all of Trustor's right, title and interest in the Rents, the foregoing, so long as no default exists by Trustor in the payment of any indebtedness secured hereby, or in any other covenant contained herein, or in said note or notes or in any other document evidencing or securing

such indebtedness, Trustor shall have the right to collect all Rents from the Property and to retain, use and enjoy the same. Upon the occurrence of such a default, without the necessity of demand or other notice to Trustor or any other act to enforce Beneficiary's interest pursuant to this assignment, Trustor shall have no interest whatsoever in the Rents that are received by Trustor after a default, and all such Rents shall be received and held by Trustor in constructive trust for Beneficiary and delivered promptly to Beneficiary, or to a court appointed receiver for the Property, without the necessity for further notice to, or demand upon, Trustor. Upon the occurrence of such a default and at any time thereafter during the continuance thereof, Beneficiary may, at its option, send any tenant of the Property a notice to the effect that: (a) a default has occurred; (b) Beneficiary has elected to exercise its rights under this assignment; and (c) such tenant is thereby directed to thereafter make all payments of Rents to or for the benefit of Beneficiary or as Beneficiary shall direct. Any such tenant shall be entitled to rely upon any notice from Beneficiary and shall be protected with respect to any payment of Rents made pursuant to such notice, irrespective of whether a dispute exists between Trustor and Beneficiary with respect to the existence of a default or the rights of Beneficiary hereunder. Any such tenant shall not be required to investigate or determine the validity or accuracy of such notice or the validity or enforceability of this assignment.

10. Default and Foreclosure. Upon default by Trustor in payment or performance of any Secured Obligation, subject to any applicable cure period, Beneficiary may declare all sums secured immediately due and payable by delivery to Trustee of a declaration of default and demand for sale and of a notice of default and of a notice of sale, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed of Trust, said note or notes and all documents evidencing expenditures secured by this Deed of Trust. Upon default of any obligation secured by this Deed of Trust and acceleration of all sums due, Beneficiary may instruct Trustee to proceed with a sale of the Property under the power of sale granted in this Deed of Trust, noticed and held in accordance with California Civil Code Sections 2924, et seq., as such statutes may be amended from time to time. Trustor waives all rights it may have to require marshaling of assets or to require sales of assets in any particular order, including any rights under California Civil Code Sections 2899 and 3455.

11. Substitution of Trustee. Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors

to any Trustee named herein or acting hereunder, which instrument executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where the Property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed of Trust is recorded and the name and address of the new Trustee.

12. Successors and Assigns. This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "Beneficiary" shall mean the owner and holder, including pledgees, of the secured note or notes, whether or not named as Beneficiary herein.

13. Trustee Acceptance. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

14. Further Assurances. Trustor shall, at its own cost and expense, do, execute, acknowledge, and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers, and assurances as Trustee or Beneficiary shall from time to time require, for better assuring, conveying, assigning, transferring, and confirming unto Trustee the Property and rights hereby conveyed or assigned or intended now or hereafter so to be, or which Trustor may be or may hereafter become bound to convey or assign to Trustee, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust, or for filing, registering, or recording this Deed of Trust. Trustor shall, on demand, execute and deliver, and hereby authorizes Trustee and Beneficiary, or either of them, to execute in the name of Trustor, to the extent it may lawfully do so, one or more financing statements, chattel mortgages, or comparable security instruments, to evidence more effectively the lien hereof. Immediately upon the execution and delivery of this Deed of Trust, and thereafter from time to time, Trustor shall cause this Deed of Trust, and any security instruments creating a lien or evidencing the lien hereof upon any personal property and each instrument of further assurance, to be filed, registered, or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect the lien

hereof upon, and the title of Trustee to, the Property encumbered hereby.

15. Condemnation and Insurance Proceeds. Immediately upon obtaining knowledge of the institution of any proceedings for the condemnation or other taking of all or any portion of the Property, or knowledge of any casualty damage to the Property, or damage in any other manner, Trustor shall immediately notify Beneficiary thereof. Trustor hereby authorizes and empowers Beneficiary as attorney in fact for Trustor to make proof of loss, to adjust and compromise any claim under the insurance policies covering the Property, to appear in and prosecute any action arising from such insurance policies, to collect and receive insurance proceeds, and to deduct therefrom Beneficiary's expenses incurred in the collection of such proceeds; provided, however, that nothing contained in this Section shall require Beneficiary to incur any expense or take any action hereunder. Trustor hereby authorizes and empowers Beneficiary, at Beneficiary's option, as attorney in fact for Trustor, to commence, appear in and prosecute, in Beneficiary's or Trustor's name, any action or proceeding relating to any condemnation or other taking of all or any part of the Property, whether direct or indirect, and to settle or compromise any claim in connection with such condemnation or other taking. The proceeds of any award payment or claim for damages, direct or consequential, in connection with any condemnation or other taking, whether direct or indirect, of the Property, or any part thereof, or for conveyances in lieu of the Property, or any part thereof, shall be paid to Beneficiary. The foregoing powers of attorney are coupled with an interest and are irrevocable. Trustor hereby authorizes Beneficiary to apply such awards, payments, proceeds or damages relating to condemnation of the Property and insurance covering the Property, after the deduction of Beneficiary's expenses incurred in the collection of such amounts, subject to the requirements of applicable law and the provisions hereof, to restoration or repair of the Property or to payment of the sums secured by this Deed of Trust. Beneficiary shall be under no obligation to question the amount of any compensation, awards, proceeds, damages, claims, rights of action, and payments relating to condemnation or other taking of the Property or insured casualty affecting the Property, and may accept the same in the amount in which the same shall be paid. Trustor shall execute such further evidence of assignment of any awards, proceeds damages or claims arising in connection with such condemnation or taking or such insurance as Beneficiary may require. Notwithstanding the above, the Beneficiary shall release all insurance and condemnation proceeds to Trustor to be used to reconstruct the improvements on the Property provided that

