

# Non-Retail Medical Cannabis Business Proposal

**Type 7 Manufacturing  
Type 11 Distribution**

Prepared in support of an application for a non-retail  
medical cannabis business in Nevada City, CA

Date: February 5, 2018

Prepared for: Sky Farms, LLC

For the Property Located at: 138 New Mohawk Road,  
Nevada City, CA 95959

 **begreenlegal**

# MEDICAL CANNABIS BUSINESS APPLICATION

## TYPE 7 MANUFACTURING & TYPE 11 DISTRIBUTION

*For the Property Located at*  
**138 New Mohawk Road**  
**In Nevada City, California**

Prepared for:

**Sky Farms, LLC**

A Locally Owned, California LLC

Prepared on: February 5, 2018

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# 1. Introduction

As the legalized marijuana movement is often described as the “Green Rush” or the “Next Gold Rush” with consistent references made to not only our forefather miners but also to all those businesses who sold them “picks and shovels” and created communities like Nevada City, it seems only natural that we choose to put our decades of business and cannabis experience to work as responsible tax payers, stakeholders and employers and launch our legal marijuana medical manufacturing and distribution companies right here.

We realize it was not easy for City leadership to approve the right for vetted, proven business people to have an opportunity to create and grow cannabis businesses within its borders, and we will not take lightly our responsibilities to prove these leaders right in their support of our cause.

Sky Farms LLC should be awarded the right to lawfully conduct its future-licensed business in Nevada City based on these main criteria:

- We are locally owned by business people that have been operating successful and impressive business, including an agricultural and safe consumer product, for decades, and will operate consistent with this track record of success.
- We are organized and well-funded with direct and related industry expertise and a sound business plan that will survive all of the evolution destined for the legal medical marijuana industry in Nevada City and County, the State of California, as well as within the United States and beyond our national borders, which means the jobs and tax revenue we create will be stable and consistent for the long term.
- We are responsible citizens who have and will continue at all time to focus on lawfully and safely producing products, hiring, training and managing employees, and operating facilities that will not harm our fellow residents, communities or natural resources.
- We have chosen to operate a manufacturing and distribution business as it is most in accordance with the desire of the community for discreet economic growth without disruption to the quality of life or local environment, as well as being best suited to achieve growth and scale through the establishment of a distribution channel for our brands, thereby generating the highest levels of profit, employment and tax contribution.

We respectfully submit the following application package for your careful consideration.

Regards,

Sky Farms LLC Ownership

## 2. Company Structure and Qualification of Principals

### 2a. Entity Structure

Sky Farms, LLC is a California limited liability corporation, formed in 2016 and restructured in 2017. The LLC is owned by three current members, Jason Gilbert, Todd Daugherty, and [REDACTED], each owning 33 percent. Its primary business address is 138 New Mowak Road, Nevada City, CA. As of January 1, 2018, the state of California allows both for-profit and nonprofit entities to obtain cannabis licenses.

### 2b. Principal Background

Since California voters had the compassion to allow medical cannabis cultivation and consumption for the past two decades, two of our owner members have had the privilege of legally participating and helping patients for a number of years.

Additionally, and equally as important to the long-term financial success of our venture, our team features ultra-impressive business ownership and operator leadership and experience, including involvement in two very highly regulated and compliance driven sectors – aerospace and alcohol manufacturing.

#### **Jason Gilbert**

A resident of the Auburn area since 1981, Jason transitioned from the lead technician at his family-owned auto service business to owner. As the employer of six technicians, he continued to provide service himself, which was great training for the complex extraction machines we will be operating at Sky Farms.

Jason also has extensive building experience which will equip him to work with the trades involved in our build out and beyond.

Over the past ten years, Jason has been engaged in the cannabis industry as a boutique and organic grower and nursery operator for others. He cared for many community members in need, including formulating a multi-strain whole plant extract that helped over ten Stage 4 cancer patients, two of which were terminal, and many other patients with lower level problems that are now thankfully cancer free.

On a personal level, Jason and his wife of eighteen years have been active participants in our local foster care program, hosting twelve children in their home and adopting one amazing son in the process.

#### **Todd Daugherty – U.S. Army Veteran**

A Nevada County resident, Todd has been operating a cannabis extract company and delivering medicine to 16 dispensaries for three years. During this time, Todd has developed a level of expertise in several different methods of extraction, much like a chef and his/her cooking styles. His experience in branding, marketing, and package design as well as his experience in customer service and packaging operations will be of the utmost importance to our business development going forward.

Sergeant Daugherty served six years of active duty as a proud ARMY Veteran, including two deployments for a total of twenty-two months. During his term of duty, Todd oversaw over 40 troops and fleets of vehicles worth several million dollars, operated sensitive communication equipment, and troubleshoot software and hardware issues on the fly.



operating procedures required by the state pertaining to the operations of a cannabis manufacturing and distribution facility.

**NC Municipal Code Chapter 9.22.050**

- We intend to comply with all procedures identified by City Council regarding the issuance of our medical cannabis business permit. We have taken extensive measures to provide the City with a complete application package, based on those requirements identified in Exhibit 2 of Resolution 2017-51. However, should the City find that additional information is needed, we are happy to provide this information in an expedient manner.
- We anticipate filing a renewal of our annual medical cannabis business permit at least 60 days prior to the expiration date of our current permit, including the required fee, as set forth by City Council. We will also comply with any additional conditions to the permit renewal process, as described by the city manager
- In the unlikely event that Sky Farms state cannabis manufacturing license is suspended, revoked, or terminated, we will immediately suspend or terminate all operations until the state, or its respective department or division, reinstates or reissues the state license.

**NC Municipal Code Chapter 9.22.070**

- When necessary, we will apply to the City's planning department to obtain the requisite land use approvals or entitlements for our location. We anticipate that our project will be categorically exempt from review under the California Environmental Quality Act (CEQA).
- In compliance with local code, we will not attempt to transfer ownership or control of our medical cannabis business.

**NC Municipal Code Chapter 9.22.080**

- We will make sure to obtain a City business license prior to commencing operations.
- We are happy to allow the City the opportunity to inspect our facilities before we begin operations and plan to obtain any required building permits, fire department approvals, health department approvals, as well as any additional zoning and land use approvals that may be needed.
- We anticipate receiving certification from the City planning director prior to commencing with operations, indicating the business is located on a site that meets all requirements of the City's zoning and municipal code.
- We have provided a lease agreement (Attachment A), as well as letter of approval (Attachment B) with the landlord of our property indicating our right to occupy and use the property for a medical cannabis business. As the lease is executed with the primary tenant of the property, we have also provided a signed and notarized statement from the property owner acknowledging their consent to the operation of a medical cannabis business.
- We anticipate executing an agreement with the City, in a form approved by the City attorney, that indemnifies, defends at our expense, and holds all City officers, officials, employees, representatives, and agents harmless from any claims, losses, damages, injuries, liabilities, or losses that are in any way related to the City's issuance of our medical cannabis permit, decision to approve the operation of our medical cannabis business, the process the City uses in making its decision, or any alleged violation of any federal, state, or local laws by any officer or employee of Sky Farms, or its agents.

- We anticipate maintaining all necessary insurance coverages, as noted below in our “Insurances” section. Should the City attorney require additional coverages, we will comply with those requirements.

**NC Municipal Code Chapter 9.22.090**

- Our goal is to operate always with all applicable local and state laws, including any regulations promulgated thereunder. As noted below, we believe that our compliance requirements do not end with issuance of any permit or license, but rather are an integral part of our operations. To that end, we anticipate implementing a robust training and compliance program with all active employees to ensure any and all code compliance is met and recorded on a daily basis.
- We anticipate paying all fees, charges, and taxes as applicable to our medical cannabis business. Applicable taxes include sales tax, excise tax, cultivation tax, state income tax, and federal income tax.
- Our operations will include an intensive and thorough recordkeeping program with the intention of our ability to provide any and all reports required by audits, reporting, and renewals as needed on demand. In addition, we intend to implement a compliance program with all employees and operational procedures to track and record daily tasks required by local and state laws.
- We intend to operate only during the hours specified in our medical cannabis business permit. We propose to operate actively (shipping, receiving, customer, supplier activities) between the hours of 8:00am and 6:00pm. Additionally, we propose to operate passively during quiet hours between 6:00am-8:00am and 6:00pm-10:00pm. Passive hours only pertain to extended employee time inside our facility to “catch up” on work, with no noise or visits visible to any outside party. We intend any passive time to meet or exceed the City’s regulations pertaining to noise, light, and other associated nuisances.
- No onsite consumption of any cannabis product will be tolerated by our operation. Employees in violation of this regulation will be terminated immediately.
- Cannabis will never be stored anywhere outdoors in or around our facility. We only accept bulk shipments of raw cannabis material, which will be admitted into our designated indoor storage room upon arrival.
- We anticipate setting up an electronic payment system for our purchases and sales, to be paid by our clients through an online portal. If cash, or check is necessary, those transactions will be similarly recorded electronically. The City is welcome to inspect any and all records on demand.
- No unlicensed products will ever be admitted into our facility. All admitted products require a Chain of Custody record, as required by the state Department of Public Health.
- Emergency contacts are as follows:
  - Jason Gilbert – [REDACTED]
- We do not anticipate any significant signage for our manufacturing other than adding our company name, Sky Farms, LLC, to one or more designated signage areas on the building, along with other tenants. No other signage is anticipated.
- As no onsite consumption is allowed and our business does not involve the retail sale of any cannabis product, no client, customer, prospect, or visitor will ever be given any cannabis product, unless that person is a cannabis licensee, or representative of a cannabis licensee and a Chain of Custody transfer has been recorded. In addition, any visitor who consumes cannabis on

our property or within our facility will be asked to leave immediately. If such person does not leave the premises immediately, we will notify local law enforcement.

- No persons under the age of 18 will be allowed within our premises, unless they possess a medical cannabis recommendation from a licensed medical doctor, or a medical cannabis card from the department of public health. In addition, as a manufacturing and distribution facility we do not anticipate having visitors other than cannabis licensees.
- Odor from all storage areas, refrigerators, and other compartments housing cannabis samples within our facilities will be ventilated through a charcoal filtration system within our negative pressure manufacturing rooms. No odor is anticipated outside our immediate manufacturing area within our facility. Specifications of this system will be submitted to the City building department as needed with any required improvement plans.
- The original of our permits and business license will be displayed in a readily-visible location inside the manufacturing and distribution facility.
- We have included our respective driver's license information in anticipation of the City conducting a background check to meet its needs for our approval. We intend to provide the state criminal background checks for all manufacturing partners, pursuant to California Penal Code sections 11105(b) and 13300(b)(11). No partner has committed any crime listed in California Business and Professions Code section 19323.
- No loitering by persons outside our facility, both on the premises and within 50 feet will be allowed. Per our company protocol, such individuals will be asked to leave. If such individuals do not leave, local law enforcement will be notified.

**NC Municipal Code Chapter 9.22.100**

- All records and reporting will be maintained so as to provide local and state regulators readily available information in the case of an audit or inspection. On an annual basis, or any time upon reasonable request of the City, we will file a sworn statement detailing the number of sales conducted by our manufacturing business during the previous twelve-month period, or shorter period depending on the request. Our statement will include gross sales for each month, as well as all applicable taxes paid or due to be paid.
- We anticipate maintaining a current register of the names and contact information of anyone owning or holding an interest in our manufacturing company. This information will be available upon request by the City manager.
- Our records will include a record of all cultivators, and retailers, as well as any other businesses for which we perform testing services.
- As noted in our security measures below, we will implement sufficient security measures so as to deter and prevent the theft of medical cannabis or medical cannabis products at the medical cannabis dispensary. As our primary function will be to manufacture and distribute products anticipated for the retail market, our customers and vendors will consist of licensed retailers and cultivators. We anticipate receiving visits from one or more licensees on any given day, as well as the occasional Nevada City resident. However, only our front office will be open to the public, unless there is a specific need to escort one or more individuals to our restricted access areas. If the latter is necessary, per state law these individuals will be issued a temporary ID badge only after producing a valid state ID and signing a registry form.

- Security will be provided per the security section below. In general, all security measures will be compliant with local and state law pertaining to Type 7 cannabis manufacturing facilities.
- We have explained our storage and transportation plan below, which describes the procedures we plan to implement for safely and securely storing and transporting cannabis, cannabis products, and any currency involved with our operations.
- If any discrepancy in inventory occurs, we will notify the City, as well as the Bureau of Cannabis Control immediately.
- No person will be allowed to consume, sell, or dispense alcoholic beverages on or about the premises of our manufacturing facility. Any individual found to be participating in any of these activities will be asked to leave the premises. Any incident involving a person refusing to leave the premises will be immediately reported to local law enforcement.
- All restroom facilities will remain locked and under the control of our management.

#### **NC Zoning Code Chapter 17.142.030**

- Our proposed premise is located at 138 New Mohawk Road. The property is zoned Light Industrial (LI), which conforms with the City's allows zoning designations for non-retail cannabis businesses (See Figure 1).
- The property is no closer than six hundred (600) feet from any portion of any parcel in the city limits containing any of the following: A school, including pre-school, transitional kindergarten, and K-12 that is in existence at the time the initial medical cannabis dispensary permit is issued; or a public park that is managed by the city that is in existence at the time the initial medical cannabis dispensary permit is issued.

#### **3b. State of California Cannabis Licensing**

The State of California started issuing licenses to cannabis businesses in January 2018. Cannabis manufacturing laboratories using volatile organic compounds (VOC) in the manufacturing process are required to obtain a Type 7 cannabis license from the Department of Public Health (DPH), while cannabis distribution centers are required to obtain a Type 11 license from the Bureau of Cannabis Control (BCC).

State regulations require that cannabis for medical or adult-use must be licensed under separated under Type M or Type A license types. Every person or entity operating a cannabis business must obtain a separate license for each location. Licenses are issued for 12 months, requiring annual renewal, and are not transferrable (BPC Section 26013).

According to state cannabis manufacturing license requirements, a Type 7 manufacturing license may be issued for extractions using volatile solvents, as defined by Section 40100, of the California Code of Regulations (CCR). A Type 7 licensee may also:

- Conduct extractions using nonvolatile solvents or mechanical methods on the licensed premises provided the extraction process is noted on the application form and the relevant information is provided to the DPH;
- Conduct infusion operations on the licensed premises, provided the infusion method is noted on the application form and the relevant information is provided to DPH; and
- Conduct packaging and labeling of cannabis products on the licensed premises.

Additionally, per CCR Sections 5300-5315, a Type 11 distribution license allows the licensee to:

- Transport cannabis products between licensed cultivators, manufacturers, other distributors, and retailers;
- Store cannabis products for other licensees;
- Receive cannabis products designated for the retail market; and
- Engage a licensed testing laboratory to test and provide analysis for cannabis products designated for the retail market.
- Collect cannabis cultivation and excise taxes payable to Department of Tax and Fee Administration; and
- Is responsible for final release of cannabis products to the retail market after conducting a set of quality assurance and control procedures, including laboratory testing, to ensure those products are appropriate for consumer inhalation, consumption, or absorption.

The Sky Farms LLC is pursuing a Type 7 and Type 11 license for the purposes of manufacturing and distributing its own cannabis products to the retail market. As state licensees, we intend to perform all of the aforementioned activities, as well as any other designations and privileges allowed to such licensees. We also intend to comply with all state regulations governing these cannabis licenses, which include:

- Periodic inspections by state regulators;
- Recordkeeping audits and reporting;
- Annual state license renewals;
- Compliance with required standard operating procedures (SOP)
- Establishment and implementation of required protocols; and
- Responsibility for all our employees, including:
  - Their actions when at our proposed facility,
  - Regular training for continued education, safety, and compliance; and
  - Enrollment with the Employment Development Department.

### 3c. Licensure Priority

An applicant who has served as an active duty member of the Armed Forces of the United States and was honorably discharged and who can provide evidence of such honorable discharge shall have his or her application expedited pursuant to BPC Section 115.4.

We anticipate receiving expedited processing of our state annual license application, given one of the company's partners is an honorably discharged veteran.

### 3d. Licensing Maintenance

A state cannabis licensee must submit an annual renewal to remain active. Licensees are also subject to unscheduled inspections and compliance with state requirements for standard operating procedures (SOP). We have included a draft copy of our SOP's as a demonstration of our commitment to operating a well-organized, efficient, and accountable cannabis manufacturing and distribution facility.

Owner member, Jason Gilbert, will be responsible for all compliance matters and will be implementing a training program for all employees based on our final standard operating procedures, as they are submitted to the state with our annual application.

### 3e. Substantially Related Offenses Review

No Sky Farms partner has committed a substantially related offense, as defined by CCR Section 5017. Additionally, no partner has received any violation from any city or county for any business, planning, or building matter.

### 3f. Labor Peace Agreement

The State of California requires all cannabis licensees to execute a Labor Peace Agreement with a local union if the licensee employs 20 or more employees. While we plan to employ up to 12 people, should Sky Farms employ 20 or more employees in the future, we will execute this agreement with a local labor union. Our employees will receive fair wages and will be allowed to join a union of their choosing.

### 3h. California Environmental Quality Act

All public agencies in California are required by the California Environmental Quality Act (CEQA) to conduct an environmental assessment of any action they make that has the potential for resulting in a physical change to the environment. We anticipate our project being categorically exempt under CEQA for minor land use modifications and other categories deemed appropriate by the City.

## 4. Proposed Location

Sky Farms has secured a long term lease on 5,400 square feet within a “cannabis campus” at 138 New Mohawk Road to build out our manufacturing (Type 7 License) and distribution (Type 11 License) operations. We anticipate creating a synergy between the neighboring operations that will benefit all involved including enhanced overall security and reduction of supply chain traffic. For example, we have engaged the security contractor for other building tenants, Gold Country Security, to also assist with our security setup and protocols.

With the help of a series of professionals, we have developed a comprehensive build out plan, as well as environmental and neighborhood analyses that are discussed in this application and attached as exhibits.

### 4a. Neighborhood Context

The property located at 138 New Mohawk Road is also identified by APN: 37-060-87-000 and is zoned as light industrial, which is designated for non-retail medical cannabis uses according to the City’s zoning code (Figure 1 – Vicinity and Zoning Map). The property is already improved with two buildings totaling 35,622 square feet and is used by a variety of commercial and industrial businesses including medical laboratories and professional offices. Sky Farms intends to operate in the west wing, first floor section of the building, which was previously occupied by Forever Families Foster Care, which has relocated to Grass Valley, CA. The proposed use for the building is consistent with the zoning designation and does not require additional entitlements or land use variances, other than that required for operating a medical cannabis manufacturing company.



