

**SUPPLEMENTAL INFORMATION #3**

For Planning Commission Agenda of: February 1, 2018

- Consent Agenda Item
- Continued Hearing Item #3
- Public Hearing Item
- Department Report
- Old Business

Re: **SugarLeaf Holdings Special Permit**  
Application Number 13371  
Case Numbers SP 16-876 & SP 16-877  
Assessor's Parcel Number 205-161-022  
67 Metropolitan Heights Road, Fortuna, CA 95540

- Operations Manual, received January 17, 2018

**HUMBOLDT COUNTY COMMERCIAL MEDICAL  
CANNABIS LAND USE ORDINANCE  
(CMMLUO) APPLICATION**

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**SUGARLEAF HOLDINGS, LLC  
OPERATIONS MANUAL  
HUMBOLDT COUNTY, CA**

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**PROPOSED MEDICAL CANNABIS CULTIVATION, WHOLESALE NURSERY,  
AND COMMERCIAL PROCESSING FACILITIES  
APPLICATION NUMBER: 13371**



**PREPARED FOR:**



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## **DISCLAIMER**

Cannabis is illegal under United States federal law. This is true even if the possession of cannabis is for medical purposes. This document has been prepared in accordance with California state law, which allows for a medical cannabis patient program. This document is not intended to promote the illegal sale or use of cannabis in any way.

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# 1. APPLICATION SUMMARY

As described herein, SugarLeaf Holdings, LLC (Hereafter SugarLeaf) is applying for permission to operate commercial cannabis cultivation operations within Humboldt County. These operations will take place at a location referred to as Metro Heights. The proposed operations will be compliant with a Humboldt County Special Permit, with the intent to apply for state licenses:

- Mixed Light: 10,000 sqft cultivation
- Wholesale Nursery
- Commercial Processing
- Retirement, Remediation, and Relocation (RRR) transfers for use of up to 172,950 sqft for cultivation of mixed light, outdoor, or both. This 20% cap of prime soils use will be adhered to as long as it remains County policy.

This application is compliant with Humboldt County Ordinance No. 2544, which adds Section 313-55.4 to Chapter 3 of Division 1 of Title III.

This application is organized following 55.4.10, Application Requirements for All CMMLUO Clearances or Permits.

## A. Project Narrative

SugarLeaf is applying for a land use approval for new medical cannabis cultivation facilities, located on Assessor Parcel Number (APN) 205-161-022 totaling 36.22 acres (per county of Humboldt Web GIS). The parcel is located near the City of Rio Dell. Land uses surrounding the parcel are primarily agricultural, but include the Rio Dell Cannabis Business Park. The surrounding parcels are zoned Timber Production Zone (TPZ), Agriculture Exclusive (AE), and Unclassified (U). The parcel is comprised of mostly AE with some TPZ zoning. Testing performed by Pacific Affiliates Consulting Engineers certifies the parcel contains twenty-one acres (914,760 sqft) of Prime Agricultural Soils (See Attachment 12). All cultivation activities applied for will be conducted on Prime Agricultural Soils.

SugarLeaf is proposing a medical cannabis cultivation operation in accordance with the County of Humboldt Commercial Medical Marijuana Land Use Ordinance (CMMLOU), ordinance no. 2554. The application consists of a combination of applicable permit types. The individual permits applied for are as follows: One Zoning Clearance Certificate (ZCC16-786) of mixed light medical cannabis cultivation of 10,000 sqft, one Special Permit (SP16-877) of nursery for wholesale supply, one Special Permit (SP16-876) of commercial processing (replacing one Special Permit (SP16-876) of 5000 sqft indoor cultivation with approval from the County (See Attachment 3)), and establishment of receivership of qualified farms under the County's Retirement, Remediation, and Relocation (RRR) program. The project will be implemented in phases.

### Phase I

#### Nursery

- 19,600 sqft of greenhouse
- 2,400 sqft new structure (metal building on slab) for cloning, flower testing, fulfillment, etc.
- Initial cloning facility may be in temporary storage containers prior to construction of building.

#### Processing

- 2,400 sqft new structure (metal building on slab) for processing

#### Cultivation

- 10,000 sqft mixed light with 10,000 sf ancillary propagation space

#### Ancillary

- 120 sqft shed to contain backup generator
- 5,000 gallon water tank (additional water storage as found necessary)
- Proposed rainwater catchment pond area (exact size and location TBD)
- Parking area of 6 parking spaces with ADA parking and loading space
- Spent soil reconditioning stockpile
- Storage in barn and/or shipping containers

#### RRR

- 172,952 sqft future RRR cultivation sites

#### Road Access

- Primary agricultural access through Northwestern Ave
- Primary ranch house access through Metropolitan Heights Rd

#### Phase II

- Additional building(s) up to a combined total of 20,000 sqft for wholesale nursery, commercial processing, ancillary office and security use
- Additional parking to accommodate increased number of employees (anticipated to include a total of 16 parking spaces)
- RRR sites incorporated as acquired
- Additional water source and storage as needed, including, but not limited to, development of pond
- Development of commercial grade greenhouses

The cultivation operations will utilize less than 20% of the documented prime agricultural soils. Phase I water needs will be supplied by an onsite permitted well. Agricultural power upgrades will be sought from PG&E. All activity will meet the required setbacks.

## 2. HUMBOLDT APPLICATION REQUIREMENTS

### A. Applicant Information

Name: SugarLeaf Holdings, LLC

Contact Address: PO Box 334 Bayside CA, 95524

Phone Number: 512-740-5698

### B. Owner Consent

Metro Heights, LLC is the record title owner of parcel and grants written notarized consent to SugarLeaf to cultivate medical cannabis on said parcel.

### C. Site Plan

See Attachment 1.

#### **D. Cultivation and Operations Plan**

SugarLeaf has developed a comprehensive Cultivation and Operations Plan, divided into the following sections for clarity:

- Executive Summary
- Environmental Protection Plan
- Hazardous Materials Plan
- Cultivation Plan
- Commercial Processing Plan
- Wholesale Nursery Plan
- Quality Assurance Plan
- Security Plan

#### **E. Water Source Documentation**

The water source for the development is the existing permitted well. A copy of this permit is included with this application. SugarLeaf may construct additional wells in the future if needed based on water demands from the proposed RRR licenses. A rainwater catchment pond is also proposed to offset the amount of water to be pumped.

