



THURSDAY, AUGUST 2, 2018
701 East Carson Street, Carson, CA 90745
Executive Conference Room, 2nd Floor
2:00 p.m. – 5:00 p.m.

MINUTES
Cannabis Permit Committee

Members:

Fredrick Agyin	Lori Carter-Muhammad	Scott Hale (absent)
Kara James	Peter Kakos	Saied Naaseh
David Roberts		

Staff:

Acting Planning Manager	Denise Bothe
Ethan Edwards	Recording Secretary

1. Selection of Committee Chair:

The meeting was called to order at 2:10 p.m.

The Committee selected David Roberts to serve as the Committee Chair.

2. Meeting Overview:

Matthew Eaton, HDL Companies consultant, provided an overview of what the Committee's responsibilities are; and he addressed each of the Commercial Cannabis Business Permit Applications, Supplementals, and Business Application scores. He added that during the interviews, the applicants should address the following 12 Points of Interest: Operational Plan, Security Plan, Health and Safety Plan, Impact on the Environment, Neighborhood Compatibility, Employment Opportunities, Economic Benefits, Community Benefits, Experience of the Operators, Capitalization of the Business, Educational Plan, Promotion of Equitable Business Ownership. He fielded questions from the Committee on this interview process.

Ms. Carter-Muhammad expressed concern that two applicants did not identify company ownership in their applications.

Mr. Eaton explained that some are known and some are not known at this time; but added this is a concern that will be fully addressed in the Development Agreement phase, along with other concerns that need to be addressed. He added that the agreements won't be approved/signed if all issues are not adequately addressed.

3. Applicant Presentations:

- **No. 1:**
EEL Holdings (Elliott Lewis)

Mr. Elliott Lewis, representing EEL Holdings, stated that they submitted their application at the last minute because they were hoping to get clarity on the City's proposed 18% tax rate, noting this is their biggest issue of concern; and he noted that if the tax rate

was set, they would be able to put forth a more concise application. He added that an 18% tax rate would be a heavy risk and likely not feasible to do business. He advised that they have a lot of experience in this industry and highlighted the cities wherein they are already doing business or have pending applications, such as Montebello, Long Beach, Bellflower, Santa Ana, San Bernardino, Morro Bay, Merced. He stated they have experience with production, cultivation, manufacturing, distribution, delivery; and noted they partner with Connected Use and in cooperation with Cookies Management Group.

Mr. Lewis stated that currently, there is a 90% failure rate in this industry; explained that as the price of cannabis decreases, there will be a higher failure rate; and he pointed out that they have enough experience in this industry to remain a profitable business entity over the long term.

Mr. Lewis highlighted the following Points of Interest:

Security: stated they will use an IPS for security; will have live video monitoring that is motion censored which the Sheriff's Department can tap into, believing this will reduce the Sheriff's response times; and he added that 5 to 6 company people will be on a call list, making sure there is always a company person available for emergencies.

Operational Plan: advised they employ a Full Compliance Officer who makes sure that everything is tracked from the beginning to the end of a POS system; and mentioned they are a large company that will eventually do some sort of public offering.

Impact on the Environment: explained they have a state-of-the-art, computer controlled, fully automated reusable water system that reclaims all waste.

Employment Opportunity for Carson Residents: stated that their Long Beach facility has partnered with UFCW for employment; that they pay \$13.50 an hour with full benefits, including full health care, which works out to \$25 an hour; and that they offer a 401K plan and offer 50-cent raises a year. He added that they also work with Social Equity in Long Beach, a group that helps find jobs for those living in low income neighborhoods; and stated that 40 percent of their employees are hired through that Social Equity pool.

Economic Benefits for Carson: stated they will participate in supporting nonprofit groups in Carson, such as Meals on Wheels, Boys and Girls Club; and advised that they donate to Ronald McDonald's House. He added they also help to educate the public about illicit drug use and warnings about not driving under the influence of drugs/alcohol.

Capitalization of the Business: advised that there are a lot of people waiting to invest in their projects; stated they are currently looking at a 70,000-square-foot project that will cost anywhere from \$12-15 million; stated they do not foresee any issue with getting the necessary capital; and explained they typically do their project in phases, growing larger as they move forward.