The following businesses and organizations are located within 600 feet on or just off Mohawk Road. Two charter schools are located approximately 390 feet from the property, but are not considered sensitive uses, as determined by the planning director:

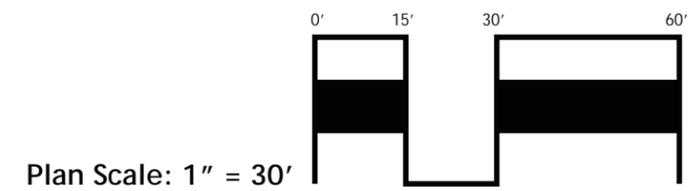
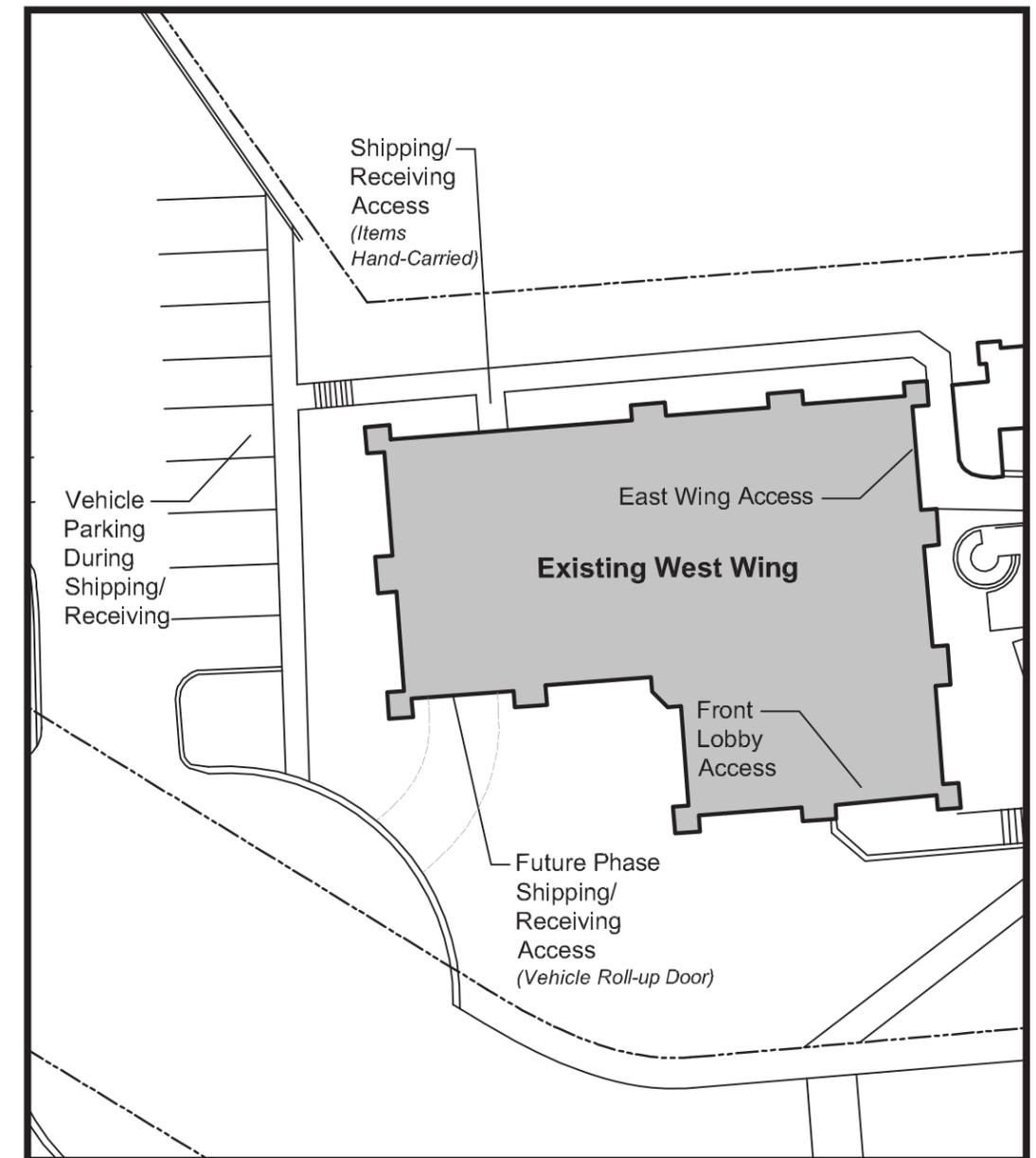
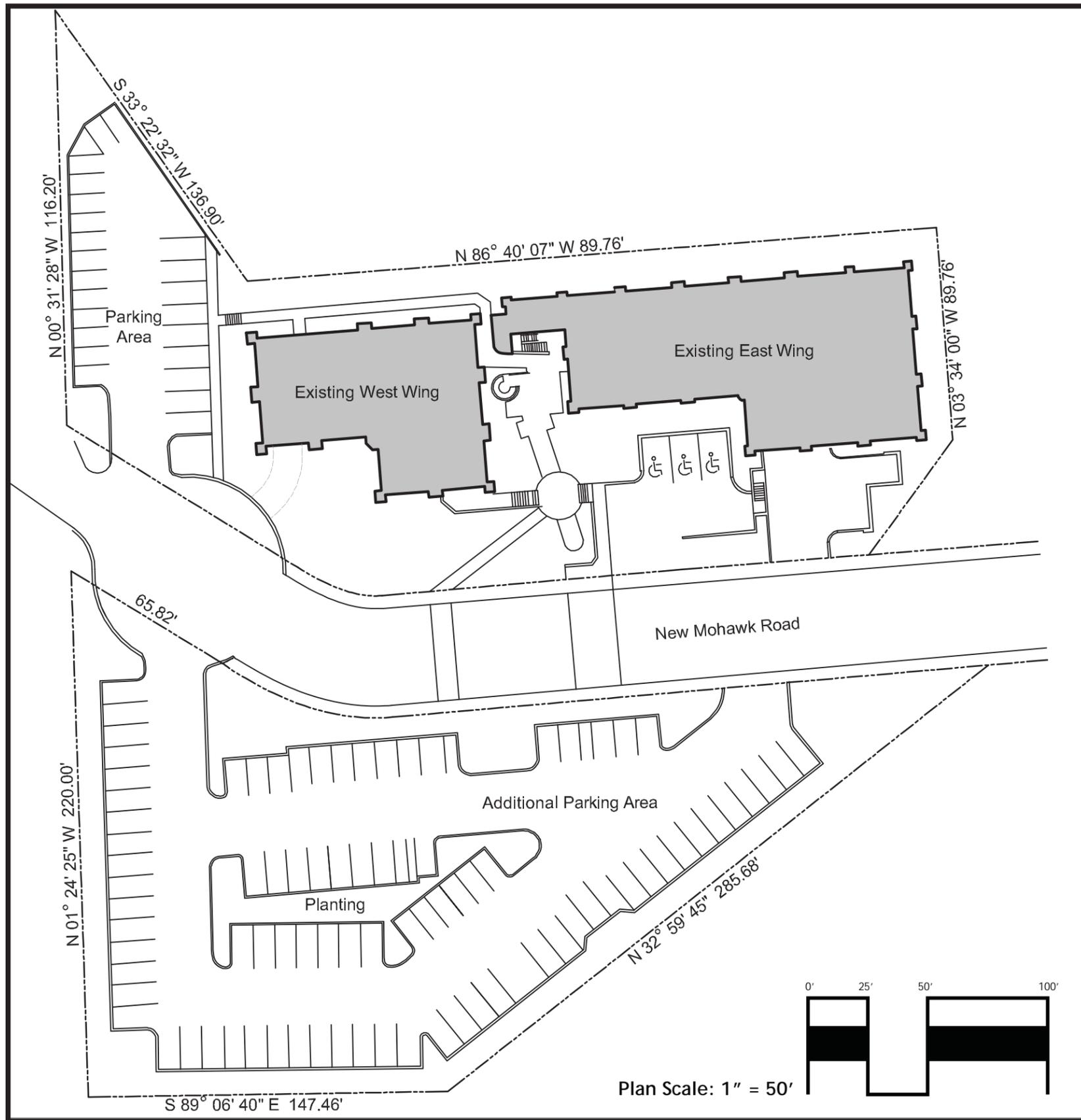
- Pine Creek Veterinary Clinic
- Twin Ridges Home Study Charter
- Sierra Video Systems, Inc.
- Nevada County Narrow Gauge Railroad Museum
- Hooper and Weaver Mortuary
- Washoe Tribe of Nevada
- Vital Garden Supply
- Inn Town Campground
- Y.U. Healing Arts
- Douglas Automotive
- Gyro-Stabilized Systems
- Kelly Bike Company
- Anew Day Professional Counseling
- John Muir Charter Schools

#### 4b. Property Context

In addition to the two commercial buildings, the property is improved with well-maintained pedestrian walkways, open space, and parking (Figure 2 – Existing Site Plan). Maintenance is provided by the property owner and charged as a shared cost to tenants on a monthly basis. The property on which the buildings are located contains a small parking area in adjacent to the front entrance off New Mohawk Road, which is primarily ADA designated. Additionally, the west wing is adjacent to a 23-stall parking lot, which can be accessed by the proposed Sky Farm premise either through a back pedestrian entry, or the front lobby. The property includes further parking on the opposite side (south) of the buildings, which can be accessed by two pedestrian crossings.

The property contains a total of 110 off-street parking spaces, while the building complex houses a total of 32,000 square feet of rentable space. We have estimated that the City zoning code requires 85 – 130 parking spaces, depending on how exactly the space in the building is used. However, our opinion is that the parking allotted in the code estimates a larger volume of potential customer traffic than any of the cannabis manufacturing facilities could possibly generate, based on the nature of our respective businesses. We are happy to discuss this matter further, or provide analysis if the City wishes to explore this matter further.

We intend to coordinate shipping and receiving with the use of the parking area adjacent to the west wing. As this parking lot can be accessed by the back-pedestrian door to the Sky Farms facility, we propose to hand-carry incoming raw cannabis material and outgoing finished products using the pedestrian walkway connecting the building to the parking lot. As a future



# FIGURE 2 - EXISTING SITE PLAN



phase of property, we propose to add a commercial grade vehicle roll-up door to the front (southwest) corner of the west wing along with a short-paved driveway connecting to New Mohawk Road. Specifications for this roll-up door will be focused on [REDACTED]. While an expensive upgrade, we desire to keep this entry option open, as it would alleviate any concern from walking products to and from the parking lot.

The buildings are occupied by three professional businesses including the following:

- Friendship Club
- Nevada County Democrats
- Thai Sports Massage

At the time of this application, several of the building units are being leased to other non-retail medical cannabis businesses.

#### 4c. Premises

The interior of the space was previously occupied by Forever Families Foster Care and is currently improved with associated offices and other rooms needed for that type of organization (Figure 3 – Existing Floor Plan). It is built out with a public front lobby that connects to the second floor via a stairwell. The landlord plans to also install an elevator by taking over one of the adjacent rooms. Sky Farms' designated premises includes an office area directly accessed off the lobby, as well as a hallway that leads to the back (north) side of the wing, which is currently housed with numerous offices, a computer room, and several other large rooms used for various foster care activities. The premise also includes two bathrooms off the hallway connecting to the lobby, as well as an emergency shower and wash area.

While the front (south) section of the premise is access through the front building entrance off New Mohawk Road, the back (north) section is accessed from two entrances. One pedestrian access door leads to the east wing of the building while the other exits the back of the building and leads to the parking lot adjacent to the west wing. This second exit/entry is the access Sky Farms proposes to use for shipping and receiving until it is feasible to install a commercial vehicle roll-up door at the front corner of the building.

#### 4d. Proposed Improvements

We will need to make improvements to implement our proposed use of the property (Figure 4 – Proposed Floor Plan). Although we are not proposing to improve the site at this time, a possible future improvement would include adding a vehicle driveway connecting a roll-up door installation at the southwest corner of the west wing.

We will need to make many improvements to the interior of the west wing, including the following:

- Interior wall and door modifications;





- Addition of a Class I, Division 1 hazardous room build-out for hydrocarbon extraction;
- Addition of a Class 1, Division 2 hazardous room build-out for CO2 extraction;
- Clean rooms for other manufacturing activities;
- Mechanical, electrical, plumbing, sprinkler, and ventilation upgrades per commercial building and fire codes;
- Employee locker room;
- Security cages for raw cannabis material storage;
- Security cages for quarantined and finished products;
- Key card entries as noted on Figure 4, as well as other security measures;
- Surveillance cameras, monitors, and printer;
- Safety fixtures and equipment, such as a fire hose, first aid kits, emergency wash area, and other items.

Upon receiving approval for our business proposal and zoning approval, we plan to work with the City of Nevada building, fire, and health departments to install a quality and permitted buildout that meets all applicable codes.

## 5. Business & Operation Plans

Although there are several roles that licensed cannabis manufacturing and distribution operations can play within the industry, we at Sky Farms will be laser focused on the following functions:

- ✓ Purchasing high quality raw cannabis material from local farmers;
- ✓ Safe, efficient and craftsman style extraction using engineer-certified, closed-looped equipment, as required by the state Department of Public Health
- ✓ Acquisition of clean test results from orderly, regulation-compliant third-party testing labs;
- ✓ Professional and state compliant packaging and labeling of exceptional finished goods that patients demand;
- ✓ Secure distribution of these packaged goods to licensed retailers;
- ✓ Calculation, collection, and payment of all required taxes to local, state, and federal agencies;
- ✓ Keeping detailed records and maintaining a spotless tracking of all inventory along the way.

Each one of these responsibilities would be difficult under any normal business circumstance, but in our emerging California cannabis industry they will require great amounts of preparation, hard work and diligence to pull off. Our methods for making sure our proposed medical cannabis business succeeds while staying in compliance with all local and state regulations start with implementation of the attached draft standard operating procedures (SOP). As we implement build-out of our facility and operations, we will also finalize these SOPs and submit them with our annual license applications to state agencies. In addition, we will use these SOPs to develop an employee training program to ensure that all Sky Farms staff stays up to date on what duties to perform to stay in compliance on a day-to-day basis.

Our team is committed to be an example to those in the cannabis industry and will help to make the City of Nevada City a beaming case study in compliance and execution of a fair and compassionate medical

marijuana program. The following paragraphs should provide you with a brief overview of our business with details following within this document as well as in our exhibits and attachments to address the specific evaluation criteria for the City of Nevada City.

### 5a. Business & License Types

We will operate a **Type 7 Manufacturing** business focused on Extraction of the healing oils of the cannabis plant via many different techniques and pieces of equipment. We plan on taking advantage of a Type 7's ability to use what is known as Volatile Solvents as well as Non-Volatile. Through extensive training and the proper usage of tried and true extraction equipment and processes, we are confident our manufacturing facility will stack up with any in the State for compliance and safety, as well as creativity and quality.

To ensure our products are sold to licensed retailers that deliver the kind of patient care to which we are committed, we will also operate a **Type 11 Distribution** center. This operation will start small, focusing on the safe and secure transport and handling of our own products, but if the need arises, we can see ourselves helping other local businesses grow in a compliant manner.

We are very familiar with the State of California's requirements for both of these licenses and are confident that with the City's authorization, we will be able to obtain the required licenses with little to no interruption.

### 5b. Daily Cannabis Operations

To illustrate how our operation will function, it may be helpful to use a commercial bakery as an analogy to an extraction lab and distribution center like ours. Instead of flour, sugar, etc., our raw material is marijuana plant matter and instead of mixing the ingredients, allowing the dough to raise and then baking, cooling, packaging and delivering it to the market, we put the plant material through complex extraction equipment with the use of gases and other elements to process out the oils, which is then treated further to become finished products which are packaged properly to protect and preserve the quality as it is delivered to a dispensary for their patients.

Our operations are broken into two main areas – **extraction and packaging** – and one final step, **distribution**. We have included two flow charts below that show our work flow for the two methods of extraction we propose to use, which include CO2 extraction and Hydrocarbon extraction.

The **extraction team's** day is comprised of inspection of the raw material and packing it into columns that are then attached to the extraction equipment. The techs then closely monitor the equipment and collect the resulting oil, which is then carefully stored and further processed through several different proprietary curing or finishing techniques that could last up to five or six days to produce an exceptionally high-quality, consistent, safe, test-passing product.

After a batch has been completed, it is placed into a quarantine status while the test results are produced by an independent, third party, state-licensed testing service. As a side note, we are unable to identify our select testing supplier at this time but will be happy to update our application as needed once the local and state agencies approve labs.

Assuming a successful test, our **packaging department** takes over and carefully measures each unit we produce for resale using a certified scale. They are charged with measuring to the second decimal point to ensure that our patients get exactly what they pay for. Additionally, a series of information must be attached to each unit informing the patient of several valuable pieces of information, such as:

- ✓ The testing laboratory's identity;
- ✓ The exact, test-confirmed potency of the batch they are receiving;
- ✓ Certification that the product is free of pesticides, residual solvents, and microbial impurities;
- ✓ The strain name; and
- ✓ Other information and warnings needed to ensure the patient's safety.

Once the packaging has occurred, our **distribution operation** will take the lead and fill the orders that have arrived from our licensed California dispensary clients. Our transportation will use the following protocols to ensure products and employees stay safe:

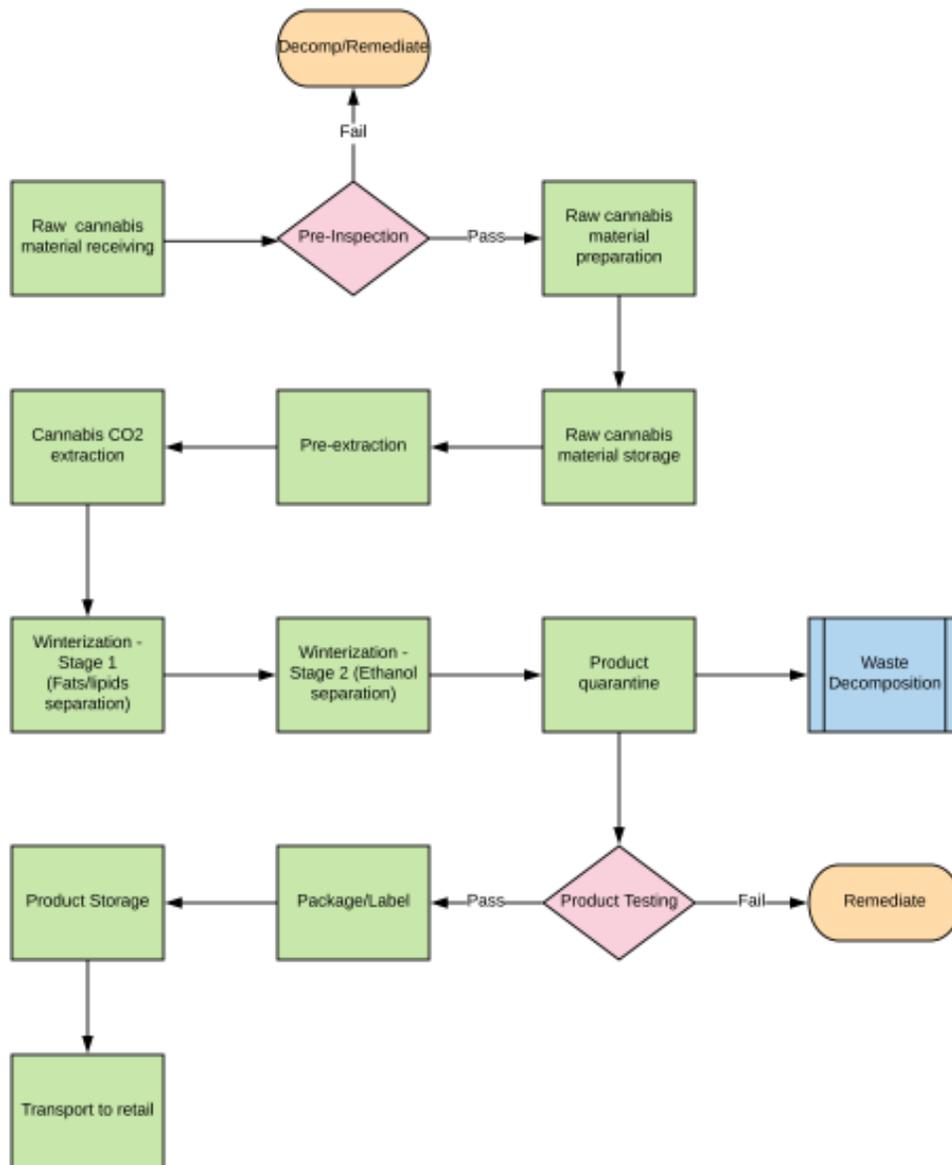
- ✓ Two employees will hand-carry products to be delivered from the manufacture and distribution facility's secured inventory room to the designated transport vehicle in the adjacent parking lot;
- ✓ Transport vehicles will be equipped with:
  - A GPS tracking device;
  - A separately locked cage or compartment within the vehicle for safe storage during transport;
  - One or more surveillance cameras recording all events during transport;
  - A panic button or other alert device for emergencies;
  - A first aid kit, emergency kit, roadside assistance kit, and fire extinguisher; and
  - A safe for transporting cash;
- ✓ Delivery drivers will leave the manufacturing and distribution facility at 8am and return by 6pm Monday-Friday, with the exception of an unavoidable delay due to traffic, weather, or other challenge.
- ✓ Distribution staff will only interact with other licensed medical cannabis licensees, including cultivators and retailers.
- ✓ Cash will be carried in an enclosed and locked cassette or case at all times and stored in the vehicle's safe when in transport. Any cash in the vehicle at the end of each day will be placed in the manufacturing and distribution facility's secured inventory room.