#### **F. Planned Water Use**

See Section 4: Environmental Protection Plan.

#### **G. Water Monitoring Self Certification**

See Attachment 9.

#### **H. Stream Bed Alteration Permit**

No streams are impacted by the proposed development. SugarLeaf will submit a notification for jurisdictional review of the existing well.

#### **I. County Well Permit**

See Attachment 10.

#### **J. Timberland Conversions**

No timberland conversion is included in the scope of this project.

#### **K. Consent to Onsite Inspections**

Through this application, SugarLeaf Holdings, LLC gives consent for an onsite inspection, by County of Humboldt officials, at a prearranged date and time prior to issuance of any clearance or permit, and once annually thereafter.

#### **L. Source of Electrical Power**

SugarLeaf will use on-grid power. In support of our mission of environmental sustainability, SugarLeaf will participate in the Redwood Coast Energy Authority (RCEA) Community Choice Energy (CCE) Program. This program will allow the proposed project to purchase on-grid power with 100% renewable sources by opting up to the Repower+ plan.

SugarLeaf will also investigate solar, wind, and hydroelectric power solutions.

#### **M. Acknowledge County Right to Reduce Cultivation Area**

SugarLeaf Holdings, LLC acknowledges that the County of Humboldt reserves the right to reduce the size

of the area allowed for cultivation under any clearance or permit issued in accordance with Section 314-55.4 of the Humboldt County Code in the event that environmental conditions, such as a sustained drought or low flows in the watershed will not support diversions for irrigation.

#### **N. Acknowledge County Right to Engage Local Tribes**

SugarLeaf Holdings, LLC, acknowledges that the County of Humboldt reserves the right to engage the local Tribes before consenting to the issuance of any clearance or permit, if cultivation operations occur with an Area of Traditional Cultural Affiliation, as defined within Section 314-55.4.10(n) of the Humboldt County Code. In anticipation of such an action, SugarLeaf has employed Jaime Roscoe, a qualified Archeologist, to provide a Cultural Resource Investigation Report and engage the relevant local Tribal Historic Preservation Officer(s). See Attachment 11.

### **3. EXECUTIVE SUMMERY**

SugarLeaf Holdings, Inc. (SugarLeaf) is formed of a group of established professionals with decades of business and industry experience. It is our mission to provide the highest quality cannabis and cannabis services for our clients while setting an example for environmental sustainability, economic viability, compliance, and integrity. It is our goal to strengthen and develop our community to achieve lasting prosperity as we navigate the unique challenges presented to Humboldt County by the legalization and regulation of our strongest economic sector.

The emerging market of regulated cannabis production in California presents great opportunity. Humboldt County is uniquely positioned to engage this new industry and is presently setting precedents that will guide the State and the Nation for years to come. SugarLeaf is excited to engage this budding economic landscape and develop best practices to lay the foundations for a cannabis industry to provide safe, environmentally conscious, high quality medical cannabis to patients in California and beyond as legislation permits.

SugarLeaf's management team, composed of longtime members of the Humboldt community, is intimately familiar with all aspects of the economic and agricultural cycle of cannabis. From propagation, indoor and outdoor cultivation, and proper curing and processing techniques, to established relationships with compliant retailers and distribution, to relationships with industry professionals in the legal, real estate, and consulting fields, our team is well prepared to comprehensively engage and evolve with all aspects of the compliant marketplace.

After acquiring county permits, SugarLeaf intends to build out professional commercial grade facilities on our 33-acre ranch located just north of the Rio Dell Cannabis Business Park on Metropolitan Heights Rd. Situated in the coastal transition zone with one of the most temperate climates in the Nation, Metro Heights is perfectly suited towards greenhouse cultivation, taking full advantage of the sun, while providing ideal conditions for producing the finest quality cannabis in the world.

By developing world class cannabis propagation, cultivation, and processing facilities, and establishing best practices based on years of experience, a dedication to safety, land stewardship, and environmental protection, SugarLeaf will be a model business for Humboldt County's transition to the regulated market. Capitalizing on well established local industry support infrastructure, SugarLeaf will promote a model for economic growth, job opportunities, tourism, and many more benefits for our special community for years to come.

Becoming compliant is a challenging proposition to many of Humboldt's cannabis farmers, often due not to a desire to remain in the black market, but to the complexities of commercial regulation and land that may not be able to support the needed infrastructure required. As part of our commitment to engaging

the compliant marketplace and to environmentally sustainable practices, SugarLeaf will offer space to qualified farms engaging in the County's Retirement, Remediation and Relocation program. By offering access to acres of prime agricultural land, it is our hope to establish a new paradigm in Humboldt County, mitigating the environmental damages caused by years of unregulated cultivation in fragile ecosystems, and moving farms out of the hills and into the valleys where they are meant to be.

Due to our unique location at the cross roads of north and south Humboldt, with proximity to Highway 101 and State Route 36, and direct access to the Rio Dell Cannabis Business Park, SugarLeaf is distinctively positioned to support Humboldt County's transition in to a new economic landscape. Providing clean, marketable genetics through our wholesale nursery, and commercial processing to offer the permitted cannabis community an easy to access solution to get their crops to market, SugarLeaf will encourage farmers to embrace the changes required to become compliant, knowing that their community is working with them. Additionally, we will be able to provide the County and State a consolidated data stream to accurately monitor production levels from a multitude of permitted farms, easing the burden of monitoring potentially thousands of cultivation operations in the deep back country of Humboldt County.

SugarLeaf is committed to developing the community and prosperity of Humboldt County. This is an unprecedented period of uncertainty felt by many who depend upon the cannabis industry for their livelihoods or supplemental income. Recognizing the importance of developing a strong local industry that will survive the transfer to the new regulated market, SugarLeaf is working with longtime community development leaders to shape this emerging industry in a manner that will benefit at the local level.