Promotion of Equitable Business Ownership: stated that in his experience, a lot of people who bought into equity are being shielded or are silent partners; and that with equitable ownership, you typically end up getting bigger corporate guys who are solely playing the game to get their application approved and make money.

Committee Discussion:

Mr. Agyin expressed his belief Mr. Lewis did not provide any concrete information; that he was not prepared, even though he seems to have a lot of experience; and that he only glossed over the 12 Points of Interest.

Ms. James agreed that EEL Holdings was not prepared for today's presentation, pointing out their excuse the 18% tax rate prevented them from putting their best foot forward.

The Committee agreed Mr. Lewis appeared to be honest and open about the company's experience in the industry; and expressed the need for the written application and oral presentation to have included more specificity.

Mr. Naaseh stated that EEL Holdings needed to provide more specificity on the requested topics for consideration, pointing out the City re-opened/extended the application process for all.

Mr. Eaton reminded the Committee that all minimum criteria will need to be made and background information will be performed on each application.

EEL Holdings Vote:

Yes: 2
No: 4

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- **No. 2:**
California Green (Todd Parkin)

Mr. Todd Parkin, co-principal, advised that he has an extensive background in finance business operations, having worked in the regulated business industries his entire career. He explained that this industry is eminently consolidatable; that they plan to fund a shared services center in Carson with the consolidation of incumbent and start-up cannabis-related businesses under one roof that are looking to be in this business for the long term. He added that some of those businesses would include distribution, manufacturing, backend testing, but added there would only be one manufacturing license. He explained this 150,000 to 200,000 s.f. integrated facility they recently purchased at 2403 East 223rd Street will be divided up for multiple tenants and services; that some tenants will have equity positions and some of them will have revenue positions; and expressed his belief that what they are starting in Carson will be an example for other cities to emulate. He explained this integrated center allows them to share capital costs and make manufacturing state-of-the-art.

Mr. Parkin stated they have a cannabis application pending for manufacturing; that they have a supplement license for edibles; expressed his belief that as cannabis becomes a less regulated industry nationwide, most businesses will import the cannabis; and noted that Carson is in the perfect port location and has easy access to the freeways and rail stations.

Mr. Parkin stated they are submitting their initial Development Agreement (DA) next week; and advised that the DA includes strategic goals, their building development plan, and a guarantee of funding. He stated that this facility will bring in hundreds of jobs and a good tax base for Carson. He introduced Kenny Morrison who has 10-plus years in this industry; that he is president and founder of California Cannabis Manufacturing Association; that he has helped write cannabis legislation in California; and that he is the impetus behind the successful Venice Cookie Co., which opened in 2008.

Kenny Morrison, co-principal, highlighted his experience in this industry since going main stream in 2006; stated that he has branded 28 cannabis products, such as baked goods, concentrates, etc.; and he expressed his belief that cannabis will soon surpass current raw commodities trades/sales, noting that Fortune 500 companies are starting to get into the cannabis business. He stated this company can provide sustained, long-term revenue which will financially benefit Carson.

Mr. Parkin stated that he has facilitated over \$900 million of debt and equity in the highly regulated broadcast industry; and expressed his belief this venture will be able to bring in the institutional money/financing that will be needed.

Committee Discussion:

Ms. Carter-Muhammad stated she was impressed with their presentation.

Mr. Kakos and Ms. James agreed that they provided a good presentation and were well-prepared; but agreed that their application does lack specificity.

Mr. Naaseh stated that the team had good business and industry knowledge and experience, seems to offer a good benefit package, and its location does not impact residential neighborhoods. However, more detailed information needs to be provided by this company.

Mr. Agyin advised that the Venice Cookie Co. is a huge supplier to other cannabis dispensary companies, especially those in Southern California; and he expressed his belief the presenters were upfront, honest and that they do have a lot of experience in this industry.

Mr. Eaton noted that they refer to extractions, yet their business model did not go over any of that; that they completely skipped over their operational plan and most of the 12 Points of Interest; and that this company would not give any of their financial information.