Our operations can be visualized by viewing Figure 4 – Proposed Floor Plan, which shows the path of our work flow through the facility from the time raw cannabis material enters our lab until finished products leave for transport to a licensed retailer. In summary, our work flow includes the following steps:

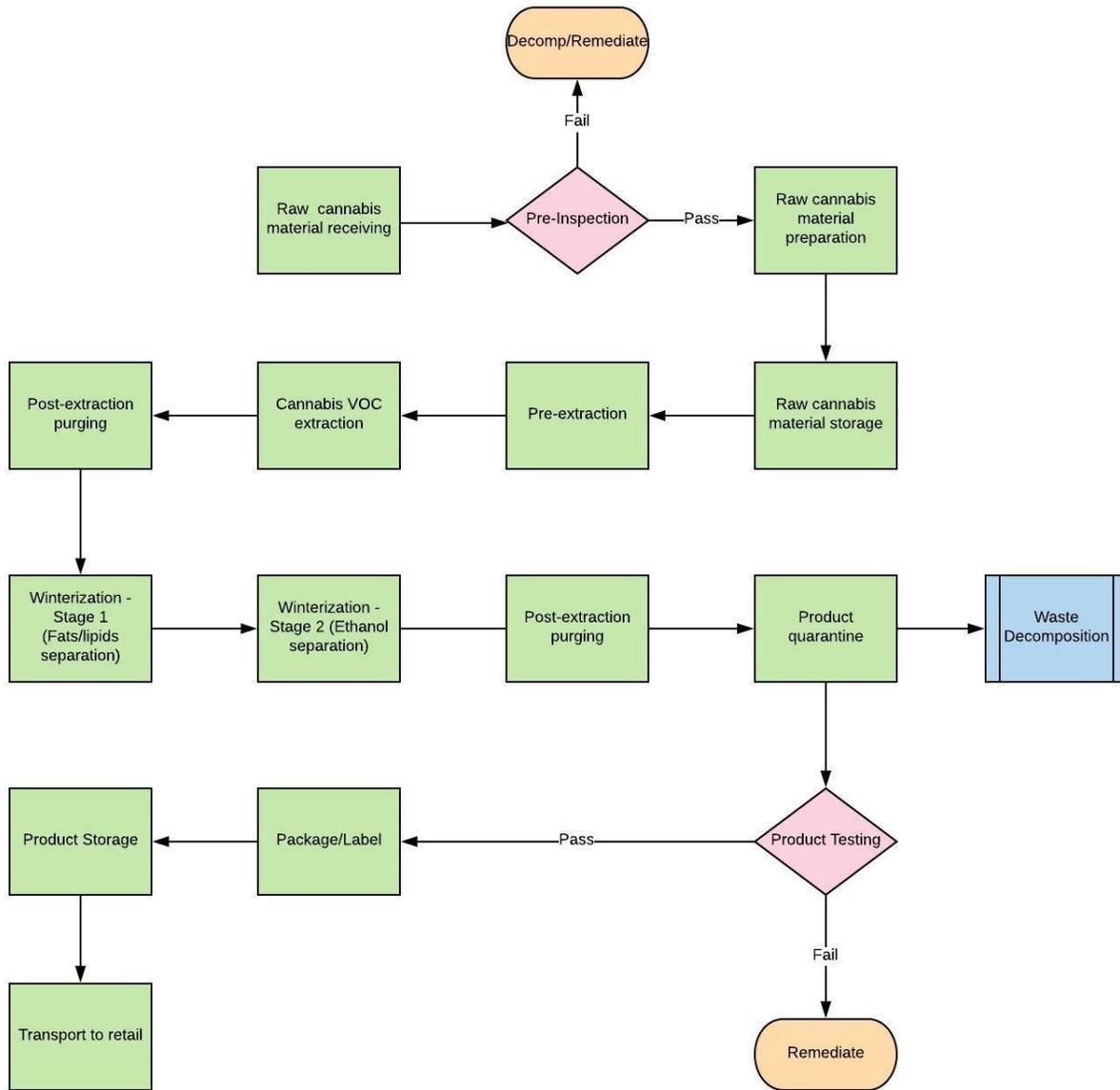
- Raw cannabis trim arrives, either from our employed transporter or visiting vendor;
- Raw cannabis trim is received using a chain of custody form and quarantined;
- Quarantined material is pre-tested for microbials and pesticides. Raw cannabis material that passes the pre-test is shredded, labeled, and stored in a seal-tight container;
- Raw cannabis material is then extracted using one of two methods, including CO2 and Hydrocarbon extraction;
- The crude cannabis concentrate is then purged and processed through a [REDACTED]

- The product is then [REDACTED] and then quarantined to await independent testing analysis;
- If the products pass lab test analysis, they are packaged and labeled, then stored [REDACTED]
- Once an order is ready for a retail delivery, products are transported by two employees to our secured transport vehicle and finally to the retailer.

**Flow Chart 1 - Cannabis Extraction Using CO2 Solvent Methods**



**Flow Chart 2 – Cannabis Extraction Using Hydrocarbons**



### 5c. Products

Our manufacturing facility is committed to producing only the highest quality medical cannabis products. We intend to focus our operations on two primary products, as follows:

- **Medical grade cannabis shatter** – Quined by its industry term, shatter is a very pure form of extracted cannabinoids that is consumed by patients through inhalation using one of the many currently available vaporization techniques.
- **Medical grade vapor cartridge** – Vape cartridges have become very popular with patients due to the ease of delivery as an inhalant and discreteness. A vape pen includes a cartridge and battery that allows patients to medicate without any complicated apparatus and, while the exhaled

vapor may be detectable as cannabis, the odor is very minimal compared to smoked cannabis flower as with a pre-roll cigarette.

Consistent with state law, patients who medicate with our products will receive a product with consistent and reliable quality and labeling that identifies purity standards and potency. This regularity is preferred by those who may have previously medicated with more traditional flower “joint”, which has a great degree of variability, adds pollutants to a patient’s lungs, and could be considered a nuisance.

While shatter is desired by patients who are looking for a very potent concentrate, our vape pen cartridges will come in a variety of dosages, strains and blends to provide a wide range of options to our patients. Please refer to our enhanced product safety below for more information on product quality.

#### 5d. Marketplace

As a Medical Manufacturer and Distributor, we will be serving our fellow medical marijuana patients through their state licensed retail dispensaries and non-storefront delivery services. As many, if not most, local jurisdictions are implementing medical only approval instead of Adult Use or a combination of license types, we anticipate a very robust, state-wide demand for products created under our quality-first culture and commitment. However, we are also interested in obtaining City approval for adult use approval should it become available in the future, as a cannabis licensee may hold both a medical and adult use license at the same premise.

#### 5e. Accounting & Reconciliation

In compliance with state and local regulations, tax requirements, and banking conditions imposed by financial institutions who may service our business, as some do for our peers in other states that have been operating under state compliance for a while, we will painstakingly track each and every cent in and out of our operation and be able to account for all income and expenses through the use of a Point of Sale (POS) system.

The state of California requires that all cannabis businesses retain all of their records for a minimum of 7 years. We intend to keep records of the following information, which will be available upon request:

- Financial records, including bank statements, sales invoices, receipts, tax records, etc.;
- Personnel records, including records for each employee (employee’s full name, social security, or individual taxpayer identification number, date of beginning employment, and date of termination of employment (if applicable));
- Training records, including training content and records from employees who received the training;
- Inventory records, including chain of custody forms and unique identification numbers for all raw cannabis materials and finished products;
- All contracts and agreements, permits, licenses, and other local authorizations;
- All compliance audits, including private third-party checks;
- Security records, including all visitors, surveillance, incidents, etc.

Additionally, we are reviewing alternative banking solutions that have recently begun to service the cannabis industry, such as Amercanex, which allows the acceptance of electronic funds transfers, making it possible to operate a primarily cashless business.

We will perform internal audits as necessary to remain confident that we are in compliance with state and local regulations so as to pass an audit by an inspector. We are aware that the majority of the violations and penalties in other states and localities are related to recordkeeping, inventory control, following procedures, and not having adequate safety measures in place. As such, we also plan to employ third party auditors from time to time, to provide an outside perspective.

#### 5f. Inventory Tracking and Traceability

Seed to sale tracking tracks the movement of cannabis and cannabis products throughout the supply chain (from cultivation to sale). The seed to sale tracking is an IT-based system. Also known as track and trace, seed to sale tracking is a tool to prevent product grown outside the legal framework from entering the regulated market and regulated product from being diverted to the black market.

The California Department of Food and Agriculture will establish the track-and-trace system for medical cannabis and non-medical cannabis. The state awarded METRC as the seed to sale tracking provider. METRC is the same provider for Oregon, Alaska, and Colorado.

It should be noted that seed to sale tracking is different from accounting, a point of sales (POS), inventory management, or an ERP system. Seed to sale tracking relates to cannabis compliance (tracking inventory).

Inventory management is going to be one of the most important processes in our organization, as approximately 75 percent of the cannabis violations and fines in Colorado have been related to poor inventory management and we expect the same to occur in California. In summary, we want to make it easy for both local and state regulators to review our inventory records. As such, we have designated Jason Gilbert as our inventory manager who will be responsible for inventory data entry and reconciliations every 14 days, as required by the state.

We will also track and trace our products through chain of custody records at every step of processing, from initial intake of the raw material to oil production, finished goods, and through the distribution process, including testing batch sizes. We will also be able to address any potential recalls, should a batch come into conflict with consumer protection.

To ensure 100% awareness and accuracy of our inventory from raw material through batch processing and onto finished goods, we plan to use the state supplied seed to sale tracking system once it is made available, which would likely closely correspond to our opening after the tenant improvements.

We will also keep a close eye on our wholesale client dispensaries to ensure that they have kept their operation licensed and are still eligible to purchase from our company.

#### 5g. Estimated Construction & Readiness Timeline

We anticipate the level of remodeling and customization that we will require to operate per our submitted premise diagram will take at least three months from the time of the last approvals.

Once the City has approved our business application and zoning approval, we will apply for our state temporary license while we apply for building permits and complete our buildout or comply with whatever timeline the City decides is appropriate.

Our general contractor will work with Jason Gilbert, also an experienced builder, who will manage the build out process while we also acquiring our engineer-certified extraction and other necessary equipment, some of which can have a lengthy lead time and require some very complex installation upon arrival. We have included specifications for our intended equipment in Attachment C. Our staff will be recruited and trained, some by vendors at remote sites, and be ready for operation when the ink dries on our occupancy permit.

Packaging, design, and supplies such as jars, pen carts, and boxes, as well as marketing collateral will be developed during construction and if not already on site, will arrive no more than a week after the first extraction to allow for just in time order fulfillment.

## 5h. Finances

### **Build Out**

As you may expect, budgeting a project with so much uncertainty as to timing can be tricky with equipment, supplies, and labor rates adjusting to busy seasons and spikes in demand. To the best of our ability, we have developed the following budget for the build out.

Description	Cost
[REDACTED]	
[REDACTED]	[REDACTED]
<b>Approval Fees</b>	
[REDACTED]	[REDACTED]
<b>Consultants</b>	
[REDACTED]	[REDACTED]
<b>Total</b>	[REDACTED]

As we will not be cultivating any cannabis, our operation will be able to begin processing immediately and able to collect funds within three weeks, mostly due to anticipated testing timelines, of opening. We believe we will break even operationally within 6 weeks of opening and have access to more than enough capital to last longer as needed. More detail is listed in our attached Pro Forma, which shows three years of projected revenues and expenses.

***Proof of Capitalization***



## 6. Neighborhood Compatibility Plan

As mentioned above, the City of Nevada City has already granted approvals to members of the development where we have secured our lease, which will greatly support both the occupants and the community in our mutual efforts to ensure the safety and security of the neighborhood.

The City of Nevada City is understandably concerned about the impact of licensed cannabis businesses within its neighborhoods. We believe several factors of our operations should put these fears to rest.

- 1) **Discreetness** – We recognize that a cannabis business may make people eager to investigate what’s going on inside and interrupt our productivity and security protocol, so we will not be “advertising” the nature of our operation in any way other than adding the name of our business to already-designated areas in and outside the building. No marijuana leaves or any other recognizable cannabis symbols will be used.
- 2) **Noise** – The equipment we will be using as well as the manner in which we have designed the interior of our space will not be distinctly heard outside the building at any time. With proper sound-proofing and the selection of quality equipment, we do not anticipate any decible level of sound outside above ambient noise levels.
- 3) **Hours of Operation** – We propose a total of 16 active and passive hours of operation per day, with 10 active hours 8am-6pm and 6 passive hours between 6am-8am, 6pm-10pm. The majority of our operation will work during normal, or active, business hours for a manufacturing and distribution facility and we intend to conduct external deliveries only between the hours of 8am-6pm. In addition, small extraction tech teams may be operating for up to sixteen hours per day, but their activities will not be heard or produce any odors that will cause any disturbance to the neighborhood. Additionally, any external vehicle or pedestrian activity during passive hours will only involve up to 3-4 employees walking to and from their cars. This additional presence after hours would have the added benefit of being a crime deterrent.
- 4) **Traffic and other external activities** – Thanks to the nature of our non-retail business, our green business practices, and limited employee base, we expect very little in the way of traffic to and from our operation and will train our staff on the importance of courtesy within our Nevada City community. No employees will be allowed to loiter outside our facility except in designated open space areas for the building complex.
- 5) **Non-Retail Nature** – Neighbors and passers by will not be able to detect our cannabis operation in any way, unless they are familiar with our name on the door. Only licensed cannabis

businesses, employees, inspectors, and the occasional checked-in visitor will ever be in our facility.

- 6) **Enhanced Security** – Unlike a typical tenant of a space like ours, we will have extensive and extremely visible security technology in place that discourages potential break-ins. Every access point to the building will be closely monitored with high definition surveillance cameras capable of recognizing faces and license plates. We have included additional security measures below.
- 7) **Ultra-Secure Storage** – [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]
- 8) **Neighbor Complaint Hotline** – We propose to set up a neighbor complaint hotline where residents who may have questions or concerns can call and reach our security point of contact within 24 hours, alleviating any potential that these complaints would be directed to city departments or the County sheriff.
- 9) **Resident Open House** – From time to time, we anticipate holding an open house in our front lobby area and inviting residents to learn about who we are and what we do.

## 7. Safety & Security Plan

One of Sky Farms' highest priorities is to provide a secure, safe and healthy work environment that does all it can to prevent and deter loss, while providing a safe and healthy environment for its employees, staff and neighbors. In doing so we have contracted with local security consultants from Gold Country Security. Please refer to Attachment D.

Additionally, within our SOPs will be training videos and manuals that are available online to instruct our employees on all safety and security matters.

**Product Safety** is covered below in section 7.

## 8. Community Benefits – Charitable Giving

We have thought long and hard about how we can not only serve the greater patient community of California by producing safe, effective medicinal products, but also how can we be great corporate citizens of the City of Nevada City.

Borrowing the suggested amount from the City of Sacramento, we will split **1% of our Gross Sales Receipts** up to \$60,000 into three equal donations to organizations who provide a tremendous service to the City of Nevada City.

Each of our owners brings deep personal connections to the groups we have selected.

These groups are:

- Forever Families Foster Care
  - As a long-time foster family, Owner Member Jason Gilbert has arranged for the Forever Families to set aside our donation to impact exclusively those families in the City of Nevada City and in support of their Healthy Living Programs. Forever Families has agreed to provide a detailed reporting of their used of the funds donated per the attached letter.
- Local United States Military Vet Organization – TBD
- Local Animal Services Operation – TBD

## 9. Enhanced Product Safety

In accordance with the laws of the State of California and our own long evidenced commitment to the safety of the patients that receive our medicine, we will be following a very strict protocol to ensure that our raw material inputs, processing techniques and of course, our finished products, will all be safe for consumption under their intended use. As required by state law, we intend to implement the following safety measures:

### 9a. Raw Material Controls

We want to minimize contamination within our entire product life cycle and that starts with the initial input, the marijuana “trim” from which we will be extracting the oil that becomes our products. In summary, trim is what is leftover once the flower buds have been trimmed from the plant. It is high in oil content and far less expensive than full plants. We may from time-to-time also extract from the buds themselves to produce specialized products.

We will seek suppliers who have already had their products tested for pesticides, molds and other dangerous substances, as well as perform our own visual inspections and spot testing prior to extraction. We will also quarantine any new materials until we can confirm its quality and safety.

These precautions are required to produce safe products and to keep harmful materials out of our machinery.

### 9b. In Process Controls

As we are extracting the oil from the plants using solvents such as CO2 and Hydrocarbons, we will take steps to remove them from the oil after extraction. Our operations plan goes into greater detail regarding this process, but suffice to say, the success of our company and brand relies upon the proper execution of the “in process” safety measures.

### 9c. Product Testing Controls

As required by the state, our finished products will be quarantined in bulk until we have received a Certificate of Analysis (COA) from a licensed and independent testing laboratory. The testing lab first sends a representative to our facility to select samples of our product batches. This procedure is tightly controlled and is required to be recorded on camera. The testing representative selects representative samples from our batches without any assistance from our staff and then transports them to the testing lab for analysis. Once a batch passes testing, we receive the COA and relay the testing information onto the finished packaged product through labeling.

#### 9d. Finished Goods Controls

The above paragraphs in this section deal with the safety of the product to the patient. The safety of finished goods focuses on risks of two groups:

- Children in close proximity to the goods, and
- The patient who is not aware of some of the risks of consumption.

As to the first group, children, we will use state-approved Child Resistant packaging as required by the State of California. Several innovative companies have been identified as potential packaging suppliers, all of which have experience in several states and great track records of compliance and safety.

For the second group, patients new to cannabis medication, we will include on and with our products all of the state mandated warnings as well as encourage those patients that find our brand on the web or in other legal marketing channels to follow medical recommendations as to dosages and treatment plans.

Our products will contain clear information concerning the concentration levels of THC and CBD to make the patient as informed as possible.

## 10. Environmental Benefits

Thanks to the waste management and odor control systems we have designed as well as the methods by which we contain and reuse the gases during and after our extraction processes, we anticipate our operation having no adverse impact on the surrounding environment above any other non-cannabis occupant.

### 10a. Hydrocarbon Recovery

Our proposed equipment to process cannabis material with hydrocarbons will be closed-loop, meaning that all gas used in the process will be recovered and available for the next round. Please see product specifications in Attachment C for more information.

### 10b. Ethanol Recovery

Ethanol will be used in the “winterization” process of refining the extracted crude material. We anticipate recovering this ethanol as it is purged from the cannabis material through the use of vacuum ovens.

### 10c. Waste Management

Our waste management system will include a Bokashicycle Marijuana Waste Granulator (Attachment E) which we will use to convert any marijuana waste into farm-ready fertilizer inside of our facility thereby reducing landfill volume, transportation expense as well as the related pollution. This fertilizer will then be sold back to cultivators to reduce the amount of new nutrients they need to purchase for production.

# 11. Labor & Employment

## 11a. Staff Organization

We will open our operation with approximately nine (9) employees per our organization chart below. These positions will require a blend of skills such as chemistry, machinery operation, marketing and sales, plus packaging and maintenance.

Thanks to the legalization movement, many of the jobs we will be creating are starting to be in high demand and commanding impressive wage levels within the industry.