Humboldt county has one of the most unique natural environments in the world and is complemented by an equally unique community. SugarLeaf is born out of of this rare combination of factors in todays world and is dedicated to maintaining and cultivating the values and surroundings that gave it life. SugarLeaf respects and appreciates the responsibility it has to the land and community, and is committed to doing everything possible to conserve and maintain this exceptional natural environment for generations to come.

## 4. ENVIRONMENTAL PROTECTION PLAN

### A. Water Usage

SugarLeaf is dedicated to cultivating cannabis in a sustainable way that minimizes impact on the environment. The cooler weather conditions of the Metro Heights site location, and the use of agronomic watering techniques, will reduce the water consumption of cannabis plants significantly.

Per the North Coast Regional Water Quality Control Board (NCRWQCB) Order No. 2015-0023 requirements, SugarLeaf acknowledges responsibility for water resource and water quality impacts associated with the occupancy of and activities on the Metro Heights site.

Once all project approvals are in place, SugarLeaf will register with the North Coast Regional Water Quality Control Board's Cannabis Cultivation Regulatory Discharge Program, Order No. R1-2015-0023 (Order). The Metro Heights site falls within the Tier 2 characteristics for the NCRWQCB, meaning the site has some risk to water quality and discharge based on the scale of the operation. SugarLeaf will self-certify as a Tier 2 Discharger per NCRWQCB Order No. R1-2015- 0023 Appendix C, indicating that the site meets Tier 2 characteristics and standard conditions, and both submit and retain a copy of the registration and the

Order on-site. SugarLeaf will facilitate any NCRWQCB inspections required to assess compliance with these conditions.

SugarLeaf will further maintain its Tier 2 Discharge responsibilities with the NCRWQCB with every effort being made to move into the NCRWQCB Tier 2\* category in subsequent years, including re-certifying the Tier characteristics and standard conditions on an annual basis.

The Order requires a Water Resources Protection Plan (WRPP) that includes monitoring and reporting for the following activities associated with commercial medical cannabis production for which SugarLeaf will establish appropriate controls:

- Maintenance of developed areas and drainage features.
- Spoil storage and disposal.
- Water storage, and use.
- Irrigation runoff from cannabis cultivation and other similar growing operations.
- Fertilizer, soil amendments, petroleum products, biodiesel, and pesticide/herbicide/rodenticide storage, use, and waste disposal.
- Waste handling and disposal, including empty soil/soil amendment/fertilizer/pesticide bags and containers, empty plant pots or containers, dead or harvested plant waste, spent growth medium, and other cultivation-associated wastes.
- Household refuse, human waste and domestic wastewater.

Per the NCRWQCB, SugarLeaf will file any appropriate Reports of Water Discharge. Overall, SugarLeaf's water plan will:

- Implement Best Management Practices to avoid sediment and other waste discharges, as provided in NCRWQCB Appendix B
- Implement and monitor for effectiveness the BMPs and document the results
- Conserve water and implement measures to ensure water uses do not unreasonably impact beneficial uses
- Establish ongoing education and outreach for all personnel on-site

SugarLeaf also commits to abide by any required enforcement response that may occur upon discovery of a water quality violation or impact. SugarLeaf will update the Environmental Protection Plan and any related standard operating procedures to ensure future compliance, and will fulfill any requirements requested.

### **1. Water Source**

The primary water source for irrigation and domestic use is an existing permitted well located within the subject property which will provide sufficient production. Imported water from an approved water distributor will only be used in emergencies, as defined by the CMMLOU §55.4.11(m).

SugarLeaf will (in phase II) after the first year of cultivation operations will have accurate data to project water uses for the maximum potential of the site and may at that time develop an additional well(s) and/or develop a pond, or other water storage, for rainwater catchment from final infrastructure improvements

All water used by SugarLeaf to produce cannabis will be used, stored, and conserved in a manner that is compliant with the California Water Code and all local Humboldt County regulations.

## **2. Water Storage**

Per NCRWQCB, the size and scope of the water storage shall be such that the amount of water used shall not adversely impact water quality and/or beneficial uses.

Proposed water storage for phase I includes a 5,000 gallon holding tank dedicated to agricultural use, a 2,500 gallon tank dedicated to fire protection, and a 2,500 gallon tank dedicated to domestic use and to supply the phase I commercial processing facility. Phase II water storage may include construction of a pond fed by rainwater catchment and/or development of additional water storage tanks.

SugarLeaf will apply for appropriate permitting for any on-site water storage from the Humboldt County Building Inspection Division if required.

## **3. Irrigation Plan**

SugarLeaf is committed to responsible water use, including providing ample water storage and agronomic irrigation. SugarLeaf will use best practices for irrigation water conservation, which will include a combination of the following practices:

- Drip irrigation: By delivering water directly to plant roots, SugarLeaf reduces evaporation and water loss relative to spray watering systems.
- Irrigation scheduling: SugarLeaf cultivation agents will monitor soil and plant moisture, and adapt the irrigation schedule to minimize overwatering.
- Capturing and storing water: Once final infrastructure is in place, SugarLeaf may utilize on-site rainwater catchment, diverted to a pond or other appropriate storage, designed to capture and store rainfall for use throughout the year. SugarLeaf will seek building permits for water storage as appropriate.

At no time will water be applied faster than agronomic rates, which are defined as the rate that a plant needs to enhance its productivity and provide the forage growth with nutrients for optimum health and growth, without having excess water beyond the root zone.

The sites will utilize one or more water tanks to supply water to the top feed irrigation lines. At each site fertigators will be utilized to inject nutrient solution into the water line for fertilization. Cultivation agents will follow best practices developed by SugarLeaf's *Lead Cultivator* for specific cannabis cultivars to determine the correct ratio of nutrients at each plant stage.

Drip irrigation supplemented by occasional hand watering will be utilized for all flowering plants, while hand watering will be primarily utilized for immature plants.

## **4. Projected Water Use**

For phase I, the Metro Heights facility will include 10,000 sqft of mixed light cultivation and 19,600 sqft nursery greenhouse. SugarLeaf estimates an average annual water usage of 296,000 gallons based on industry averages of 10 gallons per sqft per year. Variables such as coastal transition zone climate and use of greenhouses will likely reduce irrigation needs. Continued analysis of water use records will provide data to augment the projected water use and will be updated as appropriate in the WRPP.