Beneficiary determines that such restoration, repair or rebuilding is economically feasible. If such insurance proceeds shall be insufficient for such purposes, Trustor shall make up the deficiency. If the Housing Project is subject to a partial condemnation or taking, then the proceeds received therefrom shall be applied to restore the Housing Project taken, provided the Beneficiary determines that such restoration is economically feasible and no default exists under the Loan Documents following the expiration of all applicable cure periods. If the Housing Project is subject to a total condemnation, or if Beneficiary determines that restoration of the Housing Project is not feasible following a partial condemnation, or if a default exists then the proceeds from any condemnation award or claim for damages shall be used first to repay all sums under the Note, with the excess, if any, paid to Trustor.

16. Severability. If any one or more of the provisions contained in this Deed of Trust shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Deed of Trust, but this Deed of Trust shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein or therein, but only to the extent of such invalidity.

17. Estoppel Certificate. Trustor shall, within 10 days of a written request from Beneficiary, furnish Beneficiary with a written statement, duly acknowledged, setting forth the sums secured by this Deed of Trust and any right of set off, counterclaim or other defense which exists against such sums and the obligations of this Deed of Trust.

18. California Uniform Commercial Code Security Agreement; Fixture Filing. Trustor hereby grants Beneficiary a security interest in all personal property of Trustor located on the Property and wherever located and used in any way in connection with or in any way relating to the Property, and whether now owned or hereafter in existence, acquired or created (including equipment, inventory, goods, documents, instruments, general intangibles, chattel paper, accounts, accounts receivable, deposit accounts and contract rights), and all fixtures of Trustor now owned or hereafter in existence, acquired or created on, of or relating to the Property, and all substitutions, replacements, additions, accessions and proceeds (including insurance proceeds) of all of the foregoing (collectively, the “**Personal Property**”). Beneficiary may file this Deed of Trust, or a reproduction hereof, in the real estate records or other appropriate index, as a financing statement for the Personal Property. Any reproduction of this

Deed of Trust or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Trustor shall execute and deliver to Beneficiary, upon Beneficiary's request, any financing statements, as well as extensions, renewals and amendments thereof, and reproductions of this Deed of Trust in such form as Beneficiary may require to perfect a security interest with respect to the Personal Property. Trustor shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Beneficiary may reasonably require. Without the prior written consent of Beneficiary, Trustor shall not create or suffer to be created pursuant to the California Uniform Commercial Code any other security interest in the Personal Property. Upon Trustor's breach of any covenant or agreement of Trustor contained in this Deed of Trust, including the covenants to pay when due all sums secured by this Deed of Trust, Beneficiary shall have the remedies of a secured party under the California Uniform Commercial Code and, at Beneficiary's option, may also invoke any remedies provided in this Deed of Trust as to the Personal Property. In exercising any of such remedies, Beneficiary may proceed against the Property and any of the Personal Property separately or together and in any order whatsoever, without in any way affecting the availability of Beneficiary's remedies under the California Uniform Commercial Code or the remedies provided in the Deed of Trust. This Deed of Trust also covers goods which are or which are to become fixtures on the Property and constitutes and is filed as a fixture filing under the California Uniform Commercial Code.

19. Due On Sale or Encumbrance. If all or any part of the Property, or any interest therein, or any interest in Trustor (if Trustor is not a natural person or persons but is a corporation, partnership, trust, limited liability company or other legal entity), is sold, transferred, mortgaged, assigned, pledged, or further encumbered, whether directly or indirectly, whether voluntarily or involuntarily or by operation of law, except as expressly permitted by the DDA, Beneficiary may, at Beneficiary's option, declare all of the sums secured by this Deed of Trust to be immediately due and payable, and Beneficiary may invoke any remedies permitted by this Deed of Trust.

The undersigned Trustor requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to Trustor at Trustor's address hereinbefore set forth.

TRUSTOR:

AVENA BELLA II, L.P.,

a California limited partnership

By: Avena Bella II EAH, LLC,
a California limited liability company,
its sole and managing general partner

By: Golden Oaks Manor, Inc.,
a California nonprofit
corporation,
Sole and Managing Member

By: _____
Welton Jordan, President

ACKNOWLEDGMENTS

<p style="text-align: center;">A Notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.</p>

STATE OF CALIFORNIA)
) SS.
COUNTY OF LOS ANGELES)

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

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

WITNESS my hand and official seal.