## 11b. Training

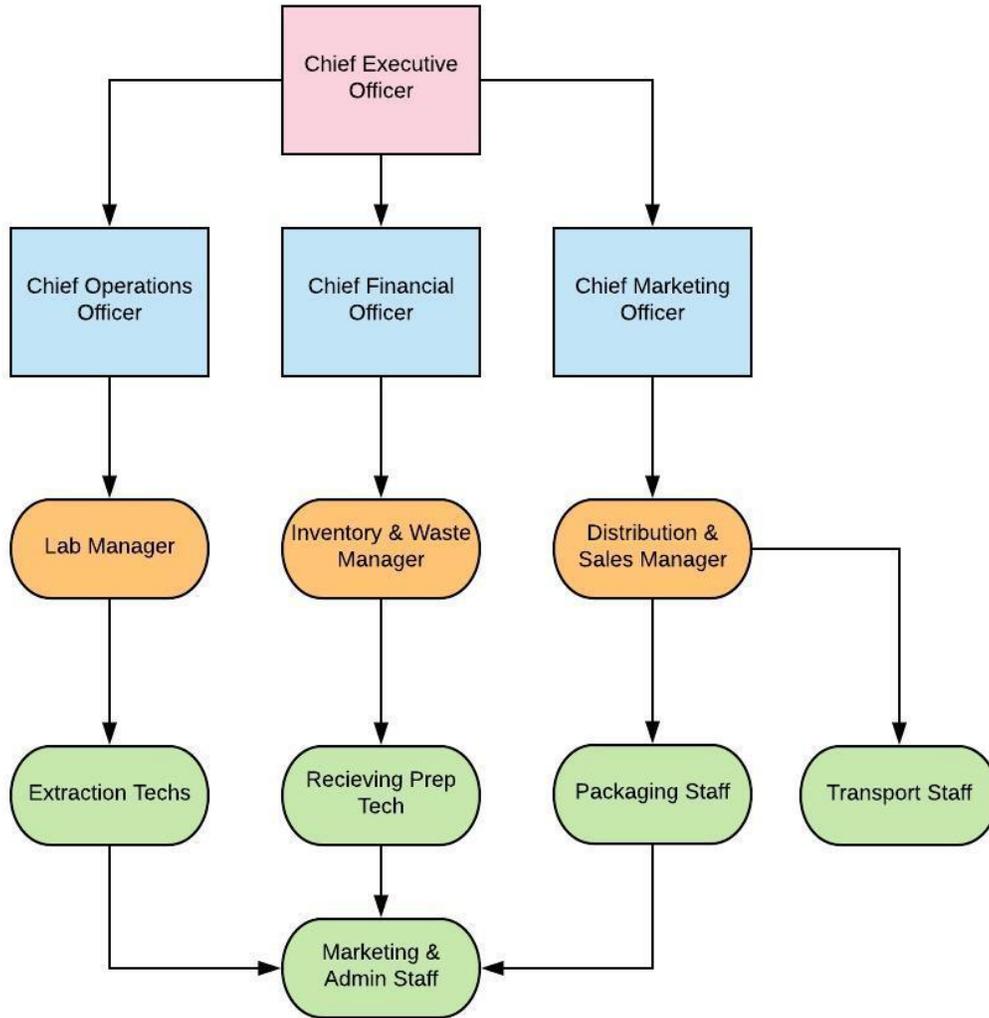
Staff members will be fully trained and certified wherever able by equipment manufacturers as well as invited to become fully immersed in the extraction culture of innovation and experimentation. As our institutions of higher learning include topics that are relevant to the cannabis industry, specifically the sciences that relate to the extraction process and the plant biology, we will reimburse tuition and fully support select staff members to participate in this education.

## 11c. Wage Scale by Position

Position	Hourly Rate	Full or Part Time Expectation
General Lab Manager	\$80,000 per year	Full Time
Extraction Techs (two)	\$20-\$30 per hour*	Full Time
Inventory & Waste Mgr.   Prep Tech	\$15-\$20 per hour*	Full & Part Time
Packaging, Distribution & Sales Mgr.	\$60,000 per year	Full & Part Time
Packaging (two)	\$15 - \$25 per hour*	Part Time
In Vehicle Team Member	\$15 per hour	Full Time
Administrative	\$15 per hour	Full & Part Time

\* We will be giving some of our employees a chance to earn a significant performance bonus through a “piece work bonus” in addition to their state mandated hourly pay rate. Top performers should be able to double their base pay earning the high range amounts above. Checks and balances will be in place to ensure exceptional quality along with a high rate of production.

**Flow Chart 3 – Management & Staff Organizational Chart**



## 12. Local Enterprise

Two of the Sky Farms LLC members are residents and upstanding members of Nevada County, while the third, Jason Gilbert, lives in the nearby City of Auburn. The two Nevada City resident partners, [REDACTED] and Todd Daugherty, own businesses and work in the community. Jason also has close ties to the Nevada County community, including an extensive network of cannabis cultivators and related businesses.

Member Owners Jason Gilbert and Todd Daugherty will be very active on a day-to-day basis within the operation.

## 13. Insurance Requirements

We anticipate carrying several insurance policies required by state and local agencies. At this time, we have secured general liability insurance to cover our leased building. We anticipate adding the following insurance policies as needed:

- **Commercial general liability insurance**
  - No less than \$2,000,000 and no less than \$1,000,000 for each loss
- **Property insurance**
  - Buildout
  - Equipment and furniture
  - Electronic data equipment (EDP)
  - Inventory
  - Crop coverage (cultivation from seed through finished processing (greenhouse/indoor))
  - Loss of income
- **Product liability related chain of custody**
  - No less than \$2,000,000 and no less than \$1,000,000 for each loss
  - Mostly covers attorney fees for defending against a lawsuit
- **Cargo**
  - Covers transit
- **Stock through put**
  - Covers product care, custody, control during transport
- **Worker's compensation insurance**
  - Class code
    - Cultivators \$8-\$9 per \$100 (Actually nursery),
    - Manufactureres - \$3 per \$100
- **Surety Bond**
  - \$5,000 for each license obtained (double check Nevada City);
- **Theft**
- **Employee Practice Insurance (EPI)**
- **Errors and Omissions Insurance**
- **Small group disability for officers of the company**
- **Commercial automobile insurance**
- **Non-owner auto coverage**

## Attachment A – Lease Agreement



















## Attachment B – Property Owner Approval



Terra Alta Development  
P.O. Box 1657 Nevada City, CA 95959

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City of Nevada City  
317 Broad Street  
Nevada City, CA 95959

January 31, 2018

Nevada City Planning Dept.;

I am the property owner of 138 New Mohawk Rd, Nevada City, CA 95959 (Assessor's Parcel Number —APN 37-060-87-000). I approve of Sky Farms LLC (the proposed tenant) use of the space for manufacturing and distribution of cannabis products under the Nevada City Medical Cannabis Business Permit and State guidelines.

Best Regards,

Lance Amaral



Terra Alta Development  
P.O. Box 1657 Nevada City, CA 95959

## Attachment C – Equipment Specifications



## TRIFECTA Extractors

A revolution in BHO equipment design.

One Operator. One Machine. 120LB Per Day.

ANION

**total column capacity** 45L / 15 LBS  
**processing capacity** 120 LBS / 8 Hours  
**footprint** 48" x 41" x 84"  
**machine weight** 800 LBS  
**pressure vessel weight** 300 LBS  
**air requirements** 60 SCFM  
**frame material** Laser Cut 6061-T6 Aluminum  
**column material** 304 Stainless Steel  
**tri-clamp gaskets** Viton  
**hose material** Reinforced PTFE, Stainless Mesh Jacket  
**hose quick disconnects** Custom Dry-Break  
**sight glass qty** 12  
**operating pressure** 10-40 PSI  
**certification pressure** 350 PSI  
**solvent filtration** 5µm Stainless Element  
**inline de-wax** Standard  
**solvent vessel** ASME 100LB 304 Stainless Steel Jacketed Tank  
**pump qty** 2  
**air input size** 3/4" NPT  
**pressure safety valves** Standard  
**state certified** CA, CO, MD, NV, OR, PA, WA  
**asme compliant** Yes  
**class 1 div 1 compliant** Yes  
**extractor warranty** Lifetime  
**pump warranty** 1 Year  
**installation + training** Available  
**compatible solvents** 100% Butane, 100% Propane, Blends



**call or text us** 720.526.2940

**e-mail us** [sales@anion-usa.com](mailto:sales@anion-usa.com)

**web** [www.anion-usa.com](http://www.anion-usa.com)

 [@anionusa](https://www.instagram.com/anionusa)

 [facebook.com/anionusa](https://www.facebook.com/anionusa)

**TRIFECTA** Extractors

A revolution in BHO equipment design.

**One Operator. One Machine. 120LB Per Day.**

**ANION**

The ANION logo consists of the word "ANION" in a bold, sans-serif font. To the right of the text is a stylized blue hexagonal structure with three smaller hexagons attached to its vertices, resembling a molecular or chemical structure.



February 6, 2017

RE: Engineering Peer Review 201608009 Revision 0

Dear Anion USA Customer,

Anion USA model Trifecta Extraction Platform has been evaluated by a Colorado Professional Engineer and found suitable for use, providing:

1. At installation, the equipment is successfully field verified by PSI to confirm the equipment is installed in accordance with Engineering Peer Review 201608009 Revision 0

The Trifecta Extraction Platform has been reviewed using the following internationally recognized codes and standards:

- International Fire Code, 2015
- National Fire Protection Association (NFPA) 58, Liquefied Petroleum Gas Code, 2014
- ASME Boiler and Pressure Vessel Code, Section VIII, Division 1, 2013

Please direct all technical questions to Anion USA.

**Official copies** of this document include **original signatures** and **embossed Professional Engineer stamps**. **Photocopies or scans** of this document are not considered official documents.

John R. Andrzejczak, PE

**THIS IS NOT A FIELD VERIFICATION LETTER**



## PSICO2 Rebel Specifications

### General Description

Physical Dimensions	Weight	Electrical
30"L x 20"W x 63"H	250lbs	NEMA L14- 30 30A @ 220V max 1 Phase

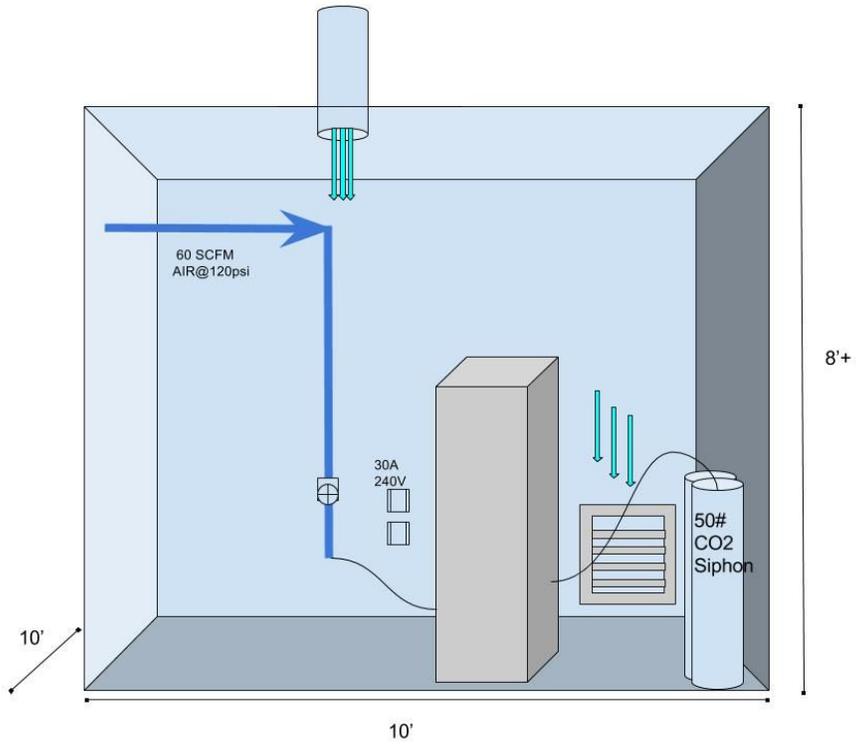
### System Components

<u>Liquid CO2 pump</u> -Max pressure 220 bar -Inlet pressure 100 bar maximum - Connection 1/2" FNPT	<u>Extraction vessels</u> -Materials 316 Stainless Steel -Capacity 2.5 Liters -Working pressure 200 bar -Max pressure: 220 bar	<u>Surge tank</u> -Materials Anodized 6061 Aluminum -Capacity 3.25 Liters -Working pressure 60 bar -Maximum Pressure 82 bar
<u>Collection Chamber</u> -Materials Anodized 6061 Aluminum -Capacity 3.25 Liters -Working pressure 60 bar -Maximum pressure 82 bar	<u>Fluid transfer lines</u> -Materials Braided Stainless PTFE -Working pressure 200 bar	<u>Fluid Fittings</u> -Materials 316 stainless -Working pressure 200 bar
<u>Heating system</u> -Heating range Ambient -150 F -Display Digital		

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**Operation requirements**

Room dimensions	Enclosed 10'L x 10'W x 8'H (installation must not violate local/state fire and building codes)
Ventilation requirements	< 5000ppm CO2
Pneumatic air supply	60 scfm @ 100
CO2 supply:	liquid delivery tanks (minimum of two with a 50 lbs capacity)
Electrical	30A @ 220V
Operating Temperature	50F - 85F



## Attachment D – Security Plan

# GOLD COUNTRY SECURITY



**Security Consulting  
Providing guard and patrol services throughout Western Nevada County  
(530)273-1367**

Sky Farms, After meeting with you and inspecting your proposed new business site at 138 New Mohawk Rd, Nevada City, CA 95959, I have prepared the following security plan. The plan is complete and meets all state guidelines set forth in California Code of Regulations, Title 17 Division 1 Chapter 13. SUBCHAPTER 3. REQUIREMENTS OF OPERATION Article 1. §40200. It is clear that your company is making the safety of its Staff and neighbors a high priority. - Jarret Fink, Security Consultant.

### **Safety and Security Plan.**

One of Sky Farms' highest priorities is to provide a secure, safe and healthy work environment that does all it can to prevent and deter loss, while providing a safe and healthy environment for it's employees, staff and neighbors. In doing so we have contracted with local security consultants from Gold Country Security.

Sky Farms has developed a security plan that will at a minimum include the following;

(a) Prevent access to the manufacturing premises by unauthorized personnel and protect the physical safety of employees. This includes, but is not limited to:

(1) Establishing physical barriers to secure perimeter access and all points of entry into a manufacturing premises [REDACTED]

[REDACTED]

[REDACTED]

(2) Installing a security alarm system to notify and record incident(s) where physical

barriers have been breached; As suggested by our security consultant our alarm system will also include motion sensors in the drop ceiling to detect a breach.

(3) Establishing an identification and sign-in/sign-out procedure for authorized personnel, suppliers, and/or visitors.

(4) Maintaining the premises such that visibility and security monitoring of the premises is possible.

(5) Commercial grade Window security film will be installed to all exterior windows and glass doors to aid in the prevention of a window breach.

(6) Establishing procedures for the investigation of suspicious activities.

(b) Prevent against theft or loss of cannabis and cannabis products. This includes but is not limited to:

(1) Establishing an inventory system that is compatible with the state's track and trace system METRIC, to track cannabis and cannabis products and the personnel responsible for processing it throughout the manufacturing process.

(2) Limiting access of personnel within the premises to those areas necessary to complete job duties, and to those time-frames specifically scheduled for completion of job duties.

(3) Supervising tasks or processes with high potential for diversion (including the loading and unloading of cannabis transportation vehicles).

(4) Providing designated areas in which personnel may store and access personal items.

(c) Secure and back up electronic records in a manner that prevents unauthorized access and that ensures the integrity of the records is maintained.

(5) Installing locking racks that will secure all in process cannabis after hours.

(6) [REDACTED]

[REDACTED]

[REDACTED]

(7) Nightly security checks will be done at least 2 times per night by Gold Country Security at random times during evening and early morning hours.

### **Video Surveillance.**



(j) All Video will be recorded onto hard drives within the facility and backed up to the cloud.

#### Background Checks and Hiring procedures.

Sky Farms is committed to hiring quality employees from the local employment area, Sky Farms will only hire employees that can comply with the regulations that govern cannabis businesses. The hiring manager will conduct background checks to verify all employees have not been convicted of any crime listed in the Business and Professions Code section 19323.

#### Fire Supression

Sky Farms in conjunction with a certified fire suppression company and the Nevada City Fire Chief will develop a Fire Suppression plan. The Suppression plan will comply with all standards set forth by the National Fire Protection Association including regulations and recommendations for Cannabis manufacturing detailed in Chapter 38 of the 2018 regulations.

## Attachment E – Waste Management Information

**bokashi**cycle

7506 69<sup>th</sup> Ave SW  
Lakewood, WA 98498

# Protocol

## Cost Effective and Efficient On-site Marijuana Waste Disposal



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## **Bokashi Fermenting solves the MMJ Dispensary and Grower Waste Disposal Problem**

Many states have approved medical marijuana. They are putting in place stringent regulations on how growers and dispensaries must comply with the law.

Medical marijuana waste must be properly handled.

Disposing of waste can be expensive. Dispensaries are not allowed to place waste materials in the trash containers available to the public for obvious reasons.

Regulatory agencies want to be certain that the waste materials are not left unattended or available to the public in dumpsters or containers that could be opened off site.

The growers and dispensaries are struggling to cost efficiently solve the waste disposal problem.

Waste produced at a dispensary or by a grower must be rendered unusable before it leaves the facility and then it must be transported to a properly licensed facility for composting but there are few approved available sites for composting and every step in this process is expensive and time consuming.

A chain of custody must be established for the transporting of waste from its on-site location to the approved composting site. Security must be in place. Properly approved and licensed transport services are required.

Accurate account records are required to establish that the mass of material leaving the facility is identical to the mass of material accepted at the composting site.

All of these measures add significantly to the cost and make handling the waste by either a dispensary or grower less efficient, especially if off-site waste disposal is implemented.

Waste has value. It can be recycled on-site.

### **Bokashi Fermenting Advantage:**

- On site rapid disposal of all organic waste
- Far more efficient than composting – takes only 7 days to ferment
- Biopulp mixed with soil results in highly enriched soil, improved microbial flora and enriched organic content soil
- Conserves water
- Requires no additional machinery or effort to process

- Eliminates odors and does not attract vermin or pests
- Fermenting is phytotoxic killing weeds and their seeds
- May combine all waste in a single operation
- Eliminates expense of pick-up and transport
- For MMJ – no chain of custody additional tracking is required because waste is processed on site
- Eliminates greenhouse gas production in processing waste
- Bokashi culture mix costs are about \$25 per ton of waste processed – least expensive of all waste processing methods
- Fermenting waste is the most sustainable agricultural method of waste management

## **Destroy MMJ Waste On-site and Eliminate Transport Problems and Expenses**

There is a better way to handle the waste. Composting the waste in a bokashi fermenting system on-site solves the problem for dispensaries and growers.

This process can accommodate any size operation. Waste is degraded and rendered useless in as little as 10 days in specially designed fermenters. The bio pulp produced can be recycled in soil maintained on the premises.

A smaller dispensary may have a few pounds to several hundred pounds of waste per month. Waste is placed in the fermenter with the culture mix and allowed to be degraded to a bio pulp.

The bio pulp is then mixed with soil on the premises. The enriched soil is used to support new plants and in so doing reduces dependency on fertilizers and other nutrients that contribute to water polluting disposal problems.



Dispensary MMJ Waste Processing Cyclettes

## **Simplify waste disposal and eliminate the expense of off-site disposal.**

A standard residential food waste fermenting system will handle 40 pounds of waste every 2 weeks. A single 55 gallon HDPE commercial fermenter handles 450 pounds every 2 weeks. A single 2 ton capacity industrial grade fermenter can handle 2 tons of waste every 2 weeks.