Phase II will incorporate construction of additional building(s) up to a combined total of 20,000 sqft for processing/nursery facility and additional secured RRR transfers. SugarLeaf anticipates an additional 200,000 gallons of annual water usage per each additional 20,000 sqft RRR transfer. At a current maximum potential cultivation production capacity of 182,952 sqft, SugarLeaf estimates an annual water usage of approximately 1,800,000 gallons. Additional water will be required for supporting other on-site requirements, such as drinking water, restrooms and hand washing stations.

All employees will be trained on the proper handling and storage of water with a focus on avoiding contamination. Water and nutrient solutions will not sit in the open environment for longer than four hours. If agitation and aeration pumps are used in holding containers it may sit in the open environment for no longer than 1 week.

Employees will check for signs of water quality changes or water leakage daily. All water equipment including nozzles and hoses will be sanitized regularly. Only trained employees will be responsible for irrigation. Irrigation equipment will be professionally maintained per the manufacturer's recommendations. Any parts that may be a source of contamination or leakage will be cleaned and replaced as often as needed.

Plants will be grouped by cultivars for watering efficiency. All watering activities, including water source, water volume, which plants, and when will be documented as required by state law.

#### **B. Drainage, Runoff, and Erosion Control**

Drainage, runoff and erosion control design and implementation measures will be designed to ensure minimal water quality impacts and long-term stability. Any grading and earthwork activities will be conducted by a licensed contractor in accordance with approved grading, drainage, and WRPP.

Maintenance and repair strategies for site development and road improvements will utilize best management practices to maintain site integrity. Cultivation sites will be developed in accordance with NCRWQCB's best management practices for site development to ensure erosion control measures are effective.

SugarLeaf's environmental consulting agency, will develop a detailed drainage, runoff and erosion control plan. SugarLeaf has selected a site where erosion control requirements should be minimal as the parcel is relatively flat.

SugarLeaf will implement the above water conservation measures, as well as irrigating and applying fertilizers at agronomic rates, limiting chemical applications to label specifications, and maintaining stable soil and growth media. These practices should serve to minimize the amount of runoff as well as the concentration of chemicals in the water.

SugarLeaf will establish measures to control/contain the runoff to minimize the pollutant loads in any irrigation discharge. No fertilizers, fine sediment, or other related materials, will be discharged to any watercourses.

Per the NCRWQCB, SugarLeaf will acquire appropriate permitting for any discharges of waste associated with the development of the Metro Heights site. This includes coverage under the General Permit for Discharges of Storm Water Associated with Construction Activity (Construction General Permit, 2009-0009-DWQ).

### **C. Watershed and Habitat Protection**

Best management practices will be employed to protect watersheds and habitats. Cultivation facilities and spent soil stockpiles will meet all required setbacks from riparian and wetland areas. Watershed and habitat protection will adhere to WRPP requirements.

#### **1. Power Consumption and Noise Compliance**

SugarLeaf will draw power from a generator only when power from the grid is unable to supply the necessities of operations. The generator will be housed in a 10' x 12' shed. When in operation, the generator(s) will not produce noise that is audible to humans from a neighboring residence and will at all times remain below 60 decibels at the property line. SugarLeaf will work with environmental consultants to evaluate the auditory disturbance and ensure compliance with guidance prepared by the United States Fish and Wildlife Service. See Attachment 1 for location of generator.

## **5. HAZARDOUS MATERIALS PLAN**

As an agricultural operation, SugarLeaf will need to use some hazardous materials, including fertilizers, pesticides, and other regulated products.

SugarLeaf acknowledges that the Humboldt County Environmental Health Division, which administers the Hazardous Materials program as one of the Certified Unified Program Agencies (CUPA), regulates hazardous materials and wastes from agricultural businesses. SugarLeaf will follow all appropriate requirements under the Hazardous Materials program. This includes the application, inspection, enforcement, and reporting under the program requirements and standards set by the California Environmental Protection Agency (CalEPA).

When using pesticide products, SugarLeaf shall be in compliance with State pesticide laws, and regulations enforced by the County Agricultural Commissioner's Office and the California Department of Pesticide Regulation.

An agent, employee, or contracted entity of SugarLeaf will hold Private Applicators Licenses and Operator Identification Numbers issued by the Humboldt County Agricultural Department. This person will train all employees engaging in pesticide storing, handling, mixing, application, disposal, emergency spill containment, and clean up procedure.

#### **A. Using Hazardous Materials**

All nutrients, pesticides and fungicides will be used in accordance with manufactures instructions and in compliance with the State of California Agricultural Department Pesticide Applicators License handbook

While ignitable or reactive waste is being handled, the owner or operator shall confine smoking and open flame to specially designated locations. "No Smoking" signs shall be conspicuously placed wherever there is a hazard from ignitable or reactive waste.

While transferring, treating, storing or disposing of ignitable or reactive waste or fuels, SugarLeaf employees shall take precautions to prevent reactions which:

- Generate extreme heat or pressure, fire or explosions, or violent reactions
- Produce uncontrolled toxic mists, fumes, dusts, or gases in sufficient quantities to threaten

- human health or the environment
- Produce uncontrolled flammable fumes or gases in sufficient quantities to pose a risk of fire or explosions
- Damage the structural integrity of the device or facility
- Through other similar means threaten human health or the environment

### **1. Chemical Clean Up**

Each employee involved in any chemical process will be specifically trained on handling practices, as well as required responses in the event of a spill or mishap. The manager will be responsible for ensuring any chemical cleanup follows protocol, and recording all steps taken. A log of any cleanup, scheduled or unscheduled, is kept at all times on record. The chemical cleanup procedure will adhere to state and local regulations and all appropriate Personal Protection Equipment will be provided.

Disposal of all chemical and cleanup material will be conducted in compliance with materials safety data sheets and local and state regulations. Chemical bins and storage will be separate from all other material and handled accordingly.

### **B. Storing Hazardous Materials**

All hazardous materials will be stored in locked storage areas designated solely for this. SugarLeaf shall maintain these areas so as to pose no threat of safety or quality to the facility, product, or employees.