Signature of Notary Public

[SEAL]

EXHIBIT A

PROPERTY LEGAL DESCRIPTION

[To be inserted]

EXHIBIT B

ADDENDUM TO DEED OF TRUST

This Addendum to the Deed of Trust is part of the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing ("**Deed of Trust**") dated _____, 20__, to which it is attached between EAH, INC., as Trustor, and the REDEVELOPMENT AGENCY OF THE CITY OF TURLOCK, as Beneficiary. The following provisions are made a part of the Deed of Trust:

1. **DDA.** Trustor (as the Developer) and Beneficiary (as the Agency) are parties to that certain Disposition and Development Agreement, dated as of April 12, 2011, as amended by that certain First Amendment thereto dated _____, 2019 ("**DDA**"), pursuant to which Beneficiary sold the Property to Beneficiary for purposes of development of a multi-family residential complex consisting of 61- units of rental housing (the "**Housing Project**"). Pursuant to the DDA, (i) Beneficiary provided to Trustor a loan ("**Agency Loan**"), of up to THREE MILLION SEVEN HUNDRED THIRTY TWO THOUSAND SIX HUNDRED TWENTY SEVEN DOLLARS (\$3,732,627.00), to pay certain pre-development costs and project-related construction and development costs, and (ii) Beneficiary provided to Trustor an acquisition loan of Eight Hundred Eighty-Five Thousand Dollars (\$885,000.00) (the "**Acquisition Loan**") to fund the purchase price of the Site. .

2. **Affordability Agreement.** This Deed of Trust secures the duties and obligations of Trustor under the Affordable Housing Covenant dated _____, 20__ (the "**Affordable Housing Covenant**") entered into between Trustor and Beneficiary pursuant to the DDA. The payment of the promissory notes in the original principal amount of \$3,732,627.00 and \$885,000.00 (collectively, the "**Agency Notes**") by Trustor shall not extinguish the rights of the Beneficiary under the Affordable Housing Covenant. This Deed of Trust shall secure the Beneficiary against any default under the Affordable Housing Covenant for the term of the Affordable Housing Covenant.

3. **No Discrimination.** The Trustor covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall the Trustor itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Property.

All deeds, leases or contracts made relative to the Property, the improvements thereon or any part thereof, shall contain or be subject to the nondiscrimination clauses set forth in California Health and Safety Code Section 33436.

5. **Insurance Proceeds.** Notwithstanding anything to the contrary in the Loan Documents, all insurance proceeds and the proceeds of any award or claim for damages, in

connection with a condemnation or taking (collectively, the "Proceeds"), shall be applied to restore or repair of the Property, provided the Trustor reasonably determines that such restoration or repair is economically feasible and there is no default unrelated to the casualty or condemnation continuing after the expiration of applicable cure periods. If the Trustor determines that such restoration or repair is not economically feasible or if a default is continuing after expiration of all applicable cure periods, the Proceeds may be applied to the sums secured by the Deed of Trust and Assignment of Rents, with the excess, if any, paid to the Trustor.

6. Hazardous Substances.

(a) As used in this Section, the following terms shall have the following meanings:

(i) "Environmental Laws" means all statutes, ordinances, orders, rules, regulations, plans, policies or decrees and the like now or hereafter in effect relating to (A) Hazardous Substance Activity or Hazardous Substances; (B) the generation, use, storage, transportation or disposal of Hazardous Substances, or solid waste; or (C) occupational safety and health, industrial hygiene, land use or the protection of human, plant or animal health, safety or welfare, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. Section 9601 et seq.) ("CRELA"); the Hazardous Material Transportation Act (49 U.S.C. Section 180 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. Section 136 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.); the Clean Air Act (42 U.S.C. Section 740 et seq.); the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.); the Occupational Safety and health Act (29 U.S.C. Section 651 et seq.); the Safe Drinking Water Act (42 U.S.C. Section 300f et seq.); the Porter-Cologne Water Quality Control Act (California Water Code Section 13020 et seq.); the Safe Drinking Water and Toxic Enforcement Act of 1986 (California Health & Safety Code Section 25249.5 et seq.); the Hazardous Substance Account Act (California Health & Safety Code Section 25300 et seq.); the Hazardous Waste Control Act (California Health & Safety Code Section 25100 et seq.); The California Environmental Quality Act (California Public Resources Code Section 2100 et seq.); and the rules, regulations and ordinances of the City of Turlock or any applicable federal, state and local agencies or bureaus, as amended from time to time.

(ii) "Foreclosure Transfer" means the transfer of title to all or any part of the Property or the Trust Estate at a foreclosure sale under the Deed of Trust, either pursuant to judicial decree or the power of sale contained in the Deed of Trust, or by deed in lieu of such foreclosure.

(iii) "Hazardous Substances" means (A) any chemical, compound, material, mixture or substance that is now or hereafter defined or listed in, or otherwise classified pursuant to, any Environmental Laws as a "hazardous substance," "hazardous material," "hazardous waste," "extremely hazardous waste," "acutely hazardous waste," "radioactive waste," "infectious waste," "biohazardous waste," "toxic substance," "pollutant," "toxic pollutant," "contaminant" as well as any other formulation not mentioned herein intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, "EP toxicity" or "TCLP

toxicity”; (B) petroleum, natural gas, natural gas liquids, liquified natural gas, synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas) and ash produced by a resource recovery facility utilizing a municipal solid waste stream, and drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas, or geothermal resources; (C) “hazardous substance” as defined in Section 2782.6(d) of the California Civil Code; (D) “waste” as defined in Section 13050(d) of the California Water Code; (E) asbestos in any form; (F) urea formaldehyde foam insulation; (G) polychlorinated biphenyls (PCBs); (H) radon; and (I) any other chemical, material, or substance that, because of its quantity, concentration, or physical or chemical characteristics, exposure to which is limited or regulated for health and safety reasons by any governmental authority, or which poses a significant present or potential hazard to human health and safety or to the environment if released into the workplace or the environment.