At the end of each cycle in processing waste the bio pulp obtained is mixed with soil to support plants eliminating the need to purchase expensive fertilizers.

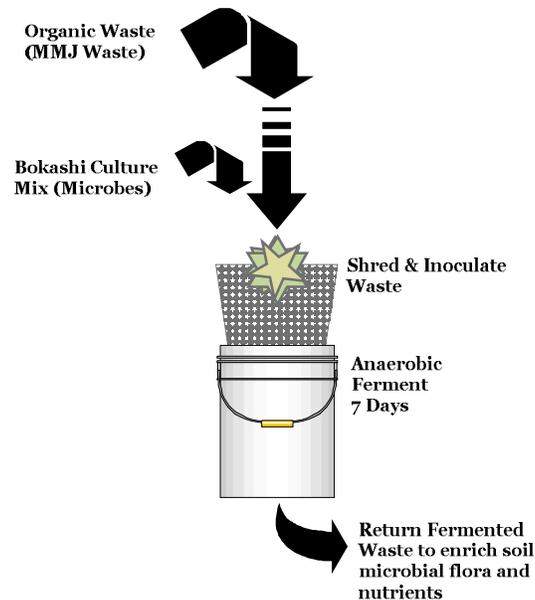
Waste is no longer a problem. It is a valuable resource cycled back to soil. Biologic soils are supported simply and easily by recycling waste to the soil.



HDPE 55 gallon fermenters with band clamp and cassette seals will handle 0.5 to 12 tons of waste per month.

# Bokashi Composting is Very Easy and Fast

What is Bokashi Fermenting?



Bokashi fermenting is a method of rapidly metabolizing all organic waste with naturally occurring soil microbes. It is 10 times faster than composting, produces no greenhouse gases, produces no heat, and takes only 7 days. The “pickled” waste material is then mixed with soil to return all the nutrients and microbes to soil.

Bokashi fermenting is an approved method for disposing of MMJ waste.<sup>1</sup>

All organic waste will rapidly decompose and noxious odors, putrefaction, and gases are eliminated. No insects or rodents are attracted to the end product. It is accomplished in a remarkably small amount of space and requires no turning, mixing, aerating, or additional materials to complete.

When processing MMJ waste, an accelerant is combined with the microbes to increase the speed of processing because the cellulose content of waste is very high. The liquid accelerant is sprayed onto the waste with each addition of culture mix and the system is then closed to exclude oxygen.

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<sup>1</sup> <http://www.colorado.gov/cs/Satellite?blobcol=urldata&blobheadername1=Content-Disposition&blobheadername2=Content-Type&blobheadervalue1=inline%3B+filename%3D%22Current+Set+of+Rules%2C+Effective+July+1%2C+2011.pdf%22&blobheadervalue2=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1251781468397&ssbinary=true>

Bokashi fermenting is very scalable. You can mix weeds, plant debris, food scraps including meat and dairy products, and any other organic material with no concerns about the carbon to nitrogen ratio.

You simply shred the material and place it in a proper fermenter. During the shredding operation you add a powder (wheat bran base inoculants) which is dispersed in the shredding step and then leave the material alone for 7 to 14 days in a sealed fermenter.

The fermenting conditions kill seeds and pathogens including E. coli and Salmonella. No methane is produced because the pH shifts to a mildly acidic profile as material is metabolized. Methanogens, the organisms that produce methane can't survive under these conditions.

For more information, on bokashi fermenting visit our WEB site at [www.bokashicycle.com](http://www.bokashicycle.com) or call us at 800.714.2130.

## **Equipment Requirements for On-Site MMJ Waste Cycling (Disposal):**

Operators will be provided with a package and instructions on processing waste fitting their specific needs. We provide on-site supervision and instructions for those who need assistance in getting started. Shredding units can easily handle tons per hour.

A dedicated area for processing should be established. A shredding unit will be put into position so that all inoculated shredded material ideally falls directly into the fermenter. The fermenter is then set aside with a sealed lid equipped with a safety pressure release valve cassette. The minimum number of fermenters is two per site as one fermenter is completing the pickling process while the second is being filled. This allows the operator to continuously run and process waste without any interruptions.

## Granulating Units:



## Bokashi Culture Mix:

Bokashi culture mix can be obtained in bulk. It is one of the consumables used in the recycling process and it is inexpensive. The general formula for processing is 25 pounds of culture mix per ton of waste processed.

Bokashi culture mix will cost approximately \$25 per ton of mmj waste processed. Waste recycled through soil quickly returns nutrients and microbes to feed new plants and the savings in a grow operation are substantial.

The bio pulp cycled through soil re-establishes nutrients so efficiently that little additional fertilizing will be required. Operators should experience vibrant active growth and will note less watering is required due to the increased soil organic content that avidly retains water where it is needed.

## **Space Requirements:**

The area designated for processing is remarkably small. Fermenters have a small foot print as does the shredder. We recommend processing on a cement floor.

After the fermenters have reached the end point at 7 – 10 days, growers will then need to mix that bio-pulp with soil. This is normally done by applying it to the surface at a rate up to 10 pounds per square foot and tilling it so that it is mixed with soil and covered with a few inches of soil. The soil can then be used for planting after 14 days.

The 55 gallon HDPE fermenters measure 23 inches in diameter and stands 36 inches in height. A number of compact dollies are available making moving a full fermenter a simple task.

The 2 ton capacity fermenters measure 50 inches by 80 inches and stands 48 inches in height. They can be moved on a pallet or with attached wheels on a cement floor.

The number of fermenters required will be determined by the volume of waste being processed. For example, in processing 4 tons of waste per month, 18 fermenters (see Table 1) are needed and each occupies a space of about 4 square feet. All of the fermenters could be stored in a space less than 10 feet by 10 feet.

## **Industrial Scale Waste Disposal Protocol:**

Growers have many options in handling MJ waste. Some growers simply prefer to render the waste in a form that can be sent off-site to a private contractor for subsequent handling. It may be sent for composting, or mixed with an approved inert material like cat litter for off-site disposal depending on local and regional regulatory requirements.

Other growers may want to recycle the material on site by either composting or fermenting the waste material saving in off-site disposal costs.

A common requirement to accomplish any of these options is the need to granulate or pulverize the material so that it can then be properly processed. Bokashicycle's MJ Granulating machine accomplishes this task efficiently and quietly in a small space. The machine was specifically designed to mince and granulate waste including root balls. All waste should be properly reduced in size before composting or fermenting or rendering inert.

The MJ Granulator minces and granulates material delivering it directly into 55 gallon barrels or cartons placed below the machine and can handle high volume waste cycling greater than 1 ton per hour.

## **Bamboo Granulator Test Results:**

The MJ Granulating machine has been tested and proven to consistently mince and granulate long strands of bamboo up to 1 inch in diameter and can handle larger diameter product if it is cut into shorter strands. Bamboo is far stronger than MJ waste and is a good quality control standard.

High throughput is maintained with a 1 inch grate.



**Bamboo Test Material** - 1 inch diameter bamboo stock material ranging in size up to 1 inch in diameter, dry and wet granulated in a single pass



**Bamboo Grate Single Pass Test Results** - 1 inch diameter bamboo stock rapidly minced and granulated with shredded leaves ready for composting or fermenting

## **Granulating MJ Waste:**

All waste can be handled easily by passing it through the granulating machine. There is no requirement for wetting or soaking this material before feeding it into the hopper however a light misting or wetting of the material will reduce the potential for dust scatter.

## **Bokashi Fermenting MJ Waste:**

MJ waste can be fermented and returned to soil and it is an approved waste disposal process in most jurisdictions. It is a two stage process that is far faster than composting and returns to the soil the many needed nutrients that would otherwise be discarded.

Disposing of waste is a two stage process.

1. In the first stage the waste is destroyed by fermenting. It is inoculated and placed in an anaerobic fermenter for approximately 2 weeks at room temperature.
2. The end product is metabolized material that is then mixed with soil to improve the soil organic content. The metabolized waste may be

repeatedly cycled by mixing with soil. New plants may be placed in this soil 10 days after the bio pulp is mixed with soil.

### **Inoculating the MJ Waste with Bokashi Culture Mix:**

The easiest way to efficiently inoculate the waste is to add the bokashi culture mix to the waste as it passes into the granulating machine. This spreads the inoculants uniformly throughout the waste as it exits into a standard 55 gallon fermenter.

If the waste is acquired in bins that are then dumped into the hopper, a cup of bokashi culture mix in each bin at the time it is dumped will ensure uniform distribution of the culture mix in the minced and granulated waste.

If long strands and root balls are being granulated, the easier route of inoculating is to collect all of the minced and granulated waste in a 55 gallon fermenter. The operator will then add to the 55 gallon fermenter 15 gallons of water to which is added 750 mL of accelerant and 5 pounds of bokashi culture mix.

In summary, inoculating the waste is accomplished by adding 5 lbs of culture mix for each 55 gallon filled fermenter along with 15 gallons of water and 750 mL of accelerant. Minced and granulated waste must be wet and sealed in a fermenter excluding oxygen in order to properly ferment.

### **How Much Culture Mix and Accelerant is Required?**

A 25 pound bulk pack of bokashi culture mix and a gallon of accelerant is enough material to process 1 ton of marijuana waste.

Fermenters should be packed tightly with inoculated waste and then sealed. Inoculated waste can be added incrementally until the fermenter is filled to the top. It should then be set aside for a full 10 days at which time fermenting will be complete.

### **What size and how many fermenters are needed?**

Dispensaries and small volume waste producers do not need to shred or pulverize waste materials. They can process waste in a standard cyclette system by wetting it down, spritzing with accelerant and adding the bokashi culture mix every couple of inches as they fill the fermenter. The fermented end product is mixed with soil at the end of the process. Standard cyclettes for processing are easy to obtain by an on-line order.

Standard Cyclette Processing unit:

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[http://store.bokashicycle.com/Bokashi-Fermenting-System-with-Dispensing-Unit-and-12-months-supply-of-Bokashi-Culture-Mix\\_p\\_22.html](http://store.bokashicycle.com/Bokashi-Fermenting-System-with-Dispensing-Unit-and-12-months-supply-of-Bokashi-Culture-Mix_p_22.html)

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Industrial scale fermenters come in two sizes.

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1. A 55 gallon HDPE open top band clamp seal fermenter equipped with a cassette and safety pressure release valve will when tightly packed hold up to 450 pounds of end product. The cassette acts as a filter so that the liquid acquired in the fermenting process can be drained and collected if the processor wants to use it diluted 1:50 with water in drip irrigating plants. The “tea” is rich in metabolic products, trace nutrients and microbes and will improve the plant performance if applied on a regular bases.

[http://store.bokashicycle.com/Bokashi-Yard-Waste-Fermenting-System-55-Gallon-Capacity\\_p\\_23.html](http://store.bokashicycle.com/Bokashi-Yard-Waste-Fermenting-System-55-Gallon-Capacity_p_23.html)

2. 2 ton capacity large scale fermenters with an anaerobic seal. These large scale fermenters are used to advantage when the volume of waste is greater than 6 tons per month.

[http://store.bokashicycle.com/15-ton-Capacity-Food-Waste-Fermenting-Bin\\_p\\_53.html](http://store.bokashicycle.com/15-ton-Capacity-Food-Waste-Fermenting-Bin_p_53.html)

3. Value pack Bokashi Culture Mix and Accelerant is available for growers who process a lot of waste and want to take advantage of discount pricing.

[http://store.bokashicycle.com/Marijuana-Waste-Disposal-Value-Pack\\_p\\_50.html](http://store.bokashicycle.com/Marijuana-Waste-Disposal-Value-Pack_p_50.html)

**Table 1: Number of Fermenters and Consumable Requirements for a fixed volume of marijuana waste disposal per month.**

Per Month Waste Volume (tons)	Fermenter Size		Per Month Required Consumables	
	55 Gal HDPE	2 ton Cap	# BCM 25Lbs	Gals Accel
1	5		1	1
2	9		2	2
3	14		3	3
4	18		4	4
5	23		5	5
6		3	6	6
7		4	7	7
8		4	8	8
9		5	9	9
10		5	10	10
11		6	11	11
12		6	12	12
13		7	13	13
14		7	14	14
15		8	15	15

The amount of material required to process a fixed amount of waste per month is easily calculated using the figures from Table 1. For example, if the producer is generating 4 tons of waste each month, then 18 55 gallon capacity fermenters are needed to process waste. Each month 100 pounds of bokashi culture mix and 4 gallons of accelerant are needed. The operator would fill 9 fermenters in the first 2 weeks setting them aside for an additional 2 weeks while filling the other 9 fermenters.

Every 2 weeks thereafter, 9 of the fermenters are emptied. The bio pulp is mixed with soil which can be used over and over again or cycled back through the grow operation. The emptied fermenters return to be filled again and again in a continuous recycling operation.

### **What is needed to Ferment Marijuana Waste?**

Table 2 provides a list of the needed equipment and materials for waste processing.

If the waste pH in the fermenter after adding the culture mix and accelerant with water has a pH that is greater than 6.0, the operator should adjust the pH to a level below 6.0 to be assured that fermenting will be efficient. Although this is

not a common experience, it may be essential if a lot of ammonia fertilizers are used in a grow operation.

Vinegar is a simple and effective way of lowering the pH if it is required. It is inexpensive, non-toxic, and easy to use. Any kind of vinegar can be used as it is only used to lower the pH. Depending on how much ammonia or other basic materials are in the waste the operator will add vinegar to the fermenter to bring the pH into a range between 4.0 and 6.0. If the pH is above this level fermenting will be less efficient and likely will not work if it is greater than 6.5.

**Table 2: List of essential materials to properly process marijuana waste.**

<b>Materials Required for Waste Processing:</b>	
Vinegar	Use to adjust fermenter only if the pH >6.0
Bokashi culture mix	25 lbs will process 1 ton of waste
Accelerant	1 gallon will process 1 ton of waste
MJ Granulating Machine	Directs waste to fermenters, inoculates waste
Fermenters	HDPE 55 gal band clamp/safety pressure release cassette

**Step by Step Protocol for Processing Marijuana Waste:**

<b>Activity</b>	<b>Comment</b>
1. Locate the MJ Granulating machine in a flat working area along with the stair platform access	Lock the wheels and attach the stair platform to the machine with the hinge gate locking unit
2. Plug the machine into a 220 volt outlet	The 3 HP Teco Westinghouse is well built and rugged. It requires single phase 220 v 50 – 60 Hz power
3. Gather MJ waste in bins or as stocks including root balls	Rocks or heavy clay materials should be removed from root balls. Remove as much soil as possible and cut to size to fit the hopper
4. Wear eye and ear protection	Operators should read the operator’s manual before engaging the machine
5. Place the fermenting barrel or carton to collect minced and granulated waste below the machine stand	The stand is designed to fit 55 gallon barrels. Push the barrel so that the curtain on the stand is centered over the barrel
6. Start the machine and granulate all waste filling to within 4 inches of the top of the barrel or carton	
7. Replace a filled container with an empty container	Label each granulated container by time and date

<b>Activity</b>	<b>Comment</b>
8. Bokashi Fermenting, Composting, On-site or Off-site Disposal	Arrange for off-site handling or on-site composting. If Bokashi fermenting advance to activity # 9
9. Waste collected in 55 gal size fermenters	Filled to within 4 inches of the top
10. Add 1.6 Lbs of culture mix and 250 mL of accelerant to a 5 gallon bucket	
11. Fill the bucket with 5 gallons of water	
12. Pour the liquid slurry of culture mix, water and accelerant over the minced material in the barrel	The objective is to wet all material and inoculate as the solution travels through the waste
13. Repeat Activity 10 – 12 twice so that 15 gallons of slurry have been put into the fermenter	
14. Confirm the pH is below 6.0	Obtain a small amount of fluid from the fermenter and test with a pH meter or tape.
15. Seal the fermenter using the band clamp lock and check that the safety pressure valve is in place	The safety valve fits in the top of the cassette attached to the lid for the fermenter
16. Record the ID for the fermenter in a log book and the date fermenting started	Each barrel lid has its own ID number or label
17. Allow at least 10 to 14 days at room temperature	
18. After fermenting check the pH to be certain it is below 6.0	
19. Drain liquids from the fermenter by tipping on its side and removing the safety valve	This liquid can be used to water plants. It is rich in nutrients.
20. The entire fermented material including liquids can be mixed with soil	Tilling the fermented material into normal soil or mixing into a pile of soil will result in its rapid further incorporation into the soil
21. Allow a few weeks for the soil with fermented end product to mature	Soil with end product can be recycled or sent off site for use in gardens

You may throw any food scraps into the granulating machine hopper when the marijuana waste is being minced and granulated. The food scraps will ferment and accelerate marijuana waste processing.

### **What about Pathogens and other un-wanted chemical bi-products?**

Bokashi fermenting is a very efficient way of killing pathogens including *E. coli* and *Salmonella*. The enzymatic activity in the fermenting process will break down most chemical compounds into basic simple molecules and it will kill most seeds. Do not add petroleum products or oils as they will interfere in efficient fermenting.

Wear gloves when handling the end products as they are mildly acidic (like vinegar) and wash your skin or eyes with copious amounts of water if you accidentally splash the material on the skin or eyes. We recommend wearing safety goggles in addition to gloves as a common sense precaution.

### **What is the starting basic system for waste processing?**

Bokashicycle recommends for all growers a basic minimal system that consists of the electric 3 HP pulverizing machine on its stand with swivel wheels and 2 55 gallon yard waste fermenting systems. The yard waste fermenting systems come with enough culture mix and accelerant to process up to 2 tons of waste.

3 HP 220v 1 PH Electric Granulating Machine:

[http://store.bokashicycle.com/MJ-Granulating-Machine--3-HP-Electric-single-phase-220v\\_p\\_54.html](http://store.bokashicycle.com/MJ-Granulating-Machine--3-HP-Electric-single-phase-220v_p_54.html)

Yard Waste Fermenting System:

[http://store.bokashicycle.com/Bokashi-Yard-Waste-Fermenting-System-55-Gallon-Capacity\\_p\\_23.html](http://store.bokashicycle.com/Bokashi-Yard-Waste-Fermenting-System-55-Gallon-Capacity_p_23.html)

Bokashicycle offers wholesale pricing and discounts to all growers for volume orders. Bokashi culture mix kept dry and protected has a shelf life greater than 5 years as does the accelerant. A volume discount pack of 500 pounds of culture mix and 20 gallons of accelerant on a single skid is offered at \$995 plus delivery. That is enough inoculants to process 20 tons of waste.

### **Getting Started with a Quote:**

Bokashicycle will provide to the grower a recommended set up for processing all waste based on the information provided.

The quote will include the cost of equipment, number of fermenters, and amount of culture mix needed to process all waste efficiently.