California Green Vote:

Yes: 5
No: 1

- **No. 3:**

Rose Gold Extracts, Inc. (James Finn/Matthew Goodman)

Matthew Goodman, co-principal, stated that he is a compliance specialist in the state of California; that he had four cannabis application interviews yesterday; that he has worked on 14 municipal licenses in the state; and advised that he wrote the cannabis security protocol for the San Luis Obispo Sheriff's Department. He stated that Rose Gold Extracts will be the sole provider/operator of a cannabis center in Carson and sole provider of all products used in their system; and stated they will be located at Thunder Studios in Carson. He advised that they will employ Colorado state certified extractionists; and noted that Rose Gold Extracts performs extractions, manufacturing, cultivation and that they plan to do a food grade distillate; advised that he has been able to obtain insurance for this company; and mentioned that he has the complete supply chain for his business and that he has his seller's permit.

Mr. Goodman highlighted the following Points of Interest:

Security: noted that the building already has a NFPA fire sprinkler rating; that they have an FDA and EPA approved odor mitigation system that consists of a complete HVAC system for the entire business; and that their electrical system will be state approved. He added that Thunder Studios, a 10,000 s.f. building, already has security fencing, a guard shack and electric fence. He stated that the pesticides, fertilizer and other hazardous materials can be stored in the parking lot and not inside the building where the employees will be working. He noted their security guards will be licensed, having two security guards on site; and stated they will have security cameras, motion detection and alarm systems, and a separate third-party monitoring system that the Sheriff's Department can view; stated that background checks will be performed for all employees; and that their security badges/passwords will be changed every 90 days. He added that they will utilize UL listed safes and biometric locks to deter thefts, noting that only management or the owners will be able to enter the locked room, no employees.

He added that all drivers will be Live Scanned through the DOJ and FBI and required to be able to lift 50 pounds; explained that their drivers will have a biometric safe in the car for the cash; and stated the cars will be chipped and hooked up to a third-party monitoring system that is fed into the Sheriff's Department to handle any incidents.

Day-to-day Operations: stated they will cultivate, manufacture, extract, but will not do distribution of their product; stated that their site plan meets or exceeds all the ordinances; and stated that the ebb and flow of the property is engineered by Environ Security. He added that they will maintain inventory/security reports for four years.

Community Involvement: stated they would like to create a trademark Carson cannabis identification for the business, where all the people involved in Carson could come together and put money into a slush fund to educate about the usage of cannabis; and suggested they also could sell t-shirts and put those proceeds towards education. He noted they would also donate \$15,000 to concussion research and help with community youth/sports organizations.

Health and Safety Plan: stated they will have enhanced product safety procedures and equipment that follow MCRSA requirements; that they will have a C1D1 room (hydrocarbon extraction room), a hazardous waste system, gas meters that will measure combustible materials and other immediately dangerous to life or health materials; and that their employees will be trained on OSHA compliance procedures.

Impact on Environment: stated they have an air monitoring system complete with HVAC system; and that they will have a full product disposal procedure/plan in place.

Employment Opportunities: stated they have already hired local community architects and two local employees.

Committee Discussion:

The Committee agreed that the applicant did not provide any concrete information.

Rose Gold Extracts, Inc. Vote:

Yes: 0
No: 6

Mr. Eaton reiterated that in the course of the application process, the vetting process, and the Development Agreement stage, further information must be provided in order to have a final agreement. He added that once the tax rate is decided, the applicants will be able to submit more detailed financial information, noting the uncertainty with the final tax rate in Carson. He mentioned that the typical tax rate in other cities is 5 to 6 percent, which has a big effect on the cumulative rate of other taxes they will be paying, such as local excise, state excise, state sales tax, and federal tax.