All storage areas will be restricted to logged and identified products. A documented logging system will ensure all materials are accounted for and properly stored in designated areas. SugarLeaf will ensure periodic inspections, at least monthly, to ensure all materials are properly stored. All such inspections shall be documented. All records pertaining to hazardous materials shall be maintained for at least five years.

A designated area will hold any rejected hazardous materials to ensure there will be no cross contamination or misuse.

Fertilizers shall be stored in locations and in a manner in which they cannot enter or be transported into surface waters and such that nutrients or other pollutants cannot be leached into groundwater.

Petroleum products and other liquid chemicals, including but not limited to diesel, biodiesel, gasoline, and oils shall be stored so as to prevent their spillage, discharge, or seepage into receiving waters. Storage tanks and containers must be of suitable material and construction to be compatible with the substance(s) stored and conditions of storage such as pressure and temperature.

All hazardous materials will incorporate secondary containment consisting of bins or trays underneath storage areas or storage of substances in totes.

Each storage room shall be maintained with the materials safety data sheets (MSDS) appropriate to the contents of the room. All employees shall be trained for competency on how to read and understand these documents. Duplicate copies of the MSDS shall be maintained in a separate location on-site, along with records of the locations of volatile or restricted substances.

### **1. Segregating Ignitable or Reactive Materials**

SugarLeaf shall take precautions to prevent accidental ignition or reaction of ignitable or reactive stored

fuels or waste. This waste shall be separated and protected from sources of ignition or reaction.

## 6. EMPLOYMENT PLAN

### A. Latorre-Zenovich-Dunlap-Berman Agricultural Labor Relations Act Statement

SugarLeaf Holdings, LLC is an “agricultural employer” as defined in the Latorre-Zenovich-Dunlap-Berman Agricultural Labor Relations Act of 1975 (Part 3.5 (commencing with Section 1140) of Division 2 of the Labor Code), to the extent not prohibited by law.

### B. California Agricultural Employer Compliance

SugarLeaf Holdings, LLC will comply with all applicable federal, state and local laws and regulations governing California Agricultural Employers.

### C. Job Descriptions and Employee Summary

Below are descriptions of some of the different roles and responsibilities of on-site staff, the titles and duties may vary according to need:

#### 1. General

- *Agent in Charge*: Oversight and management of the entire facility
- *Ranch Manager*: Oversight and management of security and work flow for the entire facility

#### 2. Cultivation

- *Lead Cultivator*: Oversight and management of the day to day cultivation of medical cannabis
- *Assistant Cultivator*: This person will support the responsibilities of the *Lead Cultivator*
- *Seasonal Labor*: This position is temporary and employee count will vary based on the needs of the farm during the cultivation and harvest seasons

#### 3. Commercial Processing

- *Processing Manager*: Oversight and management of the day to day processing of medical cannabis
- *Processing Technician*: This person will support the responsibilities of the *Processing Manager*
- *Seasonal Labor*: This position is temporary and employee count will vary based on the needs of the processing operations during the harvest season. Seasonal Labor will be responsible for the day to day tasks associated with the processing of medical cannabis

#### 4. Wholesale Nursery

- *Lead Gardener*: Oversight and management of the day to day operation of the medical cannabis nursery.
- *Assistant Gardener*: This person will support the responsibilities of the *Lead Gardener*
- *Seasonal Labor*: This position is temporary and employee count will vary based on the needs of the nursery operations during the cultivation season. This position is responsible for the day to day tasks associated with the nursery operation

In phase I, in addition to the *Agent in Charge*, *Ranch Manager* and the *Lead Cultivator*, SugarLeaf

anticipates employment of 2 full time *Assistant Cultivators*, and up to 6 Seasonal Labor positions for an estimated total of approximately 11 employees maximum at the cultivation operation at any given time. A peak of 5 employees during cultivation periods and a peak of 11 employees during harvest periods are expected. Each 20,000 sqft of engaged RRR transfer as engaged is expected to require 1 additional *Assistant Cultivator* and 2 seasonal labor positions. For its phase I commercial processing operation SugarLeaf will employ a *Processing Manager*, 2 *Processing Technicians* and up to 6 Seasonal Labor positions during the harvest season for an estimated total of approximately 9 employees maximum at the commercial processing facility at any given time. For phase I wholesale nursery operations SugarLeaf intends to employ for its nursery operation a *Lead Gardener*, 2 *Assistant Gardeners* and up to 6 Seasonal Labor positions during the cultivation season for an estimated total of approximately 9 employees maximum at the wholesale nursery facility at any given time.

In full production, precluding additional RRR cultivation sites engaged, SugarLeaf estimates a total of 11 employees and up to 29 employees during the peak periods.

All Sugarleaf employees will be required to wear a SugarLeaf-issued photo ID badge on a lanyard at all times while working at the site. They will be required to read the SugarLeaf Operating Manual along with the SugarLeaf Employee Handbook. They will also be required to sign and date a form acknowledging they have read and understand its contents (See Attachment 2).

#### **D. Summary of Employee Safety Practices**

SugarLeaf will foster a safety-conscious workplace to encourage employees to identify potential hazards and to prevent safety breaches. All of SugarLeaf's internal processes, equipment/facilities and standard operating procedure will be designed to eliminate serious hazards and follow all relevant safety and health standards published by the Occupational Safety & Health Administration (OSHA).

All employees will undertake a training program specific to their position prior to receiving authorization to work on-site at the facility. This training will include but not be limited to: proper techniques, use, maintenance, and cleaning of cultivation, harvesting, and trimming machines and tools, fire safety, use of rubber gloves and respirators, proper hand washing guidelines and an Emergency Procedures Plan in case of emergency. Contact information for the local fire department, CAL FIRE, Humboldt County Sheriff and Poison Control as well as the Agent in Charge will be posted in a conspicuous place. SugarLeaf will update this training program if required to meet state or local requirements. SugarLeaf will provide rubber gloves, and respirators or dust masks to all employees as necessary. SugarLeaf will provide Saline Eye Wash Stations at strategic places inside the processing and nursery facility, as well as any place hazardous materials are stored. In addition to training and periodic drills, SugarLeaf will also provide each employee with a written copy of emergency procedures and contact information (See Attachment 3). A copy of the Operations Plan will be kept onsite and will contain all material safety data sheets (MSDS) (See Attachment 6).