Call us for a quote at 800.714.2130 or email us at [support@bokashicycle.com](mailto:support@bokashicycle.com)

## Attachment F – Entity Documents



**Secretary of State**  
**Statement of Information**  
(Limited Liability Company)

**LLC-12**

17-B79330

**FILED**

In the office of the Secretary of State  
of the State of California

DEC 18, 2017

**This Space For Office Use Only**

**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. Limited Liability Company Name** (Enter the exact name of the LLC. If you registered in California using an alternate name, see instructions.)  
SKY FARMS LLC

**2. 12-Digit Secretary of State File Number** [REDACTED]      **3. State, Foreign Country or Place of Organization** (only if formed outside of California)  
CALIFORNIA

**4. Business Addresses**

a. Street Address of Principal Office - Do not list a P.O. Box 2036 Nevada City Hwy, Suite 87	City (no abbreviations) Grass Valley	State CA	Zip Code 95945
b. Mailing Address of LLC, if different than item 4a 2036 Nevada City Hwy, Suite 87	City (no abbreviations) Grass Valley	State CA	Zip Code 95945
c. Street Address of California Office, if Item 4a is not in California - Do not list a P.O. Box 2036 Nevada City Hwy, Suite 87	City (no abbreviations) Grass Valley	State CA	Zip Code 95945

**5. Manager(s) or Member(s)** If no managers have been appointed or elected, provide the name and address of each member. At least one name and address must be listed. If the manager/member is an individual, complete Items 5a and 5c (leave Item 5b blank). If the manager/member is an entity, complete Items 5b and 5c (leave Item 5a blank). Note: The LLC cannot serve as its own manager or member. If the LLC has additional managers/members, enter the name(s) and addresses on Form LLC-12A (see instructions).

a. First Name, if an individual - Do not complete Item 5b Todd	Middle Name	Last Name Dougherty	Suffix
b. Entity Name - Do not complete Item 5a			
c. Address 2036 Nevada City Hwy Suite 87	City (no abbreviations) Grass Valley	State CA	Zip Code 95945

**6. Service of Process** (Must provide either Individual OR Corporation.)  
**INDIVIDUAL** – Complete Items 6a and 6b only. Must include agent's full name and California street address.

a. California Agent's First Name (if agent is not a corporation) Todd	Middle Name	Last Name Dougherty	Suffix
b. Street Address (if agent is not a corporation) - Do not enter a P.O. Box 2036 Nevada City Hwy Suite 87	City (no abbreviations) Grass Valley	State CA	Zip Code 95945

**CORPORATION** – Complete Item 6c 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 6a or 6b

**7. Type of Business**

a. Describe the type of business or services of the Limited Liability Company  
medical cannabis

**8. Chief Executive Officer, if elected or appointed**

a. First Name	Middle Name	Last Name	Suffix
b. Address		City (no abbreviations)	State      Zip Code

**9. The Information contained herein, including any attachments, is true and correct.**

12/18/2017      Todd Dougherty      Managing Partner  
Date      Type or Print Name of Person Completing the Form      Title      Signature

**Return Address (Optional)** (For communication from the Secretary of State related to this document, or if purchasing a copy of the filed document enter the name of a person or company and the mailing address. This information will become public when filed. SEE INSTRUCTIONS BEFORE COMPLETING.)

Name: [      ]  
Company:  
Address:  
City/State/Zip: [      ]



**Attachment to  
Statement of Information  
(Limited Liability Company)**

**LLC-12A  
Attachment**

17-B79330

**A. Limited Liability Company Name**

SKY FARMS LLC

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**B. 12-Digit Secretary of State File Number**

[REDACTED]

**C. State or Place of Organization (only if formed outside of California)**

CALIFORNIA

**D. List of Additional Manager(s) or Member(s)** - If the manager/member is an individual, enter the individual's name and address. If the manager/member is an entity, enter the entity's name and address. Note: The LLC cannot serve as its own manager or member.

First Name [REDACTED]	Middle Name	Last Name [REDACTED]	Suffix
Entity Name			
[REDACTED]	[REDACTED] (abbreviations)	State CA	Zip Code [REDACTED]
First Name Jason	Middle Name	Last Name Gilbert	Suffix
Entity Name			
Address 101 Mountain Ave.	City (no abbreviations) Auburn	State CA	Zip Code 95603
First Name	Middle Name	Last Name	Suffix
Entity Name			
Address	City (no abbreviations)	State	Zip Code
First Name	Middle Name	Last Name	Suffix
Entity Name			
Address	City (no abbreviations)	State	Zip Code
First Name	Middle Name	Last Name	Suffix
Entity Name			
Address	City (no abbreviations)	State	Zip Code
First Name	Middle Name	Last Name	Suffix
Entity Name			
Address	City (no abbreviations)	State	Zip Code
First Name	Middle Name	Last Name	Suffix
Entity Name			
Address	City (no abbreviations)	State	Zip Code
First Name	Middle Name	Last Name	Suffix
Entity Name			
Address	City (no abbreviations)	State	Zip Code

Date of this notice: 12-07-2015

Employer Identification Number:  
[REDACTED]

Form: SS-4

Number of this notice: CP 575 G

SKY FARMS LLC  
TODD DOUGHERTY SOLE MBR  
1911 DOUGLAS BLVD STE 85-231  
ROSEVILLE, CA 95661

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 [REDACTED]. 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.

A limited liability company (LLC) may file Form 8832, *Entity Classification Election*, and elect to be classified as an association taxable as a corporation. If the LLC is eligible to be treated as a corporation that meets certain tests and it will be electing S corporation status, it must timely file Form 2553, *Election by a Small Business Corporation*. The LLC will be treated as a corporation as of the effective date of the S corporation election and does not need to file Form 8832.

To obtain tax forms and publications, including those referenced in this notice, visit our Web site at [www.irs.gov](http://www.irs.gov). If you do not have access to the Internet, call 1-800-829-3676 (TTY/TDD 1-800-829-4059) or visit your local IRS office.

**IMPORTANT REMINDERS:**

- \* Keep a copy of this notice in your permanent records. **This notice is issued only one time and the IRS will not be able to generate a duplicate copy for you.** You may give a copy of this document to anyone asking for proof of your EIN.
- \* Use this EIN and your name exactly as they appear at the top of this notice on all your federal tax forms.
- \* Refer to this EIN on your tax-related correspondence and documents.

If you have questions about your EIN, you can call us at the phone number or write to us at the address shown at the top of this notice. If you write, please tear off the stub at the bottom of this notice and send it along with your letter. If you do not need to write us, do not complete and return the stub.

Your name control associated with this EIN is SKYF. You will need to provide this information, along with your EIN, if you file your returns electronically.

Thank you for your cooperation.

DISPLAY CONSPICUOUSLY AT PLACE OF BUSINESS FOR WHICH ISSUED

CALIFORNIA STATE BOARD OF EQUALIZATION

## SELLER'S PERMIT



11/23/2015 SR KH 102-844933

SKY FARMS LLC  
SKY FARMS LLC  
1911 DOUGLAS BLVD STE 85-231  
ROSEVILLE, CA 95661-3811

IS HEREBY AUTHORIZED PURSUANT TO SALES AND USE TAX LAW TO ENGAGE IN THE BUSINESS OF SELLING TANGIBLE PERSONAL PROPERTY AT THE ABOVE LOCATION. THIS PERMIT IS VALID ONLY AT THE ABOVE ADDRESS.

THIS PERMIT IS VALID UNTIL REVOKED OR CANCELED AND IS NOT TRANSFERABLE. IF YOU SELL YOUR BUSINESS OR DROP OUT OF A PARTNERSHIP, NOTIFY US OR YOU COULD BE RESPONSIBLE FOR SALES AND USE TAXES OWED BY THE NEW OPERATOR OF THE BUSINESS.

**For general tax questions, please call our Customer Service Center at 1-800-400-7115 (TTY:711).  
For information on your rights, contact the Taxpayers' Rights Advocate office at 1-888-324-2798 or 1-916-324-2798.**

BOE-442-R REV. 16 (11-14)

### A MESSAGE TO OUR NEW PERMIT HOLDER

**As a seller, you have rights and responsibilities under the Sales and Use Tax Law. In order to assist you in your endeavor and to better understand the law, we offer the following sources of help:**

- Visiting our website at
- Visiting a field office
- Attending a Basic Sales and Use Tax Law class offered at one of our field offices
- Sending your questions in writing to any one of our offices
- Calling our toll-free Customer Service Center at 1-800-400-7115 (TTY:711)

**As a seller, you have the right to issue resale certificates for merchandise that you intend to resell. You also have the responsibility of not misusing resale certificates. While the sales tax is imposed upon the retailer,**

- You have the right to seek reimbursement of the tax from your customer
- You are responsible for filing and paying your sales and use tax returns timely
- You have the right to be treated in a fair and equitable manner by the employees of the California State Board of Equalization (BOE)
- You are responsible for following the regulations set forth by the BOE

As a seller, you are expected to maintain the normal books and records of a prudent businessperson. You are required to maintain these books and records for no less than four years, and make them available for inspection by a BOE representative when requested. You are also expected to notify us if you are buying, selling, adding a location, or discontinuing your business, adding or dropping a partner, officer, or member, or when you are moving any or all of your business locations. If it becomes necessary to surrender this permit, you should only do so by mailing it to a BOE office, or giving it to a BOE representative.

If you would like to know more about your rights as a taxpayer, or if you are unable to resolve an issue with the BOE, please contact the Taxpayers' Rights Advocate office for help by calling toll-free, 1-888-324-2798 or 1-916-324-2798. Their fax number is 1-916-323-3319.

**Please post this permit at the address for which it was issued and at a location visible to your customers.**

CALIFORNIA STATE BOARD OF EQUALIZATION  
Sales and Use Tax Department

## Attachment G – Standard Operating Procedures



Sky Farms – Nevada City Manufacturing  
**Manual of Standard Operating Policies**  
*Prepared in Conformance With the*  
California Code of Regulations, Title 17, Division 1  
Chapter 13. Manufactured Cannabis Safety

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## 40200. Security Plan

This section discusses the specific requirements for maintaining adequate security at the manufacturing premises

**1 SOPs shall be created to ensure the development and implementation of a security plan commensurate with licensing requirements**

**2 SOPs shall include a data collection tools and a description of security measures that will be taken to prevent access to the manufacturing premises by unauthorized personnel and protect the physical safety of employees. This includes, but is not limited to:**

1. Establishing physical barriers to secure perimeter access and all points of entry into a manufacturing premises (such as locking primary entrances with commercial-grade, non-residential door locks, or providing fencing around the grounds, driveway, and any secondary entrances including windows, roofs, or ventilation systems);
2. Installing a security alarm system to notify and record incident(s) where physical barriers have been breached
3. Establishing an identification and sign-in/sign-out procedure for authorized personnel, suppliers, and/or visitors
4. Maintaining the premises such that visibility and security monitoring of the premises is possible
5. Establishing procedures for the investigation of suspicious activities

**3 Additionally, SOPs shall include data collection tools and standards to prevent against theft or loss of cannabis and cannabis products. This includes but is not limited to:**

1. Establishing an inventory system to track cannabis material and the personnel responsible for processing it throughout the manufacturing process
2. Limiting access of personnel within the premises to those areas necessary to complete job duties, and to those time-frames specifically scheduled for completion of job duties
3. Supervising tasks or processes with high potential for diversion (including the loading and unloading of cannabis transportation vehicles)
4. Providing designated areas in which personnel may store and access personal items.
5. Secure and back up electronic records in a manner that prevents unauthorized access and that the integrity of the records is maintained.

## 40205. Video Surveillance

This section explains the minimum requirements for onsite video surveillance

**1 SOPs shall be developed that comply with the following requirements related to video surveillance**

**2 SOPs shall be developed which include the following minimum technical requirements for video surveillance:**

1. At a minimum, licensed premises shall have a complete digital video surveillance system with a minimum camera resolution of 1280 × 1024 pixels
2. The video surveillance system shall be capable of recording all pre-determined surveillance areas in any lighting conditions.

**3 Standards shall require that the video surveillance system shall be capable of supporting remote access by the licensee**

**4 Standards shall require that, to the extent reasonably possible, all video surveillance cameras shall be installed in a manner that prevents intentional obstruction, tampering with, and/or disabling**

**5 Standards shall require that areas recorded on the video surveillance system include, but are not limited to, the following:**

1. Areas where medical cannabis or medical cannabis products are weighed, packed, stored, quarantined, loaded and/or unloaded for transportation, prepared, or moved within the premises
2. Areas where cannabis is destroyed
3. Limited-access areas
4. Security rooms
5. Areas containing surveillance-system storage devices, in which case, at least one camera shall record the access points to such an area

6. The interior and exterior of all entrances and exits to the premises

**6** **Additionally, video and surveillance standards shall require all of the following:**

1. The surveillance system shall record continuously 24 hours per day and at a minimum of 20 frames per second.
2. All recording and monitoring equipment shall be located in secure rooms or areas of the premises in an access-controlled environment.
3. All surveillance recordings shall be kept on the licensee's recording device for a minimum of 30 days.
4. All video surveillance recordings are subject to inspection by the Department and shall be copied and sent, or otherwise provided, to the Department upon request
5. The video recordings shall display the current date and time of recorded events.
6. Time is to be measured in accordance with the U.S. National Institute Standards and Technology standards.
7. The displayed date and time shall not significantly obstruct the view of recorded images.

## 40220. Permissible Extractions

This section discusses the requirements and standards for performing extractions

**1** SOPs shall be developed that comply with the following requirements related to   
extractions

**2** SOPs shall be developed to ensure that except as provided in the following step   
pursuant to subsection (b), cannabis extraction shall only be conducted using the  
following methods:

1. Mechanical extraction, such as screens or presses.
2. Chemical extraction using a nonvolatile solvent such as a nonhydrocarbon-based or other solvent such as water, vegetable glycerin, vegetable oils, animal fats, or food-grade glycerin. Nonhydrocarbon-based solvents shall be food grade.
3. Chemical extraction using a professional closed loop CO<sub>2</sub> gas extraction system.
4. Chemical extraction using a volatile solvent, as defined in Section 40100, subsection (bf).
5. Any other method authorized by the Department pursuant to subsection (b) [see following step for subsection b requirements]

**3** Additionally, SOPs shall provide for the following per subsection (b) of the   
Department of Public Health Regulations:

To request authorization from the Department to conduct cannabis extraction using a method other than those specified in paragraphs (1) – (4) of subsection (a) [see above], the applicant or licensee shall submit a detailed description of the extraction method, including any documentation that validates the method and any safety procedures to be utilized to mitigate any risk to public or worker health and safety.

## 40222. Volatile Solvent Extractions

This section discusses the requirements and standards for performing volatile solvent extractions

**1** SOPs shall be developed that comply with the following requirements related to   
**volatile solvent extractions**

**2** SOPs shall be developed to ensure that chemical extractions using volatile   
**solvents comply with the following requirements:**

1. Hydrocarbon-based solvents shall be at least 99 percent purity
2. All extractions shall be performed in a closed loop extraction system as described in Section 40225

## 40225. Closed-Loop Extraction System Requirements

This section discusses the requirements for closed-loop extraction systems

**1 SOPs shall be developed to ensure that chemical extractions using CO<sub>2</sub> or a volatile solvent shall be conducted in a professional closed loop extraction system. The system shall be commercially manufactured and bear a permanently affixed and visible serial number. A certification by a licensed engineer shall state that the system was commercially manufactured, safe for its intended use, and built to codes of recognized and generally accepted good engineering practices, such as:**

- The American Society of Mechanical Engineers (ASME);
- American National Standards Institute (ANSI);
- Underwriters Laboratories (UL); or
- The American Society for Testing and Materials (ASTM). The certification document must contain the signature and stamp of a professional engineer and the serial number of the extraction unit being certified

**2 Standards shall also be adopted to ensure that professional closed loop systems, other equipment used, the extraction operation, and facilities, will be approved for use by the local fire code official and meet all minimum fire, safety, and building code requirements specified in:**

- National Fire Protection Association (NFPA) standards
- International Building Code (IBC)
- International Fire Code (IFC)
- Other applicable standards including all applicable fire, safety, and building codes related to the processing, handling and storage of the applicable solvent or gas.

## 40232. Requirements for Personnel

This section discusses personnel designations and requirements

**1 SOPs shall be developed to ensure the following requirements are met for all personnel**

**2 Standards and procedures shall be developed to comply with the following disease control requirements:**

1. Any person who by medical examination or supervisory observation is shown to have, or appears to have, an illness, open lesion (such as boils, sores, or infected wounds), or any other source of microbial contamination presenting a reasonable threat of contamination to cannabis products, contact surfaces, or packaging materials, shall be excluded from any related manufacturing operations until their health condition is corrected.
2. Open lesions, boils, and/or infected wounds shall be adequately covered (e.g., by an impermeable cover).
3. Personnel shall be instructed to report such health conditions to their supervisors.

**3 The following minimum standards and procedures shall be developed in compliance with requirements for cleanliness. All persons working in direct contact with cannabis products, cannabis product-contact surfaces, and cannabis product-packaging materials, shall conform to hygienic practices to the extent necessary to protect against allergen cross-contact and contamination of cannabis products while on duty. The methods for maintaining cleanliness shall include:**

1. Wearing appropriate outer garments to protect against allergen cross-contact and contamination of cannabis products, contact surfaces, and/or packaging materials
2. Maintaining adequate personal cleanliness
3. Washing hands thoroughly in an adequate hand-washing facility before starting work, after each absence from the work station, and at any time when the hands may have become soiled or contaminated, and sanitizing hands if necessary to protect against contamination with undesirable microorganisms
4. Removing all unsecured jewelry and other objects that might fall into cannabis products, equipment, or containers, and removing hand jewelry that cannot be adequately sanitized during periods in which cannabis products are manipulated by hand. If such hand jewelry cannot be removed, it may be covered by material which can be maintained in an intact, clean, and sanitary condition and which effectively protects against the contamination by

these objects of the cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials.

5. Maintaining any gloves, if they are used in cannabis product handling in an intact, clean, and sanitary condition.
6. Where appropriate wearing hair nets, headbands, caps, beard covers, or other hair restraints in an effective manner
7. Storing clothing or other personal belongings in areas separate from those where cannabis products are exposed or where equipment or utensils are washed
8. Confining the following activities to areas separate from those where cannabis products may be exposed or where equipment or utensils are washed: eating food, chewing gum, drinking beverages, and/or using tobacco.
9. Taking any other necessary precautions to protect against allergen cross-contact and against contamination of cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials by microorganisms or foreign substances (including perspiration, hair, cosmetics, tobacco, chemicals, and medicines applied to the skin).

## 40234. Grounds

This section designates minimum requirements for care of grounds to prevent the contamination of components and cannabis products

**1 SOPs shall be developed and implemented to ensure that the grounds of the premises controlled by the licensee are kept in a condition that prevents the contamination of components and cannabis products**

**2 Standards shall include at minimum, the following methods for adequate maintenance of the grounds:**

1. The proper storage of equipment, removal of litter and waste, and cutting of weeds or grass within the immediate vicinity of the cannabis manufacturing facility so that the premises shall not constitute an attractant, breeding place, or harborage for pests
2. The proper maintenance of roads, yards, and parking lots so that these areas shall not constitute a source of contamination in areas where cannabis products are handled or transported
3. The provision of adequate draining areas in order to prevent contamination by seepage, foot-borne filth, or the breeding of pests due to unsanitary conditions
4. The provision and maintenance of waste treatment systems so as to prevent contamination in areas where cannabis products may be exposed to such a system's waste or waste by-products.
5. If the cannabis manufacturing plant grounds are bordered by grounds outside the licensee's control that are not maintained in the manner described in subsections (a) through (d) of this section, inspection, extermination, and other reasonable care shall be exercised within the cannabis manufacturing plant in order to eliminate any pests, dirt, and/or filth that pose a source of cannabis product contamination.