The following two applicants were not in attendance:

- **No. 4: 3:50-4:10 p.m.**
Focal Strategic Investments, LLC (Eric Son)
- **No. 5: 4:20-4:40 p.m.**
Veridon Investments, LLC (Timothy Kim)

4. Committee Recommendation:

EEL Holdings Vote:

Yes: 2
No: 4

California Green Vote:

Yes: 5
No: 1

Rose Gold Extracts, Inc. Vote:

Yes: 0
No: 6

5. ADJOURNMENT

The meeting was adjourned at 5:05 p.m.



MONDAY, AUGUST 13, 2018
701 East Carson Street, Carson, CA 90745
Executive Conference Room, 2nd Floor
2:00 p.m. – 5:00 p.m.

MINUTES
Cannabis Permit Committee

Members:

Fredrick Agyin	Lori Carter-Muhammad	Scott Hale (absent)
Kara James (absent)	Peter Kakos	Saied Naaseh
David Roberts, Chair		

Staff:

Acting Planning Manager	Denise Bothe
Ethan Edwards	Recording Secretary

1. Meeting Overview:

Matthew Eaton, with HDL Companies, explained that Eric Son will make the presentations for both Focal Strategic Investments, LLC, and Veridon Investments, LLC, noting that Mr. Son has a financial interest in both companies. He explained that the two applications almost mirror each other, the difference being the day-to-day operations; and stated that both projects presented good capital potential but added that clarification needs to be made as to whether both companies plan to draw from the same pool of capital for both projects.

Director Naaseh clarified that Mr. Son will give two separate presentations/interviews.

Mr. Eaton explained that a cannabis business owner may only have one Type 3A license; and that because they are co-owners in these two businesses, only one business will be eligible to receive the Type 3A license, only one license per owner regardless of their percentage of ownership in the second company.

Applicant Presentations:

- **No. 4:**
Focal Strategic Investments, LLC (Eric Son)

Mr. Son, representing Focal Strategic Investments, LLC, explained that Focal Strategic Investments, LLC, was formed by himself, Timothy Young Kim and Jun “JY” Yoon; that the three of them also own Veridon, but that Veridon has outside investors due to the large amount of capital needed for that business; noted that they are all very experienced, successful businessmen; and mentioned that by 2021, the cannabis industry will be a \$24.5 billion industry. He expressed his belief that due to Carson’s proximity to the ports and the freeways, it is a good area/channel for a wholesale distribution business; and added that they have logistics companies in Carson.

Mr. Son highlighted the following Points of Interest:

Operational Plan: stated it is their intent to apply for the cultivation and manufacturing licenses; noted these licenses will not permit them to sell directly to the consumer, but it will allow them to distribute their product to the businesses that have distribution licenses; and pointed out that since Carson is not allowing any dispensaries, there should not be any negative impact to the City.

Security Plan: stated they do have a security plan for their employees, a transportation and product/cash security plan, noting that because the federal government has not legalized cannabis, there is no banking system in place. He stated they will have no less than 3 security guards around the clock in their facility; and that they will have an alarm and full video surveillance system.

Health and Safety Plan: stated they have a hazardous materials, personal protection, fire protection and first aid plans in place; and he advised that they will start off with a heavily invested hydroponics system which will create a more environmentally friendly atmosphere because they won't need to use pesticides or have an abundance of waste disposals. He added they will also need a lot of electricity for their operations; and that they will fully monitor their electricity coming into the facility and will try to keep their energy usage at a minimal level.

Employment Opportunity: stated they will hire 50 percent of their employees from Carson and nearby cities and pay living wages.

Educational Plan: stated they will reimburse each employee \$1,500 per year for continuing education related to the cannabis industry.

Experience of Their Management Team: stated that each one of the owners has operated successful businesses, though none yet in the cannabis industry; advised that each of them has invested money into multiple/different cannabis businesses in the United States and Canada and learned from those operations; and that they feel confident with their knowledge to move forward with their own cannabis companies. He added they have full knowledge of how this business operates and know what the crucial parts of this business are to make it a successful operation. He added that the most important part of this business is to have a master grower capable of growing cannabis and an extraction manager who can take on the extraction from the cannabis; and advised that they have a few growers and a few extraction managers currently under contract. He added that they do not yet have fully negotiated contracts with the growers and extraction managers because they need to obtain the necessary licenses.