(iv) “Hazardous Substance Activity” means any actual, proposed, or threatened use, storage, holding, existence, location, release (including, without limitation, any spilling, leaking, leaching, pumping, pouring, emitting, emptying, dumping, disposing into the environment, and the continuing migration into or through soil, surface water, groundwater or any body of water or the air), discharge, deposit, placement, generation, processing, construction, treatment, abatement, removal, disposal, disposition, handling, or transportation of any Hazardous Substance from, under, in, into, or on the Property, including without limitation, the movement or migration of any Hazardous Substances from surrounding property, surface water, groundwater or any body of water, or the air under, in, into or onto the Property and any residual Hazardous Substances contamination in, on, or under the Property.

(v) “Losses” means all charges, losses, liabilities, damages (whether actual, consequential, punitive, or otherwise denominated), costs, fees, demands, claims for personal injury or real or personal property damage), actions, administrative proceedings (including informal proceedings), judgments, causes of action, assessments, fines, penalties, costs, and expenses of any kind or character, foreseeable and unforeseeable, liquidated and contingent, proximate and remote, including, without limitation, the following: (A) the reasonable fees and expenses of outside legal counsel; (B) the reasonable fees and expenses of accountants, third-party consultants, and other independent contractors retained by an Beneficiary; (C) costs, including capital, operating and maintenance costs, incurred in connection with any investigation or monitoring of site conditions or any clean-up, remedial, removal or restoration work required or performed by any federal, state or local governmental agency or political subdivision or performed by any non-governmental entity or person that is required by Environmental Laws or administrative ruling or directive because of the presence, suspected presence, release or suspected release of Hazardous Substances in violation of Environmental Laws in the air, soil, surface water or groundwater at the Property; (D) any and all diminution in value of the Property, loss of use or damage to the Property, or loss of profits or loss of business opportunity; and (E) reasonable costs and expenses of enforcing this Section 7.

(vi) “Environmental Losses” means Losses rising out of or as a result of: (A) the occurrence of any Hazardous Substance Activity; (B) any violation of any applicable Environmental laws relating to the Property or to the ownership, use, occupancy or operation thereof; (C) any investigation, inquiry, order, hearing, action, or other proceeding by or before any governmental agency in connection with any Hazardous Substance Activity; or (D) any

claim, demand or cause of action, or any action or other proceeding, whether meritorious or not, brought or asserted against any Indemnatee which directly or indirectly relates to, arises from or is based on any of the matters described in clauses (A), (B), or (C), or any allegation of any such matters.

(b) Trustor represents and warrants to Beneficiary that Trustor has conducted as appropriate inquiry and investigation, and, to the best of Trustor's knowledge and except as previously expressly disclosed in writing by Trustor to Beneficiary, based on such inquiry and investigation, no portion of the Property is being used or has ever been used at any previous time, for the disposal, storage, treatment, processing or other handling of Hazardous Substances, nor have any Hazardous Substances migrated onto or from the Property. Neither the Property nor Trustor is in violation of or subject to any existing, pending or threatened investigation by any governmental authority under any Environmental Law. Trustor's prior and intended use of the Property will not result in the disposal or release of any Hazardous Substances on, under, about or to the Property or the migration of any Hazardous Substances from the Property. The foregoing representations and warranties shall be continuing and shall be true and correct for the period from the date hereof to the release of this Deed of Trust (whether by payment of the indebtedness secured hereby or foreclosure or action in lieu thereof), and these representations and warranties shall survive such release.

(c) Trustor represents and warrants to Beneficiary that Trustor has complied with all recommendations by any engineers retained by Trustor and all requirements of any applicable department of environmental resources, environmental protection agency or similar governmental agency, and there are no recommendations by said engineers or requirements ordered by said agency or any other governmental body for environmental investigation or cleanup with respect to the Property.

(d) On and after the date hereof, Trustor shall not (a) allow any Hazardous Substances to be installed, used, introduced, stored, treated, disposed of, generated, manufactured, discharged, dumped, transported or brought in, upon or over the Property in violation of applicable law; (b) allow any soil or ground water contamination or pollution with any Hazardous Substances on the Property in violation of applicable law; (c) allow any Hazardous Substances to migrate from the Property in violation of applicable law; (d) allow any Hazardous Substances to migrate onto the Property from any adjacent properties in violation of applicable law; or (e) allow or cause the Property to be in violation of, or to trigger a duly initiated and prosecuted investigation of the Property by any governmental authority under applicable limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules or timetables contained in any local, state and/or federal laws, regulations, codes, ordinances, plans, administrative or judicial orders, decrees, judgments, notices or demand letters issued, entered, promulgated or approved thereunder relating to the environment, land use, water and air quality and Hazardous Substances ("Environmental Requirements").