## 40236. Facility Construction and Design

This section describes the requirements pertaining to facility construction and design

- 1 SOPs shall be developed and implemented to ensure that the minimum requirements for facility construction and design are met**
- 2 Standards shall ensure that adequate space is provided for such placement of equipment and storage of materials as is necessary for maintenance, sanitary operations, and the production of safe cannabis products**
- 3 Additionally, standards and data collection tools shall be developed to permit the taking of adequate precautions to reduce the potential for allergen cross-contact and for contamination of cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials by microorganisms, chemicals, filth, and other extraneous material**
- 4 Standards and data collection tools will also permit the taking of adequate precautions to protect product ingredients in installed outdoor bulk vessels by any effective means, including:**

  1. Using protective coverings
  2. Controlling areas over and around the vessels in order to eliminate harborages for pests
  3. Checking such vessels on a regular basis for pests and pest infestation
- 5 Standards will be developed to ensure that the grounds and facility are constructed in such a manner that floors, walls, and ceilings may be adequately cleaned and kept clean and in good repair**

- 6** Standards will be developed to ensure that drip or condensate from fixtures, ducts and pipes does not contaminate cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials
- 7** Standards will be developed to ensure that the grounds and facility are constructed in such a manner so as to provide adequately wide and unobstructed aisles or working spaces between equipment and walls that permit employees to both perform their duties and protect against the contamination of cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials via clothing or personal contact
- 8** Standards will be developed to provide for adequate lighting in hand-washing areas, dressing and locker rooms, and toilet facilities, in all areas where components or cannabis products are examined, manufactured, processed, packed, or held, and in all areas where equipment or utensils are cleaned
- 9** Standards will be developed to provide for the installation of shatter-resistant light bulbs, fixtures, skylights, and/or other shatter-resistant glass fixtures in all areas where glass breakage may result in the contamination of exposed cannabis components or products at any step of preparation

**10 Standards will be developed to ensure the provision of adequate ventilation or control equipment to minimize dust, odors and vapors (including steam and noxious fumes) in areas where they may cause allergen cross-contact or contamination of cannabis products; and locate and operate fans and other air-blowing equipment in a manner that minimizes the potential for allergen cross-contact and contamination of cannabis products, cannabis product-packaging materials, and cannabis product-contact surfaces**

**11 Standards will also be developed to ensure the provision, where necessary of adequate screening or other protection against pests**

## 40238. Sanitary Operations

This section describes the specifications for maintaining sanitary operations

**1 SOPs shall be developed and implemented to ensure that the minimum requirements are met for maintaining sanitary operations as outlined in the steps below**

**2 Standards will be developed to ensure that buildings, fixtures, and other physical facilities on the premises are maintained in a clean and sanitary condition and are kept in good repair so as to prevent cannabis products from becoming adulterated**

**3 Standards will ensure that the cleaning and sanitization of utensils and equipment is conducted in a manner that protects against allergen cross-contact and contamination of cannabis products or product components, cannabis product-contact surfaces, or cannabis product-packaging materials**

**4 Standards and procedures will ensure that cleaning compounds and sanitizing agents used in cleaning and sanitizing procedures are free from undesirable microorganisms and are safe and adequate under their conditions of use. Only the following toxic materials shall be used or stored in a manufacturing facility where cannabis products are process or exposed:**

1. Those required to maintain clean and sanitary conditions
2. Those necessary for plant and equipment maintenance and operation
3. Those necessary for use in the cannabis manufacturing facility's operations

**5 Standards will be developed to ensure that toxic cleaning compounds, sanitizing agents, and pesticide chemicals are identified, held, and stored in a manner that protects against contamination of product components, cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials**

**6 Standards will be developed to ensure that effective measures are taken to exclude pests from the cannabis manufacturing facility in all areas where cannabis components and/or products may be at risk of contamination by pests. The use of pesticides to control pests in the cannabis manufacturing plant is permitted only under precautions and restrictions that protect against the contamination of cannabis products, cannabis product-contact surfaces, and cannabis product-packaging materials**

**7 Standards will be developed to ensure that all cannabis product-contact surfaces including utensils and equipment are cleaned as frequently as necessary to protect against allergen cross-contact and contamination of cannabis products**

**8 Standards will be developed to ensure that cannabis product-contact surfaces used for manufacturing/processing, packing or holding low-moisture cannabis products shall be maintained in a clean, dry, and sanitary condition before use. When such surfaces are wet-cleaned, they shall, when necessary, be sanitized and thoroughly dried before subsequent use**

- 9** Standards will be developed with the understanding that when cleaning is necessary to protect against allergen cross-contact or the introduction of microorganisms into cannabis products during wet processing, all cannabis product-contact surfaces shall be cleaned and sanitized before use and after any interruption during which cannabis product-contact surfaces may have become contaminated. Where equipment and utensils are used in a continuous production operation, their surfaces shall be cleaned and sanitized as necessary
- 10** Standards will be developed to ensure that single-service articles (such as utensils intended for one-time use, paper cups, and paper towels) are stored, handled, and disposed of in a manner that protects against allergen cross-contact and contamination of cannabis product, cannabis product-contact surfaces, or cannabis product-packaging materials
- 11** Standards will be developed to ensure that the non-cannabis product-contact surfaces of equipment used in the cannabis manufacturing facility are cleaned in a manner and as frequently as necessary to protect against allergen cross-contact and contamination of cannabis products, cannabis product-contact surfaces, and cannabis product-packaging materials
- 12** Additionally, standards will be developed to ensure that cleaned and sanitized portable equipment with cannabis product-contact surfaces and utensils are stored in a location and manner that protects cannabis product-contact surfaces from allergen cross-contact and contamination

## 40240. Sanitary Facilities and Controls

This section describes the specifications for maintaining adequate sanitary accommodations

**1 SOPs shall be developed and implemented to ensure that the the facility is equipped with adequate sanitary accommodations per the steps outlined below**

**2 Standards will be developed to ensure the following standards are applied to the water supply:**

1. The water supply shall be adequate for the operations intended and derived from an adequate source.
2. Any water that contacts cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials shall be safe and of adequate sanitary quality.
3. Running water at a suitable temperature, and under pressure as needed, shall be provided in all areas where required for the processing of cannabis products, for the cleaning of equipment, utensils, and cannabis product-packaging materials, and/or for employee sanitary facilities

**3 Standards will be developed and implemented to ensure that plumbing systems are of adequate size and design, and are adequately installed and maintained in order to:**

1. Carry adequate quantities of water to required locations throughout the manufacturing facility
2. Properly convey sewage and liquid disposable waste from the facility
3. Avoid the creation of unsanitary conditions and/or contamination to cannabis products, water supplies, equipment, or utensils
4. Provide adequate floor drainage in all areas where floors are subject to flooding-type cleaning or where normal operations release or discharge water or other liquid waste on the floor
5. Provide that there is not backflow from, or cross-connection between, piping systems that discharge waste water or sewage, and piping systems that carry water for cannabis products or cannabis product manufacturing

**4 Standards and procedures will be developed and implemented to ensure that sewage is disposed of into an adequate sewerage system or through other adequate means**

**5 Standards will be developed to ensure that each manufacturing facility provides employees with adequate, readily accessible toilet facilities. Toilet facilities shall be kept clean and shall not pose a potential source of contamination of cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials**

**6 Standards will be developed to ensure that each manufacturing facility provides hand-washing facilities designed to ensure that an employee's hands do not pose a source of contamination to cannabis products, cannabis product-contact surfaces, or cannabis product-packaging materials. Toilet facilities shall be adequate, convenient, and furnish running water at of at least 100° F (30° C)**

**7 Standards will be developed and implemented to ensure that rubbish is conveyed, stored, and disposed of so as to minimize the development of odor, minimize the potential that waste will attract, harbor, or otherwise contribute to for the breeding of pests, and protect against the contamination of cannabis products, cannabis product-contact surfaces, cannabis product-packaging materials, water supplies, and ground surfaces**

## 40242. Equipment and Utensils

This section outlines the requirements for manufacturing equipment and utensils used in manufacturing cannabis products

- 1 SOPs shall be developed and implemented to ensure that all manufacturing equipment and utensils used in manufacturing cannabis products complies with the requirements as outlined below**
  
- 2 Standards will be developed and implemented to ensure that all cannabis manufacturing equipment and utensils used in manufacturing cannabis products are so designed and of such material and workmanship as to be adequately cleanable, and shall be adequately maintained to protect against allergen cross-contact and contamination**
  
- 3 Standards will be developed and implemented to ensure that equipment and utensils are designed, constructed, and used appropriately to avoid the adulteration of cannabis products with lubricants, fuel, metal fragments, contaminated water, or any other contaminants**
  
- 4 Standards will be developed and implemented to ensure that equipment is installed in a manner which facilitates the cleaning and maintenance of the equipment and of adjacent spaces.**
  
- 5 Standards will be developed to ensure that cannabis product-contact surfaces must be corrosion-resistant when in contact with cannabis products**

- 6** Standards will be developed to ensure that cannabis product-contact surfaces must be made of nontoxic materials, designed to withstand the environment of their intended use, and, if applicable, cleaning compounds, sanitizing agents, and cleaning procedures
- 7** Standards will be developed to ensure cannabis product-contact surfaces must be maintained to protect cannabis products from allergen cross-contact and from contamination by any source, including prohibited additives
- 8** Standards will be developed to ensure that seams on cannabis product-contact surfaces shall be smoothly bonded or maintained so as to minimize accumulation of particles, dirt, and organic matter and thus minimize the opportunity for growth of microorganisms and allergen cross-contact
- 9** Standards will be developed to ensure that equipment in areas where cannabis products are manufactured and that do not come into contact with cannabis products shall be constructed so that they may be kept in a clean and sanitary condition
- 10** Standards will be developed to ensure that holding, conveying, and manufacturing systems, including gravimetric, pneumatic, closed, and automated systems, are of a design and construction that enables them to be maintained in an appropriate clean and sanitary condition

- 11** Standards will be developed to ensure that each freezer and cold storage compartment used to store and hold cannabis products, ingredients, or components capable of supporting growth of microorganisms shall be fitted with an indicating thermometer, temperature-measuring device, or temperature-recording device so installed as to show the temperature accurately within the compartment
- 12** Standards will be developed to ensure that instruments and controls used for measuring, regulating, or recording temperatures, pH, acidity, water activity, or other conditions that control or prevent the growth of undesirable microorganisms in cannabis products, ingredients, or components will be accurate and precise and adequately maintained and calibrated, and be provided in an adequate number for their designated use(s)
- 13** Additionally, standards will be developed to ensure compressed air or other gases mechanically introduced into cannabis products or used to clean cannabis product-contact surfaces or equipment will be treated in such a way that cannabis products will not be contaminated with prohibited additives

## 40242. Equipment and Utensils

This section outlines the requirements for manufacturing equipment and utensils used in manufacturing cannabis products

- 1 SOPs shall be developed and implemented to ensure that all manufacturing equipment and utensils used in manufacturing cannabis products complies with the requirements as outlined below**
  
- 2 Standards will be developed and implemented to ensure that all cannabis manufacturing equipment and utensils used in manufacturing cannabis products are so designed and of such material and workmanship as to be adequately cleanable, and shall be adequately maintained to protect against allergen cross-contact and contamination**
  
- 3 Standards will be developed and implemented to ensure that equipment and utensils are designed, constructed, and used appropriately to avoid the adulteration of cannabis products with lubricants, fuel, metal fragments, contaminated water, or any other contaminants**
  
- 4 Standards will be developed and implemented to ensure that equipment is installed in a manner which facilitates the cleaning and maintenance of the equipment and of adjacent spaces.**
  
- 5 Standards will be developed to ensure that cannabis product-contact surfaces must be corrosion-resistant when in contact with cannabis products**

- 6** Standards will be developed to ensure that cannabis product-contact surfaces must be made of nontoxic materials, designed to withstand the environment of their intended use, and, if applicable, cleaning compounds, sanitizing agents, and cleaning procedures
- 7** Standards will be developed to ensure cannabis product-contact surfaces must be maintained to protect cannabis products from allergen cross-contact and from contamination by any source, including prohibited additives
- 8** Standards will be developed to ensure that seams on cannabis product-contact surfaces shall be smoothly bonded or maintained so as to minimize accumulation of particles, dirt, and organic matter and thus minimize the opportunity for growth of microorganisms and allergen cross-contact
- 9** Standards will be developed to ensure that equipment in areas where cannabis products are manufactured and that do not come into contact with cannabis products shall be constructed so that they may be kept in a clean and sanitary condition
- 10** Standards will be developed to ensure that holding, conveying, and manufacturing systems, including gravimetric, pneumatic, closed, and automated systems, are of a design and construction that enables them to be maintained in an appropriate clean and sanitary condition

**11** Standards will be developed to ensure that each freezer and cold storage compartment used to store and hold cannabis products, ingredients, or components capable of supporting growth of microorganisms shall be fitted with an indicating thermometer, temperature-measuring device, or temperature-recording device so installed as to show the temperature accurately within the compartment

**12** Standards will be developed to ensure that instruments and controls used for measuring, regulating, or recording temperatures, pH, acidity, water activity, or other conditions that control or prevent the growth of undesirable microorganisms in cannabis products, ingredients, or components will be accurate and precise and adequately maintained and calibrated, and be provided in an adequate number for their designated use(s)

**13** Additionally, standards will be developed to ensure compressed air or other gases mechanically introduced into cannabis products or used to clean cannabis product-contact surfaces or equipment will be treated in such a way that cannabis products will not be contaminated with prohibited additives

## 40250. General Provisions

This section describes the requirements for quality control of manufactured cannabis products to ensure they are suitable for human consumption or use, and that cannabis product-packaging materials are safe and suitable

- 1 SOPs shall be developed to ensure quality control of cannabis production and the creation of products which are suitable for human consumption or use, and that cannabis product-packaging materials are safe and suitable**
  
- 2 Standards will ensure that overall sanitation of the premises shall be under the supervision of one or more competent individuals assigned responsibility for this function**
  
- 3 Standards will ensure that procedures are developed to employ adequate precautions for production so as not to contribute to allergen cross-contact or contamination from any source**
  
- 4 Standards will be developed to ensure that chemical, microbial, or extraneous-material testing procedures will be used where necessary to identify sanitation failures or possible allergen cross-contact and cannabis product contamination**
  
- 5 Standards and procedures will be developed to ensure that any cannabis product which has become contaminated to the extent that it is adulterated shall be rejected**

## 40252. Quality of Raw Materials and Ingredients

This section discusses measures to be taken to ensure the quality of raw materials and ingredients meet minimum standards

**1 SOPs shall be developed to ensure that adequate measures are taken to ensure that the quality of raw materials and ingredients meets minimum standards as outlined in the steps below**

**2 Standards and procedures will be developed to ensure that all raw materials and other ingredients will be:**

1. inspected, segregated or otherwise handled as necessary to ensure that they are clean and suitable for processing into cannabis products
2. stored under conditions that protect against allergen cross-contact and contamination, and in such a way as to minimize deterioration

**3 Standards and procedures for washing and cleaning raw materials will be developed in accordance with the following:**

1. Raw materials must be washed or cleaned as necessary to remove soils and other contaminants
2. Water used for washing, rinsing, or conveying cannabis product ingredients must be safe and of adequate sanitary quality

**4 As pertains to the sanitation of raw materials, standards and procedures shall ensure that raw materials and other ingredients will not contain levels of microorganisms that render the cannabis product injurious to human health, or shall be pasteurized or otherwise treated during manufacturing so they no longer contain levels of microorganisms that would cause the cannabis product to be adulterated**

**5** Standards and procedures shall be developed to ensure that raw materials and other ingredients susceptible to contamination with aflatoxin or other natural toxins shall not exceed generally acceptable limits set by the U.S. Food and drug Administration for aflatoxins, other natural toxins, pest contamination, undesirable microorganisms, or extraneous materials for those materials or ingredients, before these raw materials or other ingredients are incorporated into finished cannabis products

**6** Standards and procedures will be developed to ensure that raw materials and other ingredients will be held in bulk, or in containers designed and constructed so as to protect against allergen cross-contact or contamination, and will be held at such temperature and relative humidity and in such a manner as to prevent the cannabis products from becoming adulterated

**7** Standards and procedures will be developed to ensure that frozen raw materials and other ingredients will be kept frozen. If thawing is required prior to use, it will be done in a manner that prevents the raw materials and other ingredients from becoming adulterated

**8** Standards and procedures will be created to ensure that raw materials and other ingredients that are food allergens will be identified and held in a manner that prevents cross-contact with other raw materials or ingredients

## 40254. Manufacturing Operations

This section discusses the requirements for the implementation of written manufacturing operation procedures

**1 SOPs related to manufacturing operations shall be developed in conformance with the minimum standards as outlined below**

**2 Standards and procedures will be developed to ensure that all cannabis product manufacturing will be conducted under such conditions and controls as are necessary to minimize the potential for the growth of microorganisms, allergen cross-contact, contamination of cannabis products, and deterioration of cannabis products**

**3 Standards and procedures will be created to ensure that cannabis products capable of supporting the rapid growth of undesirable microorganisms shall be held at temperatures that prevent the cannabis product from becoming adulterated during manufacturing, processing, packing and holding**

**4 Standards and procedures will be created which ensure that measures such as sterilizing, irradiating, pasteurizing, cooking, freezing, refrigerating, controlling pH, or controlling water activity that are undertaken to destroy or prevent the growth of undesirable microorganisms shall be adequate under the conditions of manufacture, handling, and transfer to prevent the cannabis product from being adulterated**

- For purposes of this section, “water activity” (aw) is a measure of the free moisture in a manufactured cannabis product and is the quotient of the water vapor pressure of the substance divided by the vapor pressure of pure water at the same temperature

**5 Work-in-process will be organized by procedures and handled in a manner that protects against allergen cross-contact, contamination, and growth of microorganisms**

**6 Standards and procedures will be developed to ensure the following:**

1. Effective measures will be taken to protect finished cannabis products from allergen cross-contact and from contamination by raw materials, other ingredients, rejected components, or refuse.
2. When raw materials, other ingredients, or refuse are unprotected, they shall not be handled simultaneously in a receiving, loading or shipping area if such handling could result in allergen cross-contact or contaminated cannabis products
3. Cannabis products transported by conveyer shall be protected against allergen cross-contact and against contamination as necessary

**7 All standards and procedures related to equipment will ensure that equipment, containers, and utensils used to convey, hold, or store raw materials and other ingredients, work-in-process, or other cannabis products will be constructed, handled, and maintained during manufacturing, processing, packing, and holding in a manner that protects against allergen cross-contact and contamination**

**8 Standards and procedures will be developed to ensure that adequate measures are taken to protect against the inclusion of metal or other extraneous material in cannabis products**

**9 Standards and procedures will be developed to ensure that adulterated cannabis products, raw materials, and other ingredients shall be disposed of in a manner that protects against the contamination of other cannabis products**

**10** Standards and procedures will be created and implemented to ensure that steps such as washing, peeling, trimming, cutting, sorting and inspecting, mashing, dewatering, cooling, shredding, extruding, drying, whipping, defatting, and forming shall be performed so as to protect cannabis products against allergen cross-contact and contamination. Additionally, cannabis products shall be protected from contaminants that may drip, drain, or be drawn into the cannabis product

**11** Standards and procedures will include steps to ensure that, when required in the preparation of cannabis products capable of supporting microbial growth, heat blanching shall be effected by heating the cannabis product to the required temperature, holding that temperature for the required amount of time, and then either rapidly cooling the cannabis product or passing it to subsequent manufacturing without delay. Growth and contamination by thermophilic microorganisms in blanchers shall be minimized by the use of adequate operating temperatures and by periodic cleaning and sanitization as necessary

**12** Standards and procedures will be developed to ensure that batters, breading, sauces, gravies, dressings, dipping solutions, and other similar preparations that are held and used repeatedly over time shall be treated or maintained in such a manner that they are protected against allergen cross-contact and contamination, and in a manner that minimizes the potential growth of undesirable organisms

**13 Standards and procedures will be created and implemented to ensure that filling, assembling, packaging, and related operations shall be performed in such a way that the cannabis product is protected against allergen cross-contact, contamination and growth of undesirable microorganisms**

**14 Standards and procedures will be created to ensure that cannabis products which principally rely on the control of water activity (aw) for preventing the growth of undesirable microorganisms (such as dry mixes, nuts, intermediate moisture cannabis products, and dehydrated cannabis products) shall be processed and maintained at a safe moisture level. The same will comply with additional requirements as follows:**

- For purposes of this section “safe moisture level” is a level of moisture low enough to prevent the growth of undesirable microorganisms in the finished product under the intended conditions of manufacturing.
- The safe moisture level for an edible cannabis product is related to its aw. An aw will be considered safe for a manufactured cannabis product if adequate data is available to demonstrate that at or below the given aw the manufactured cannabis product will not support the growth of undesirable microorganisms

**15 Regarding use of ice, standards and procedures will be developed to ensure that, when ice is used in contact with cannabis products, it shall be made from water that is safe and of adequate sanitary quality in accordance with Section 40240 subdivision (a), and shall be used only if it has been manufactured in accordance with current good manufacturing practices as outlined in this SOP**