Funding Concerns: stated that the three of them -- himself, Timothy Young Kim and Jun "JY" Yoon -- have provided the capital needed for Focal Strategic Investments (\$3,000,000) enough to build the project and operate for 6 months, reiterating there are no outside investors for this business; and he expressed his belief they will have an optimum management team with this limited partnership.

Neighborhood Compatibility: expressed his belief there will be no direct impact to any nearby businesses.

Environment: stated that they will install a complete 10-ton commercial HVAC air purification system which will be more than enough to control the odors; explained that because this will be a new building, it will be built for adequate noise control and safety standards within this industry.

Economic Benefits: stated that their employees' living wages will benefit area businesses from employees spending in the community; and noted that approximately \$100,000-\$150,000 per month will be paid to Carson in tax revenues.

Community Benefits: stated that once these companies are fully in place, alcohol usage should decrease and so will drunk driving; and stated that sales tax revenues will benefit the City. He stated this new facility will increase the value of the buildings/real estate in the area; that they will retain the services of Carson-based businesses for security, janitorial, etc.; and that they want to give back some of their profits to Carson, donating not just materially/monetarily, but also working with the local medical industry providing medical information about the health benefits of cannabis.

- **No. 5:
*Veridon Investments, LLC (Timothy Kim)***

Mr. Son, representing Veridon Investments, LLC, stated that Mr. Timothy Young Kim is out of the country and that he will be representing this company, adding that he is also a partial owner of Veridon; and advised that the \$35 million in capital they had set aside for this company will be returned to one of the investors in Veridon because at this time, they lack a timely response regarding the landfill property they are trying to obtain for this business, which results in a concern for the timeframe of building construction and opening of this business. He advised that they are in current negotiations with the City for this landfill property; reiterated that those funds will be returned because they don't know the cost of the property, the exact location, nor the budgeting of construction; and he added they don't know the neighborhood compatibility because of these unknowns. He noted they will provide education and help start-up companies, bringing in companies from research, bio meds and related technologies; and that these activities will be providing additional employment opportunities.

2. *Committee Discussion:*

Mr. Agyin stated that Mr. Son provided the best presentations out of all the applicants, noting he seemed to address all Points of Interest; and that it looks like these three business owners understand the business aspect and tying it into a research component. Some members of the Committee echoed those comments.

Director Naaseh pointed out that the City is not in negotiations with either applicant for the sale of any property in the City; and stated they seem to be on the investor end of the business, not the business operations. He added they may be in some type of negotiation with the project developer for the Veridon location, but not the City. Since the 157 acre site is vacant, community compatibility cannot be determined at this time.

The site is a complicated to develop and will take years before the business can start operating and providing benefits to the City and community.

Mr. Eaton stated neither application provided proof of capitalization and lacked detail with regard to the other Points of Interest; and expressed his belief that everything provided by these two applicants can be considered a boilerplate application submittal, pointing out a typical/good application is 300-plus pages with addendums and specific literature regarding equipment; but added that because they submitted all that was required, they were given a passing minimum score of 80%. He reminded the Committee that every applicant will be required to provide a better level of detail and complete information before any agreement is ultimately reached. He stated it appears they have no control over the funding for Veridon Investments.

Director Naaseh stated they did buy a small property for Focal Strategic Investments, but added that everything with Veridon Investments is unknown at this time. He reiterated that more specificity needs to be provided on all Points of Interest and stated he is inclined to vote no for Veridon Investments.

Mr. Agyin stated they have provided the minimum required and that the other information will come later for all the approved applicants.

Mr. Eaton explained that the goal of the application process is to be able to identify the level of capability and aptitude for compliance, confirming that more specificity will be required of all applicants.

Mr. Kakos pointed out that these applicants did meet the minimum application requirements and that Mr. Son provided good presentations.

3. Committee Recommendation:

Focal Strategic Investments, LLC Vote:

Yes: 5

No: 0

Veridon Investments, LLC Vote:

Yes: 2

No: 3

4. ADJOURNMENT

The meeting was adjourned at 3:05 p.m.