(e) If the presence of any Hazardous Substances on the Property caused or permitted by Trustor results in any contamination of the Property, Trustor shall promptly take all actions, at its sole expense, as are necessary to return the Property to the condition existing prior to the introduction of any such Hazardous Substances to the Property; provided that Beneficiary's approval of such actions shall first be obtained, which approval shall not be

unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Property.

(f) At any time after the occurrence and during the continuance of any default under this Section (subject to any applicable notice and cure provisions in DDA), Beneficiary shall have the following rights and remedies, in addition to any other rights and remedies Beneficiary has under this Deed of Trust:

(i) As provided in California Code of Civil Procedure Section 564, Beneficiary or its employees, acting by themselves or through a court appointed receiver may do any of the following: (i) enter upon, possess, manage, operate, dispose of, and contract to dispose of the Property or any part thereof; (ii) take custody of all accounts; (iii) negotiate with governmental authorities with respect to the Property's environmental compliance and remedial measures; (iv) take any action necessary to enforce compliance with environmental provisions, including spending Rent Payments to abate any environmental problem; (v) make, terminate, enforce or modify leases of part or all of the Property; (vi) contract for goods and services, hire agents, employees, and counsel, make repairs, alterations, and improvements to the Property necessary in Beneficiary's judgment to protect or enhance the security hereof; and/or (vii) take any and all other actions which may be necessary or desirable to comply with Trustor's obligations hereunder and under the Loan Documents. All sums realized by the receiver or Beneficiary under this subparagraph, less all costs and expenses incurred by either of them under this subparagraph, including attorneys' fees, and less such sums as Beneficiary or the receiver deems appropriate as a reserve to meet future expenses under this subparagraph, shall be applied on any indebtedness secured hereby in such order as Beneficiary shall determine. Neither application of said sums to said indebtedness, nor any other action taken by Beneficiary or the receiver under this subparagraph shall cure or waive any default or notice of default hereunder, or nullify the effect of any such notice of default. Beneficiary, or any employee or agent of Beneficiary, or a receiver appointed by a court, may take any action or proceeding hereunder without regard to the adequacy of the security for the indebtedness secured hereunder, the existence of a declaration that the indebtedness secured hereby has been declared immediately due and payable, or the filing of a notice of default.

(ii) With or without notice, and without releasing Trustor from any obligation hereunder, to cure any default of Trustor or in connection with any such default, Beneficiary or its agents, acting by themselves or through a court-appointed receiver, may enter upon the Property or any part thereof and perform such acts and things as Beneficiary deems necessary or desirable to inspect, investigate, assess, and protect the security hereof, including of any of Beneficiary's other rights: (i) to obtain a court order to enforce Beneficiary's right to enter and inspect the Property under California Civil Code Section 2929.5 (in respect of which the decision of Beneficiary as to whether there exists a release or threatened release of hazardous substance, as defined therein, onto the Property shall be deemed reasonable and conclusive as between the parties hereto); and (ii) to have a receiver appointed under California Code of Civil Procedure Section 564 to enforce Beneficiary's right to enter and inspect the Property for hazardous substances as defined therein. All costs and expenses incurred by Beneficiary with respect to the audits, tests, inspections, and examinations which Beneficiary or its agents or employees may conduct, including the fees of engineers, laboratories, contractors, consultants, and attorneys, shall be paid by Trustor. All costs and expenses incurred by Trustee and

Beneficiary pursuant to this subparagraph (including court costs, consultant fees and attorney fees, whether incurred in litigation or not and whether before or after judgment) shall bear interest at the Note Rate, from the date they are incurred until said sums have been paid.

(iii) Beneficiary may seek a judgment that Trustor has breached its covenants, representations and/or warranties with respect to the environmental matters set forth above in this Section, by commencing and maintaining an action or actions in any court of competent jurisdiction for breach of contract pursuant to California Code of Civil Procedure Section 736, whether commenced prior to foreclosure of the Property or after foreclosure of the Property, and to seek the recovery of any and all costs, damages, expenses, fees, penalties, fines, judgments, indemnification payments to third parties, and other out-of-pocket costs or expenses actually incurred by Beneficiary or advanced by Beneficiary (collectively, the “Environmental Costs”) relating to the cleanup, remediation or other response action required by applicable law or which Beneficiary believes necessary to protect the Property, it being conclusively presumed between Beneficiary and Trustor that all such Environmental Costs incurred or advanced by Beneficiary relating to the cleanup, remediation, or other response action respecting the Property were made by Beneficiary in good faith. All Environmental Costs incurred by Beneficiary under this subparagraph (including court costs, consultant fees and attorney fees, whether incurred in litigation or not and whether before or after judgment) shall bear interest at the Note Rate, from the date of expenditure until said sums have been paid. Beneficiary shall be entitled to bid, at any sale of the Property held hereunder, the amount of said costs, expenses and interest in addition to the amount of the other obligations hereby secured as a credit bid, the equivalent of cash.