## 40256. Hazard Analysis

This section discusses outlines the requirements for conducting a hazard analysis for each type of cannabis product produced

**1 SOPs will be developed and implemented to ensure that a hazard analysis is conducted according to the guidelines listed below**

**2 Standards will be developed to ensure that a hazard analysis is conducted to identify or evaluate known or reasonably foreseeable hazards for each type of cannabis product produced at the facility in order to determine whether there exist any hazards requiring a preventive control. The hazard analysis shall include:**

1. Biological hazards, including microbiological hazards
2. Chemical hazards, including radiological hazards, pesticide(s) contamination, solvent or other residue, natural toxins, decomposition, unapproved additives, or food allergens
3. Physical hazards, such as stone, glass, metal fragments, hair or insects
4. The evaluation of the hazards identified in order to assess the severity of any illness or injury that may occur as a result of a given hazard, and the probability that the hazard will occur in the absence of preventive controls

**3 Standards will be developed to ensure that the hazard evaluation considers the effect of the following on the safety of the finished cannabis product for the intended consumer:**

1. The sanitation conditions of the manufacturing premises
2. The product formulation process
3. The design, function and condition of the manufacturing facility and its equipment
4. The ingredients and components used in a given cannabis product
5. The operation's transportation and transfer practices
6. The facility's manufacturing and processing procedures
7. The facility's packaging and labeling activities
8. The storage of components and/or the finished cannabis product
9. The intended or reasonably foreseeable use of the finished cannabis product
10. Any other relevant factors

## 40260. Equipment and Machinery Qualification

This section specifies how procedures will be developed and implemented to assure that each piece of equipment and machinery is suitable for its intended use prior to operation

- 1 SOPs shall be developed and implemented to ensure that each piece of equipment and machinery is suitable for its intended use prior to operation. These standards will meet requirements as outlined in the steps below**

- 2 Standards and procedures will be developed to include all of the following:**
1. Procedures for validating that all equipment and machinery has design specifications, operating procedures, and performance characteristics appropriate for its intended use by the licensee.
  2. Procedures for validating that all equipment and machinery are built and installed in compliance with design specification, not limited to: built as designed with proper materials, capacity, and functions, and properly connected and calibrated
  3. Procedures for validating that all equipment and machinery perform in accordance with quality requirements in all anticipated operating ranges using the licensee's standard operating procedures. Operating ranges shall be shown to be capable of being held as long as would be necessary during routine production
  4. The establishment of a schedule for routine re-verification of all equipment and machinery

- 3 Standards and procedures will be created and implemented for the creation and maintenance of verification records for all equipment and machinery. Records will contain at minimum:**
1. Documentation of successful verification of each piece of equipment and machinery, dated and signed by the person conducting the verification
  2. Documentation of successful re-verifications of each piece of equipment and machinery upon any modification to the equipment or machinery, intended use, or standard operating procedure
  3. A log detailing and documenting the verification and re-verification of all equipment and machinery in operation on the licensed premises

## 40262. Master Manufacturing Protocol

This section details the specific requirements of creating protocol for each unique formulation of cannabis product manufactured and for each batch size to ensure uniformity

**1 SOPs shall be created and implemented to establish and follow a written master manufacturing protocol for each unique formulation of cannabis product manufactured, and for each batch size, to ensure uniformity in finished batches and across all batches produced**

**2 The master manufacturing protocol will be developed to:**

1. Identify specifications for the points, steps, or stages in the manufacturing process where control is necessary to ensure the quality of the cannabis product and that the cannabis product is packaged and labeled as specified in the master manufacturing protocol
2. Establish controls and procedures to ensure that each batch of cannabis product manufactured meets the specifications identified in accordance with number one above

**3 The master manufacturing protocol will be developed to include the following:**

1. The name and intended cannabinoid(s) concentration per serving of the cannabis product to be manufactured, and the strength, concentration, weight, or measure of each ingredient for each batch size
2. A complete list of components to be used
3. An accurate statement of the weight or measure of each component to be used
4. The identity and weight or measure of each ingredient that will be declared on the ingredients list of the cannabis product
5. A statement of theoretical yield of a manufactured cannabis product expected at each point, step, or stage of the manufacturing process where control is needed to ensure the quality of the cannabis product, and the expected yield of the finished product, including the maximum and minimum percentages of theoretical yield beyond which a deviation investigation of a batch is necessary and material review is conducted and disposition decision is made
6. A description of packaging and a representative label, or a cross-reference to the physical location of the actual or representative label

4

**Additionally, the master manufacturing protocol will be developed to include written instructions of all of the following:**



1. Specifications for each point, step, or stage in the manufacturing process where control is necessary to ensure the quality of the cannabis product and that the cannabis product is packaged and labeled as specified in the master manufacturing record
2. Procedures for product and/or batch sampling and a cross-reference to procedures for tests or examinations of products and/or batches
3. Specific actions necessary to perform and validate points, steps, or stages in the manufacturing process where control is necessary to ensure the quality of the cannabis product and that the cannabis product is packaged and labeled as specified in the master manufacturing record
4. Such specific actions shall include verifying the weight or measure of any component used in the finished cannabis product, and verifying the addition of any component
5. For manual operations, such specific actions shall include: (i) One person weighing or measuring a component and another person verifying the weight or measure (ii) One person adding the component and another person verifying the addition.
6. Special notations and precautions to be followed
7. Corrective action plans for use when a specification is not met.

## 40280. Training Program

This section specifies the requirements for training onsite personnel

**1 SOPs will be developed and implemented to ensure that all personnel present at the premises are provided information and training that at minimum covers all of the topics outlined in the following steps**

**2 Standards will be developed and implemented to ensure that within 30 days of employment, all personnel will undergo training in the following areas:**

1. Health and safety hazards
2. Hazards presented by all solvents or chemicals used at the licensed premises as described in the material safety data sheet for each solvent or chemical
3. Emergency procedures
4. Security procedures
5. Record keeping requirements
6. Training requirements

**3 Standards will be developed and implemented to ensure that prior to independently engaging in any cannabis manufacturing process, personnel will undergo all of the following:**

1. An overview of the process and standard operating procedure(s)
2. Quality control procedures
3. Hazard analysis and control procedures as appropriate
4. Proper and safe usage of equipment or machinery
5. Safe work practices applicable to an employee's job tasks, including appropriate use of any necessary safety or sanitary equipment
6. Cleaning and maintenance requirements
7. Emergency operations, including shutdown
8. Any additional information reasonably related to an employee's job duties

**4 Standards will be developed and implemented to ensure that wherever edible cannabis products are produced, the following requirements are implemented:**

1. All personnel who prepare, handle, or package edible products successfully complete a food handler course accredited by the American National Standards Institute (ANSI) within

90 days of commencing employment at the premises and again every three years during employment.

2. For licensees in operation pursuant to Section 40140, applicable personnel shall complete the ANSI-accredited food handler course no later than 90 days after the effective date of the license. The licensee shall obtain documentation evidencing the fulfillment of this requirement

**5 Standards and procedures will be developed and implemented to ensure that all personnel receive annual refresher training to cover, at minimum, the topics listed in this SOP. This annual refresher training must be completed within 12 months of the previous training completion date**

**6 Standards and procedures shall be developed to ensure that records will be maintained with the following minimum inclusions:**

1. An annual attestation by the licensee that he/she has received and understood all information and training provided in the training program
2. A list of all personnel at the premises, including at minimum, name and job duties of each
3. Documentation of training topics and dates of training completion for all personnel
4. Training topics and dates of refresher training completion for all personnel
5. The signature of the individual personnel and the licensee verifying receipt and understanding of each training or refresher training completed by the personnel
6. Any official documentation attesting to the successful completion of required training by personnel

**7 Standards shall allow that the responsibility for ensuring compliance by individual personnel in conformance with this SOP may be assigned to supervisory personnel as long as the following conditions are met:**

1. Assigned supervisory personnel must have the education, training, or experience (or a combination thereof) necessary to ensure the production of clean and safe cannabis products by all personnel
2. The designated training personnel shall sign and date a document on an annual basis attesting that he or she has received and understood all information and training provided in the training program
3. This documentation shall be maintained as part of the record requirements

## **40282. Inventory Control – Cannabis and Cannabis Products**

This section details the specific requirements for inventory control and tracking of cannabis and cannabis products

- 1 SOPs shall be created to ensure the implementation of a written inventory control plan capable of tracking the location and disposition of all cannabis and cannabis product at the licensed premises**
  
- 2 Standards will be created and implemented to ensure that inventory of cannabis and cannabis products at the licensed premises is reconciled each day with the records in the track-and-trace database. Reconciliation will be performed by one persona and independently verified by a second person**
  
- 3 Standards will be developed to ensure that if a discrepancy is found between the inventory and the track-and-trace database, the licensee is responsible for conducting an audit**
  
- 4 Standards will be developed and implemented to ensure that the Department will be notified within 24 hours if an audit turns up a discrepancy that is not within five percent of the documented inventory**
  
- 5 Standards will be developed and implemented to ensure that if evidence of theft or diversion is found, the licensee is responsible for the immediate reporting of the theft or diversion to the Department**

## 40290. Disposal of Cannabis Waste

This section outlines the specifications of cannabis waste and requirements of cannabis waste disposal

- 1 SOPs for proper disposal of cannabis waste shall be created and implemented to conform with all requirements of this section to recognize the following definition of cannabis waste:** 
  - In this division, “cannabis waste” is waste that is not hazardous waste as defined in Public Resources Code section 40141 and is solid waste, as defined in Public Resources code section 40191, that contains cannabis and that has been made unusable and unrecognizable in the manner prescribed in subsection
  
- 2 Standards will be developed to ensure that all waste that is hazardous waste, as defined in Public Resources Code section 40141, is managed in compliance with all applicable hazardous-waste statutes and regulations**
  
- 3 Standards will be developed and implemented to ensure that all medical cannabis products or cannabis waste is disposed of in secured waste receptacles**
  
- 4 Standards and procedures will be developed to ensure that medical cannabis products intended for rendering into cannabis waste shall be held in quarantine for a minimum of 72 hours. A licensee shall affix to each batch one or more documents with batch information and weight. At no time during the quarantine period may the cannabis be handled, moved, or rendered into cannabis waste. The cannabis is subject to inspection by the Department**

**5 The following shall be included in the creation and implementation of standards for the disposal and rendering of cannabis waste:**

1. Medical cannabis goods will be made into cannabis waste by rendering the medical cannabis goods unusable and unrecognizable
2. Cannabis goods will be rendered into cannabis waste before removing the cannabis waste from the licensed premises.
3. Medical cannabis goods will be rendered into cannabis waste by grinding and incorporating the cannabis with other ground material so that the resulting mixture is at least 50 percent non-cannabis material by volume.
4. Medical cannabis goods will be rendered into cannabis waste one batch at a time and will not co-mingle different batches into cannabis waste

**6 Standards and procedures will be developed to ensure that medical cannabis goods will be rendered into cannabis waste on camera in the manner required by Section 40205**

**7 Standards shall be developed to ensure that medical cannabis goods that a licensee wishes to deposit at a compostable materials handling operation or facility or at an in-vessel digestion operation or facility may be rendered cannabis waste by incorporating any nonhazardous compostable material, as defined in Title 14, California Code of Regulations, Section 17852(a)(11), that a compostable materials handling operation or facility or in-vessel digestion operation or facility may lawfully accept**

**8 Standards and procedures will be created and implemented to ensure that after medical cannabis goods are rendered into cannabis waste, one of the following will be done:**

1. Dispose of the cannabis waste at a manned and fully permitted solid waste landfill
2. Deposit the cannabis waste at a manned compostable materials handling operation or a manned and fully permitted compostable materials handling facility

3. Deposit the cannabis waste at a manned in-vessel digestion operation or and a manned and fully permitted in-vessel digestion facility

**9** In addition to all other track and trace reporting requirements (see Section 40272), standards will be developed to ensure that the track-and-trace database and on-site documents will be used to assure that the cannabis-waste materials are identified, weighed, and tracked while on the licensed premises and when disposed of or deposited in accordance with the minimum requirements as outlined in the section above

**10** Standards will be developed to ensure that batch date and time for each rendering of medical cannabis goods along with the weight of the resulting cannabis waste will be recorded into the track-and-trace database for each batch processed

**11** Standards will be developed to ensure the collection and maintenance of required records related to cannabis waste disposal as follows:

1. Accurate and comprehensive records will be maintained regarding cannabis waste material that account for, reconcile, and evidence all activity related to the generation and disposal or deposition of cannabis waste
2. A record will be obtained from the solid waste facility or operation evidencing the acceptance of the cannabis waste material at the facility or operation
3. The record must contain the name and address of the operation or facility, the date, the volume or weight of the cannabis waste accepted, and the name and signature of the person manning the facility or operation who accepts the cannabis waste
4. These documents are records subject to inspection by the Department and shall be kept in compliance with Section 40270

**12** Standards will be developed to ensure the accurate entry of date and time of disposal or deposition of the cannabis waste at a solid waste facility into the track-and-trace database

## **40292. Consent to Sample Collection**

This section details requirements to comply with potential sampling by the BCC

- 1 SOPs shall be developed to anticipate the potential inspection of medical cannabis products transferred to a licensed distributor. If possession but not title of medical cannabis is transferred to a licensed distributor, samples may be required at the Bureau's request for the purposes of conducting oversight of licensed testing laboratories**



## 40300. Prohibited Products

This section discusses prohibited additives and enhancements to cannabis products

- 1 SOPs will be developed and implemented to ensure that alcoholic beverages as defined in section 23004 of the Business and Professions Code, will not be infused with cannabis**
  
- 2 Standards will be developed to ensure that no cannabis product shall contain any non-cannabinoid additive that would increase potency, toxicity or addictive potential, or that would create an unsafe combination with other psychoactive substances. Prohibited additives include but are not limited to nicotine and caffeine**
  
- 3 Standards and procedures will be developed to ensure that no cannabis product shall be made of potentially hazardous food. Potentially hazardous food means any food capable of supporting the growth of infectious or toxigenic microorganisms when held at temperatures above 41 degrees Fahrenheit. This includes the following:** 
  1. Any cannabis product that must be held at or below 41 degrees Fahrenheit to keep it safe for human consumption
  2. Any low-acid cannabis product with a finished equilibrium pH greater than 4.6 and water activity greater than 0.85, packed in a hermetically sealed container in a reduced oxygen package (e.g. vacuum packed)
  3. Any canned cannabis product;
  4. Any juice. "Juice" means the liquid expressed or extracted from one or more fruits or vegetables, purees of the edible portions of one or more fruits or vegetables, or any concentrates of such liquid or puree
  5. Perishable bakery products that need to be held at temperatures below 410 Fahrenheit to prevent the growth of microorganisms, including, but not limited to, cream or custard-filled pies; pies or pastries which consist in whole or in part of milk or milk products, eggs, or synthetic fillings; or meat-filled pies or pastries
  6. Dairy products of any kind
  7. Meat products of any kind
  8. Seafood products of any kind

**4 Standards will be created to ensure that edible cannabis products produced for sale by the manufacturing licensee shall not include products set forth in Division 15 (commencing with § 32501) of the Food and Agriculture Code**

**5 Standards will be created to ensure that no cannabis products will be manufactured by applying cannabinoid concentrate or extract to commercially available candy or snack food items**

## **40302. Prohibited Ingredients and Components**

This section states the requirements with regards to addition of prohibited ingredients and components into cannabis products

- 1 SOPs will be developed and implemented to ensure that no product ingredients or components, other than cannabis extracts or concentrates, shall be used in the manufacture of an edible cannabis product unless such ingredients or components are approved by the United States Food and Drug Administration for use in food or food manufacturing**

## **40305. Edible Products – Serving Size**

This section details the dosing requirements and serving size for edible cannabis products

**1** SOPs will be developed and implemented to ensure that edible cannabis products shall not contain more than ten (10) milligrams of THC per serving or more than one hundred (100) milligrams of THC per package of finished product

**2** SOPs will be developed and implemented to ensure that edible products that constitute more than a single serving shall be scored, delineated, or otherwise similarly marked to indicate one serving

## **40306. Finished Cannabis Products – Maximum THC Content**

This section specifies the maximum THC content of finished cannabis products

- 1 SOPs will be developed and implemented to ensure that for manufactured cannabis that is not an edible product, no package of finished cannabis product shall contain more than 1,000 mg of THC**



**40307. Uniform Distribution**

This section specifies the requirements for homogenization of edible cannabis products

- 1** SOPs will be developed and implemented to ensure that edible cannabis products shall be homogenized to ensure uniform disbursement of cannabinoids throughout the product

## 40310. Contaminants

This section specifies the definitions and limitations of contaminants

- 1** SOPs will be developed and implemented to ensure that no cannabis product shall exceed the level of contaminants identified in Business and Professions Code section 19344 or set by the Bureau pursuant thereto
  
- 2** SOPs will be developed to ensure that the mixing of a cannabis product containing defects at levels that render that the cannabis product adulterated with another lot of cannabis product is not permitted and renders the final cannabis product adulterated, regardless of the defect level of the final cannabis product

## 40400. Applicability

This section specifies the definitions and requirements for finished cannabis products

- 1 This SOP will be reviewed to ensure that all standards created to comply with labeling and packaging requirements existing in this section will apply to finished cannabis products and shall not apply to cannabis or cannabis products that are transferred between licensees for purpose of further processing or packaging**

This SOP References standards set forth in the CDPH Regulations for Medical Cannabis Manufacturing License, SUBCHAPTER 5. LABELING AND PACKAGING EQUIREMENTS - Article 1. General Provisions, which have been transcribed herein

## **40401. Release to Distributor as Finished Product**

This section specifies the definitions and requirements for release of finished cannabis products

- 1 SOPs will be developed and implemented to ensure that prior to release of a product to a distributor, the product will be in finished form and labeled and packaged in its final form for sale at a dispensary**



## **40403. General Provisions**

This section specifies the general provisions for labeling requirements of finished cannabis products

**1 SOPs will be developed and implemented to ensure compliance with labeling requirements as outlined below:**



1. Any information required to be listed on a label shall be written in English
2. A label shall be unobstructed and conspicuous
3. All required label information shall be unobstructed and conspicuous

## Attachment H – Forever Families Confirmation Letter

[REDACTED]

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**From:** [REDACTED]  
**Sent:** Monday, February 5, 2018 9:47 AM  
**To:** [REDACTED]  
**Subject:** Fwd: Sierra Forever Families

----- Forwarded message -----

**From:** [REDACTED]  
**Date:** Mon, Feb 5, 2018 at 9:46 AM  
**Subject:** Re: Sierra Forever Families  
**To:** [REDACTED]

Happy Monday Christie !!!! You are awesome !!! thank you so much this is perfect. Hope you have a wonderful week. We are looking forward to helping in the near future.

Sincerely,  
Jason Gilbert  
SKY FARMS LLC. [REDACTED]

On Mon, Feb 5, 2018 at 8:38 AM, [REDACTED] wrote:

Good morning Jason,

I hope this message finds you well!

Thank you for reaching out last week and discussing Sierra Forever Families' programs serving children and families in Nevada City. We appreciate your interest in supporting children in foster care, as well as families at risk of losing their children to the foster care system. Your contribution of 1% of your gross receipts up to \$20,000 annually, would make a tremendous impact in the lives of the most vulnerable residents of Nevada City. Please don't hesitate to contact me if you would like any additional information.

Thanks again,

Christie

[REDACTED] | **Director of Development & Public Relations**

[REDACTED] [REDACTED]

**Sierra Forever Families** | [8928 Volunteer Lane #100, Sacramento, CA 95826](https://www.sierraforeverfamilies.org)

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**Nationally Accredited by the Council on Accreditation**

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## Attachment I – Financial Pro Forma (3 Year Projections)



## Attachment J – Proof of Capitalization



## Attachment K – Liability Insurance



## Attachment L – Additional Principal Information