At a minimum, SugarLeaf will train and drill all personnel on the following, which meets the requirements of Humboldt County 313-55.4.11 (t) (v):

- Emergency action response planning as necessary
- Employee accident reporting and investigation policies
- Fire prevention
- Hazard communication policies, including maintenance of material safety data sheets (MSDS)
- Materials handling policies per the Hazardous Materials Plan
- Job Hazard Analysis

- Personal protective equipment policies, including respiratory protection
- Security procedures, including prevention of crimes and diversion
- Safety procedures, including medical emergencies, fire response, chemical spills, threatening events including armed robberies and invasion, and raids
- Visitor protocols
- Secure electronic recordkeeping
- Inventory management system
- Cannabis laws and regulations (local, state, federal)
- On-site behavior (see below)

Preparedness means all staff members know how to assess emerging situations to determine the type and level of threat they may pose; they know how to respond to different kinds of security threats; they know which types of situations warrant the activation of panic buttons; and they know how to proceed when a security alarm goes off or a panic button has been activated.

## 7. CULTIVATION PLAN

### A. Overview

Humboldt County code currently sets a new cultivation limit of 10,000 sqft for zoning AE for this site that will be adhered to. Additionally, Humboldt County code currently allows for RRR transfers to suitable agricultural land for use of up to 20% of prime soils that will be adhered to until such time as County regulations are amended otherwise. SugarLeaf intends to engage the County RRR program and offer premises to qualified applicants in this and further rounds of permitting.

The Metro Heights site has not previously been used for commercial cannabis cultivation.

SugarLeaf, Metro Heights site cultivation overview:

- Mixed Light Cultivation: 10,000 sqft cultivation and ancillary propagation housed in 20,000 sqft of greenhouse
- RRR: Separate premises, if required by state and local regulations, housing up to a combined total of 172,952 sqft of cultivation of mixed light, outdoor, or both

### B. Cultivation Facilities

SugarLeaf's Metro Heights location will initially be home to 10,000 sqft of mixed light cultivation. Additionally, up to 172,950 sqft of cultivation in mixed light, outdoor, or both will be included as qualified RRR applicants are engaged. This section will describe the features of the cultivation-specific areas: outdoor, mixed light, ancillary propagation and cannabis storage. Cannabis may be cultivated outdoors and/or in greenhouses. The existing barn and or permitted storage containers will be used for storage purposes in phase I.

Appropriate restroom facilities, hand washing stations, and safe drinking water will be provided for employees at the cultivation site.

## **1. Phase I Cultivation Facilities**

In phase I, SugarLeaf plans to establish 10,000 sqft mixed light cultivation. The operation will be supported by an additional 10,000 sqft of ancillary propagation space for a total of 20,000 sqft of agricultural exempt greenhouse. At no point will more than ten 10,000 sqft of cannabis be flowering at any given time. Phase I cultivation may also include RRR transfers as engaged.

## **2. Phase II Cultivation Facilities**

In phase II, SugarLeaf will construct commercial greenhouses for its cultivation operations. The exact type of commercial greenhouse to be constructed is still being determined. Greenhouses currently in consideration include, Grow-Tech Sierra series and/or Next G3N tall ridged greenhouses, or equivalent, commercial grade, gutter connected greenhouses with automated interior light deprivation systems (See Attachment 1). The interior of the commercial greenhouse may be divided into multiple sealed rooms individually controlled to maintain optimum growing conditions. This climate control may include heating and cooling, CO2 supplementation, and intake and exhaust ventilation. Alternatively, active and/or passive ventilation may be exclusively utilized.

SugarLeaf plans to transfer operations into the commercial greenhouses as they are constructed.

RRR transfers will continue to be accepted in phase II and beyond and may be started in similar conditions to Phase I and transferred as appropriate.

As cultivation operations ensue and data for water usage is collected, and as RRR transfers are engaged, it may become necessary to develop a secondary water supply. If needed, a pond or other water storage fed by the existing well and/or rainwater catchment from final infrastructure development may be constructed. Alternatively, additional wells may be drilled.

## **C. Cultivation Cycle**

### **1. Schedule of Activities by Month**

All cultivation will occur outdoors or in greenhouses in separate premises, if required by state and local regulations, for each permit on the subject parcel. Mixed light operations will be operated year round, if possible, and will achieve up to 3-6 harvest cycles per year. Outdoor operations, if engaged as RRR's, will operate during the growing season from May through October and will achieve 1 harvest cycles per year.

For mixed light operations, medical cannabis will be initially planted in the cultivation area (Zone II) and put through the vegetative phase until ready for initiation of light deprivation. At this point a portion of the ancillary propagation area (Zone I) will be prepped and put through the vegetative phase. One to two weeks before Zone II is harvested, light deprivation will be initiated in Zone I to trigger the vegetative transitional phase. After Zone II is harvested, the greenhouses will be cleaned, reconditioned, and replanted and vegetative transitional plants from Zone I will be transferred into Zone II for the flowering phase. This cycle will repeat through out the duration of the cultivation cycle. Each cycle will last 3-5 months, with 4-9 weeks of vegetation followed by 6-10 weeks of flowering, depending on cultivar characteristics and batch growth.

For outdoor operations, medical cannabis will be started in the ancillary propagation area (Zone I), transplanted into the cultivation area (Zone II) and maintained in the vegetative state, if necessary or desirable, until determined ready to flower. The outdoor cycle will last 7-10 months, with 4-7 months of vegetation followed by 2-5 weeks of flowering, depending on cultivar characteristics and batch growth.

At no point will flowering cultivation space exceed the permitted cultivation size limit.