(iv) As provided in California Code of Civil Procedure Section 726.5, Beneficiary may waive its lien against the Property or any portion thereof, to the extent such property is found to be environmentally impaired as defined therein, and to exercise any and all rights and remedies of an unsecured creditor against Trustor and all of Trustor’s assets and property for the recovery of any deficiency and Environmental Costs, including seeking an attachment order under California Code of Civil Procedure Section 483.010. Beneficiary and Trustor each represents and warrants for itself that it has no actual knowledge of any release of any Hazardous Substance (as defined in Section 726.5) on, to or under the Property. As between Beneficiary and Trustor, for purposes of California Code of Civil Procedure Section 726.5, Trustor shall have the burden of proving that Trustor or any related party (or any affiliate or agent of Trustor or any related party) did not cause or contribute to, and was not in any way negligent in permitting, any release or threatened release of the Hazardous Substance.

(v) Trustor acknowledges and agrees that notwithstanding any term or provision contained herein or in any promissory note or other loan documents, the Environmental Costs and all judgments and awards entered against Trustor pursuant to Section 6(f)(iv) above shall be exceptions to any nonrecourse or exculpatory provision of the loan documents, and Trustor shall be fully and personally liable for the Environmental Costs and such judgments and awards and such liability shall not be limited to the original principal amount of the obligations secured by this Deed of Trust, and Trustor’s obligations shall survive the foreclosure, deed in lieu of foreclosure, release, reconveyance, or any other transfer of the Property or this Deed of Trust.

(g) Trustor hereby agrees to indemnify, defend and hold harmless Beneficiary from and against any and all Environmental Losses to the extent such Environmental Losses relate to conditions first arising after the transfer of the Site to Trustor (the "Transfer Date"), and Trustor shall have no obligation to indemnify, defend and hold harmless Beneficiary from and against any and all Environmental Losses to the extent such Environmental Losses relate to conditions existing prior to the Transfer Date or which arise due to the negligence or willful misconduct of the Beneficiary.

7. Cure by Trustor's Limited Partner.

The Beneficiary shall give any limited partner of Trustor written notice of any default under the Deed of Trust concurrently with written notice to Trustor. Any limited partner of Trustor shall have the right to cure an Event of Default by Trustor provided that such cure shall occur within the same period afforded for Trustor's cure of an Event of Default. Beneficiary shall accept any complete cure offered by the limited partner of Trustor as if the same were made by Trustor. Copies of all notices shall be sent to Trustor's limited partner at Wells Fargo Community Lending and Investment, MAC D1053-170, 301 South College Street, 17th Floor, Charlotte, North Carolina 28202-6000, Attention: Michael Loose, Asset Management.

TRUSTOR:

AVENA BELLA II, L.P.,
a California limited partnership

By: Avena Bella II EAH, LLC,
a California limited liability company,
its sole and managing general partner

By: Golden Oaks Manor, Inc.,
a California nonprofit
corporation,
Sole and Managing Member

By: _____
Welton Jordan, President

ESTOPPEL CERTIFICATE
(Avena Bella II)

This Estoppel Certificate ("**Certificate**") is dated as of _____, 2019 by THE CITY OF TURLOCK, a California municipal corporation ("**City**") and AVENA BELLA II, L.P., a California limited partnership ("**Developer**"), in favor of and for the benefit of WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association (together with its successors and assigns, "**Lender**") and Wells Fargo Affordable Housing Community Development Corporation, a North Carolina corporation (together with its successors and assigns, "**Investor Limited Partner**").

RECITALS

A. The Redevelopment Agency of the City of Turlock ("**Agency**") and EAH Inc., a California nonprofit public benefit corporation ("**Original Developer**"), have executed that certain Disposition and Development Agreement dated as of April 12, 2011, as amended by that certain First Amendment thereto dated as of _____, 2019 (the "**DDA**"). The City is the successor-in-interest to the Agency and Original Developer has assigned its rights and obligations under the DDA to Developer, with the consent of the City pursuant to _____ dated on or about _____, 2019. Pursuant to the terms and conditions set forth in the DDA, City is (i) conveying certain real property (the "**Property**") as described therein to Developer for the construction of a 61 unit multifamily housing project to be known as Avena Bella Phase II ("**Project**") and (ii) providing financial assistance to the Developer in the form of a loan in an amount of Four Million and No/100 Dollars (\$3,372,627.00) (including a rollover of a predevelopment loan of \$500,000) (the "**City Loan**"). The City Loan, together with the Loan (as defined below) and certain other loans to be made to the Developer will be used by the Developer to finance the Project. Capitalized terms used herein and not defined shall have the meanings given in the DDA.

B. Pursuant to that certain Construction/Permanent Loan Agreement (the "**Loan Agreement**") by and between Lender and Developer, dated as of even date herewith, Lender has agreed to make a loan to Developer in the principal amount of [TEN MILLION THREE HUNDRED EIGHTY TWO THOUSAND SIX HUNDRED TWENTY FOUR] AND NO/100THS DOLLARS (\$[10,382,624].00) ("**Loan**"). The Loan is evidenced by a promissory note dated as of the date of this Agreement, executed by Developer in favor of Lender, in the principal amount of the Loan ("**Note**"), and is further evidenced by the documents described in this Agreement as "Loan Documents." The Note is secured by, among other things, a Construction and Permanent Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing ("**Deed of Trust**") dated as of even date herewith, executed by Developer, as Trustor, to TRSTE, Inc., as Trustee, in favor of Lender, as Beneficiary. The Loan Agreement, the Note, the Deed of Trust, and the other instruments and documents executed by Developer in connection with the Loan are referred to collectively in this Certificate as the "**Loan Documents**."