**EXAMPLE OF MONTH BY MONTH OUTDOOR CULTIVATION SCHEDULE**

<b>Zone 1</b>		<b>Zone 2</b>	
Vegetative Phase	March 1 - April 24		
		Vegetative Phase	April 25 - July 27
		Flowering Phase	July 27 - October 16
		Harvest	October 17 - October 23
		Repair & Recondition	October 24 - March 1

**EXAMPLE OF MONTH BY MONTH MIXED LIGHT CULTIVATION SCHEDULE**

<b>Zone 1</b>		<b>Zone 2</b>	
Vegetative Phase	February 27 - April 17		
		Flowering Phase	April 25 - June 6
Vegetative Phase	April 24 - June 12	Harvest	June 6 - June 12
		Flowering Phase	June 13 - August 1
Vegetative Phase	June 19 - August 7	Harvest	August 1 - August 7
		Flowering Phase	August 8 - September 26
Vegetative Phase	August 14 - October 2	Harvest	September 26 - October 2
		Flowering Phase	October 3 - November 21
Vegetative Phase	October 9 - November 27	Harvest	November 21 - November 27
		Flowering Phase	November 28 - January 16
Vegetative Phase	December 4 - January 22	Harvest	January 16 - January 22
		Flowering Phase	January 23 - March 13
		Harvest	March 13 - March 19
Repair & Recondition	January 23 - Needed Repairs	Repair & Recondition	March 20 - Needed Repairs

**2. Cultivation Cycle Phases**

The cultivation cycle can be broken down into five phases:

- Raising Nursery Stock, Transplant, and the Vegetative Phase
- Flowering Phase
- Harvest Phase
- Clean/Recondition Phase

- Repair, Upgrade, and Recondition Phase

All harvest and post-harvest procedures are covered separately in SugarLeaf's Commercial Processing Plan.

Wholesale Nursery activities are covered separately in SugarLeaf's Nursery Plan.

During all phases of cultivation, SugarLeaf will keep meticulous records using an inventory management system. SugarLeaf will thoroughly train all cultivation agents on SugarLeaf's selected inventory management system. Records will accurately identify and record the seeds or vegetative planting stock as to genus and species, and to subspecies, variety, cultivar, and/or hybrid if applicable. Records will also track plants individually as they progress through phases of cultivation.

Actual methods may vary according to practical application.

#### **a. Raising Nursery Stock, Transplant, and Vegetative Phase**

All plant samples used in SugarLeaf cultivation sites will be composed of clones or seeds sourced from ancillary propagation, or wholesale or retail nursery sites. The rooted clones will be planted directly into 3-4 inch containers. Due to container and plant size, utilizing a hand watering method is most effective. Once of appropriate size, the plants are then transplanted into 1-2 gallon containers.

When the *Lead Cultivator* has determined the plants have achieved desired height and plant growth density for final transplant, the plants are immediately transplanted into a 5-10 gallon container or raised beds and a drip irrigation/fertilization system will be implemented. Once the desired height and vegetative growth density has been achieved the bloom cycle begins. The entire vegetative process will last 3-9 weeks depending on cultivation style, strain variation, and weather conditions. During this phase, for mixed light operations, low level supplemental lighting lighting or high intensity discharge (HID) fixtures may be utilized to adjust the number of hours of light (photoperiod) the plants receive to sixteen, this will maintain and support the plants vegetative cycle.

Taking into account factors such as height, growth density and overall health of the plant, the *Lead Cultivator* will determine the exact date to initiate the bloom cycle. Once that date is determined, 100% light resistant, specifically designed tarps will be utilized to initiate the bloom cycle. This process will reduce the photoperiod to twelve hours to induce the transition from vegetative to flowering. During this phase, for mixed light operations, HID fixtures may be utilized to supplement low light conditions. During the first two weeks of the bloom cycle, the plants will enter into a transitional phase. During this transitional phase plants will continue vegetative growth for approximately two weeks while transitioning into flowering. It is common for plants to obtain 25% of their entire height and vegetative growth density during the transitional phase.

#### **b. Flowering Phase**

After approximately two weeks of transition, the plants develop flowering sites and enter in the final bloom or flowering phase. During this phase, for mixed light operations, HID fixtures may be utilized to supplement low light conditions. The flowering phase will last fifty-five (55) to sixty-five (65) days depending on strain variation and weather conditions.

#### **c. Harvest Phase**

Once the Flower Phase has concluded and the *Lead Cultivator* has determined the plants are at their peak, harvest procedures will be initiated (see Section 8: Commercial Processing Plan for harvesting procedure).

#### **d. Clean/Recondition Phase**

The pots will be removed and spent soil deposited in the spent soil repository to be amended and reconditioned for future use, or the raised beds will be tilled and amended for the next crop. All amendments used are in accordance with Humboldt County and State of California Department of Agriculture regulations. The greenhouse will be cleaned and all equipment inspected. Any defective equipment will be repaired or replaced, as appropriate, and the greenhouse readied to receive the next crop.

#### **e. Repair, Upgrade, and Recondition Phase**

SugarLeaf will inspect all greenhouses and outdoor sites for wear and repair or replace as necessary. The irrigation system will be inspected and repaired or replaced, as appropriate. Cover crops will be planted if appropriate. Winter road and site maintenance will begin in line with best management practices.

### **3. Generator Use**

SugarLeaf will draw power from a generator (WisperWatt 150, model DCA150USJ3CAN, or equivalent) as a backup only when power from the grid to run operations is unavailable and will follow all guidelines set up by Humboldt County and the State of California. When in operation, the generator(s) will not produce noise that is audible to humans from a neighboring residence and will at all times remain below 60 decibels at the property line. See Attachment 8 for Generator Specifications.

SugarLeaf will work with environmental consultants to evaluate the auditory disturbance and ensure compliance with guidance prepared by the United States Fish and Wildlife Service. See Section 5.B for details on the storage of generator fuel.

## **D. Cultivation Inputs**

SugarLeaf strives to attain the highest standards of cultivation inputs. By following rigorous protocols and restrictions, SugarLeaf maintains the high quality of cannabis produced and mitigates the risk of wasted production.