C. Pursuant to that certain Loan Purchase Agreement dated as of even date herewith (the "**Loan Purchase Agreement**") by and among Lender, Developer and California Community Reinvestment Corporation, a California nonprofit public benefit corporation ("**CCRC**"), and upon the satisfaction of certain terms and conditions continued therein, among other things, (i) CCRC has agreed to purchase up to \$[7,040,000] in principal amount of the Loan from Lender, and thereupon become the "Lender" under the Loan Agreement, (ii) Lender has agreed to assign its rights under this Estoppel to CCRC, and (iii) Trustor has agreed to execute certain additional documents in connection with such purchase and assignment.

D. In connection with the development of the Project, Investor Limited Partner has become or will become concurrently herewith an investor limited partner in the Developer pursuant to that certain Amended and Restated Agreement of Limited Partnership of Developer (the "**Partnership Agreement**") entered into by and between Avena Bella II EAH, LLC, a California limited liability company, as general partner ("**General Partner**") and the Investor Limited Partner, dated as of _____, 2019.

In order to induce Lender to make the Loan and Investor Limited Partner to enter the Partnership Agreement, and with the understanding that Lender will rely upon the following in making the Loan and Investor Limited Partner will rely upon the following in becoming an investor in Developer, City and Developer hereby covenant, represent and warrant (separately and not jointly) to Lender and Investor Limited Partner as follows:

1. Status of DDA. The DDA is presently in full force and effect, and has not been modified or amended.

2. No Default. No default or event of default has occurred under the DDA, and to the knowledge of Developer and City, no event or failure thereof that, with the giving of notice or the passage of time, or both, would be a default or Event of Default has occurred and is continuing under the DDA.

3. Approval of Investor Limited Partner. To the extent necessary under the DDA, the City hereby approves the admission of Investor Limited Partner as the investor limited partner of the Developer.

4. Approval of Property Manager. City confirms that it has approved EAH Inc., a California nonprofit public benefit corporation as an approved property manager for the Project in accordance with Section 105.2 of the DDA and confirms that it approves the management plan and the Amended and Restated Management Agreement between EAH Inc. and Developer.

5. City Loan. All references to the "Agency Loan" in the DDA shall hereby be deemed to refer to the City Loan. The City confirms that it has accumulated sufficient low/mod set aside funds to fund the entire amount of the City Loan pursuant to Section 301 of the DDA. Additionally, Section 301 of the DDA provides that the City may cease disbursements of the Pre-Construction Loan and/or City Loan at any time if the Agency determines that the City Loan, together with other sources of committed debt and tax credit equity, is insufficient to pay all Housing Project costs. City hereby acknowledges and agrees that prior to ceasing any such disbursements of the Pre-Construction Loan and/or City Loan for insufficient funds, the Developer shall have the right to provide reasonable evidence to the City that it has sufficient additional committed funds to complete the Project.

6. Approval of Project Budget and Project Financing. City confirms that it has received and approved the Project Budget pursuant to Section 301 of the DDA. City further confirms that it approves the Project Financing pursuant to Section 304 of the DDA and further described in Exhibit B attached hereto. [PLEASE INCLUDE A BRIEF DESCRIPTION OF THE PROJECT FINANCING AS EXHIBIT B]

7. Approval of Basic Concept Drawings. City confirms that it has approved the plans and specifications for the Project and that such plans and specifications satisfy the condition for approval of Basic Concept Drawings in Section 401.2 of the DDA and all the requirements under the DDA relating to approval of plans and specifications .

8. Approval of Contractor. City confirms that it has received and approved HUFF Construction Company, Inc. (the "**Contractor**") as the general contractor for the Project in accordance with Section 401.8 of the DDA and further confirms and it has received and approved the construction contract between Developer and Contractor.

9. Approval of Development and Performance Schedule. City confirms that it has reviewed and approved the Schedule of Performance attached as Attachment No. 3 to the DDA, and that, except as otherwise agreed upon in this Certificate, all requirements and milestones listed in the Schedule of Performance, and all other events described within the DDA, which must occur by a date certain, for which the deadline has passed, have been timely completed or are hereby deemed waived to City's satisfaction and that no breach of the Schedule of Performance of the DDA currently exists.

10. Approval of Lender and Deed of Trust. City confirms that Lender is an approved "mortgagee" or "holder" of a "mortgage" under the DDA, that the Deed of Trust is an approved "mortgage" or "deed of trust" under the DDA and that the Deed of Trust and other liens granted pursuant to the Loan Documents are otherwise permitted pursuant to the DDA. Lender, its successors and assigns as beneficiary of the Deed of Trust shall have the rights of a holder provided in Section 405 of the DDA. This Certificate constitutes prior written notice of the Deed of Trust to City and the City waives any required notice period pursuant to the DDA.

11. Uses. City acknowledges and agrees that, at a minimum, the number of Affordable Units set forth in Section 501 of the DDA will be provided at the Project and that the actual number of Affordable Units provided may exceed this amount.

12. Defaults. City acknowledges and agrees that only a default under the DDA or the City Loan documents shall constitute a default under the DDA and that a failure or delay by Developer to perform any term or provision in any other loan secured in whole or in part by the Property shall not constitute a default under the DDA.

13. Cure Rights. City hereby agrees that the Investor Limited Partner shall have the right, but not the obligation, to cure any default of the Developer under the DDA within the cure period granted to the Developer and that any such cure shall be accepted by the City as if tendered by the Developer. Notwithstanding the foregoing, if the Investor Limited Partner elects to remove the general partner of the Developer in connection with any such cure, then so long as the Investor Limited Partner commences proceedings and diligently proceeds to remove such general partner, the cure period shall be extended for so long as reasonably necessary for the Investor Limited Partner to remove such general partner and effectuate the cure.

14. Satisfaction of Feasibility Contingencies. City confirms that the Developer has satisfied the Feasibility Contingencies set forth in Section 606.1 of the DDA.

15. Application of Condemnation and Insurance Proceeds. City confirms that all provisions in the DDA relating to application of condemnation and insurance proceeds shall be subject to the rights of the Lender under the Deed of Trust and Loan Documents.

16. Modification and Amendments to DDA. City and Developer agree that, notwithstanding anything to the contrary in the DDA (whether pursuant to agreement or any right of election granted under the DDA or otherwise), the DDA shall not be modified or terminated without first obtaining the Lender's and Investor Limited Partner's prior written consent, which consent shall not be unreasonably withheld, and any purported attempt by any party to effectuate any of the foregoing without said consent shall be void.

17. Notices. City agrees to give notice of the occurrence of any default or Event of Default under the DDA and notice of the occurrence of any condemnation action or any actions with the insurance company with respect to the Property to Lender and Investor Limited Partner and agrees to provide a copy of any notice sent to Developer under the DDA to the Investor Limited Partner and Lender at the following addresses (or at such other addresses as Lender and Investor Limited Partner provides to City from time to time):

If to Lender:

Wells Fargo Bank, N.A
Community Lending and Investment Division
MAC# A0119-177
333 Market Street, 17th Floor
San Francisco, California 94105
Attn: Loan Administration Officer

Loan No. 1019162

with a copy to:

California Community Reinvestment Corporation
100 W. Broadway, Suite 1000
Glendale, California 91210
Attn: President

If to Investor Limited Partner:

Wells Fargo Affordable Housing
Community Development Corporation
MAC# D1053-170
301 South College Street, 17th Floor
Charlotte, NC 28288
Attn: Director of Asset Management

Each notice, request, demand, consent, approval or other communication (hereinafter in this Section referred to collectively as "notices" and referred to singly as a "notice") which any party hereto is required or permitted to give to the other party pursuant to this Agreement shall be in writing and shall be deemed to have been duly and sufficiently given if: (a) personally delivered with proof of delivery thereof (any notice so delivered shall be deemed to have been received at the time so delivered); or (b) sent by Federal Express (or other similar national overnight courier) designating early morning delivery (any notice so delivered shall be deemed to have been received on the next Business Day following receipt by the courier); or (c) sent by United States registered or certified mail, return receipt requested, postage prepaid, at a post office regularly maintained by the United States Postal Service (any notice so sent shall be deemed to have been received two days after mailing in the United States).

18. Further Assurances. City and Developer shall execute, acknowledge and deliver to each other all documents, and shall take all actions, reasonably required by Lender or Investor Limited Partner from time to time in order to confirm or effectuate the matters set forth herein or otherwise carry out the purposes of this Certificate.

19. Reliance by Lender and Investor Limited Partner. City understands and agrees that Lender (or any constituent thereof) will rely upon this Certificate in making the Loan and in consenting to the disbursement of the proceeds of the Loan, and/or in entering into certain agreements and/or granting certain consents in connection therewith. City understands and agrees that Investor Limited Partner (or any constituent thereof) will rely upon this Certificate in entering the Partnership Agreement and becoming an investor limited partner of Developer. City acknowledges and agrees that Lender and Investor Limited Partner and their respective successors and/or assigns are each deemed a third party beneficiary of this Certificate. Notice of acceptance of this Certificate by Lender and Investor Limited Partner is waived.

20. Miscellaneous. This Certificate shall bind, and shall inure to the benefit of, the successors and assigns of City, Developer, Lender and Investor Limited Partner. This Certificate may be executed in counterparts with the same force and effect as if the parties had executed a single instrument. This Certificate shall be governed by the laws of the State of California.

21. Conflicts. In the event of a conflict between the Original Agreement and this Certificate, the terms of this Certificate shall control.

[Remainder of Page Intentionally Left Blank]

Executed as of _____, 2019.

"City":

CITY OF TURLOCK

By:

Name: _____
Title: _____

"DEVELOPER":

AVENA BELLA II, L.P.,
a California limited partnership

By: Avena Bella II EAH, LLC,
a California limited liability company,
its sole and managing general partner

By: Golden Oaks Manor, Inc.,
a California nonprofit corporation,
its sole and managing member

By: _____
Welton Jordan
President

ACTION ITEMS 9C & 9D

**THE STAFF REPORT,
RESOLUTION, AND
RELATED DOCUMENTS
FOR ACTION ITEMS 9C &
9D WILL BE PROVIDED
UNDER SEPARATE COVER.**