SugarLeaf has established standards for:

- Nutrients
- Growing medium
- Pesticides
- Disease and pest management procedures

### **1. Nutrients**

There are three main macronutrients that a plant needs: Nitrogen, Phosphorus, and Potassium. In addition to these nutrients there are also many micronutrients and vitamin supplements that can amend a growing medium or feed a plant to help with its growing processes. Nutrients break down through a natural bacterial enzyme process, which helps facilitate the uptake of nutrients into a plant's roots, thus feeding the plant. This process happens in nature with the decay of organic matter on the ground.

In addition to soil amendments, SugarLeaf may use supplemental liquid nutrient formulas. SugarLeaf will utilize the highest quality nutrients available, from select manufacturers.

SugarLeaf will maintain a list with each substance to be used as a production or handling input, indicating its composition, source, location(s) where it will be used, and documentation of commercial availability,

as applicable.

Currently, SugarLeaf proposes to use the following nutrients and amendments, or equivalent, stored in the following approximate amounts. These types and amounts may change from time to time as deemed appropriate.

1. Botanicare Pure Blend Pro Grow: Approximately 55 gallons
2. Botanicare Pure Blend Pro Bloom: Approximately 55 gallons
3. Botanicare Pure Blend Tea: Approximately 55 gallons
4. Botanicare Cal-Mag Plus: Approximately 55 gallons
5. Dip'n'grow Rooting Solution: Approximately
6. Clonex Clone Solution: Approximately 5 gallons
7. Earth Juice High Brix Molasses: Approximately 5 gallons
8. Down to Earth Bio-Fish: Approximately 50 pounds
9. Dr Earth Premium Gold All Purpose Fertilizer: Approximately 25 pounds
10. Worm Castings: Approximately 25 pounds
11. Oyster Shell: Approximately 25 pounds
12. Gypsum: Approximately 25 pounds
13. Compost: Approximately 25 pounds

## **2. Growing Medium**

SugarLeaf has a gardening policy of using and reusing of organic substances to create sustainable resources, reduce consumption of those resources, and prevent any type of harmful environmental impact. This includes the cannabis plant growing medium.

All cultivation will utilize a nutrient rich-soil formula in pots, or amendments to native soils for raised beds. MSDS for each applicable amendment will be recorded.

Upon harvest, the spent soil from pots will be deposited in the spent soil repository to be amended and reconditioned for future use. Raised beds will be tilled and amended.

By reconditioning the spent soil, SugarLeaf will continually build soil fertility leading to increased production and pest resistance. This practice will also reduce or eliminate the need to import soils.

## **3. Pesticides**

SugarLeaf will use only pesticides and herbicides for pests and/or diseases approved by the State of California. Pesticides include rodenticides, insecticides, bacteria/fungi (beneficial), herbicides, arachnicides, miticides, molluscicides, nematocides, growth regulators and others.

Currently, SugarLeaf proposes to use the following pesticides stored in the following approximate amounts. These types and amounts may change from time to time as deemed appropriate, abiding by state and local regulations.

1. Valent PyGanic 5.0 Insecticide: Approximately 5 gallons
2. Marrone Bio Inovations Grandevo Bioinsecticide: Approximately 5 pounds
3. BioStart TripleX Biofungicide: Approximately 1 gallon
4. Micronized Sulfur: Approximately 4 pounds

5. Elemental Sulfur Prills: Approximately 4 pounds

#### **4. Disease and Pest Management Procedures**

The *Lead Cultivator* will use resistant cultivars and maximize biological prevention of pests and diseases. This will be combined with an Integrated Pest Management System (IPM). The goal of IPM is to apply a combination of control methods to prevent, reduce, or maintain pest populations at non-damaging levels. The *Lead Cultivator* will implement and monitor IPM practices to predict potential levels of crop damage, mitigate risk, and control pests.

A variety of mechanical, physical, and biological controls will be implemented in compliance with state and local regulation.

The *Lead Cultivator* will establish spraying protocols and will maintain records of any pesticide use in the cultivation records for at least 36 months.

#### **E. Cannabis Disposal and Waste Management**

All waste, including waste composed of or containing medical cannabis products, will be stored, secured, and managed in accordance with applicable state and local regulations. Additional waste disposal provisions include detailed plans for excess product disposal, liquid, and solid waste disposal based on guidelines from the Department of Environmental Conservation, composting practices, and the disposal of expired, contaminated, or otherwise unusable medical cannabis products.

##### **1. Cannabis Disposal**

In order to reduce the potential to misuse the disposal procedures for diversion, the cannabis waste disposal plan is a four-step system:

- Collect compostable waste cannabis.
- Record compostable waste cannabis.
- Verify compostable waste cannabis.
- Compost waste cannabis.

Before waste cannabis is composted, it will be logged in the inventory system as required by state and local regulations. This will be sufficient to identify the source of the compost material, from the plant number of a clone that dies to the weight of wasted leaves or flower from a particular plant. The reason for the disposal/composting and the person disposing of the cannabis will also be noted.

All employees will be trained to handle the proper procedures for compost disposal, and to record all details of a composting disposal in the inventory management system.

Cultivation-related wastes including, but not limited to, empty soil/soil amendment/ bags and containers and empty plant pots or containers will be stored at locations where they will not enter or be blown into surface waters, and in a manner that ensures that any organic contaminants within those materials do not migrate or leach into surface water or groundwater.

Cannabis flowers, undesirable buds, stems, leaves or unsanitary or spoiled product (such as that dropped on the floor) will be rendered unusable and unrecognizable by adding and mixing with other ground materials such as soil or other compostable material, as required by state and local regulations.

## **2. Solid Waste Disposal**

A trash enclosure with covered waste and recycling bins will be located on site.

An enclosed trailer will be utilized for transportation of waste. Refer to the site plan for the proposed location of the trailer.

Waste is removed from the property approximately every 7<sup>th</sup> day and is transported to a City or County transfer station. Spent soil will be stockpiled in a depressed stockpile area to prevent erosion and will be amended and re-used.

## **3. Liquid Waste Disposal**

Onsite wastewater treatment will be achieved with an existing septic system for the existing residence and new septic system for the proposed nursery and processing buildings. The septic system for the proposed buildings will be designed to accommodate up to 30 employees. The septic design will incorporate built-in capacity or plans for handling increased usage.

Restroom access will be available for all employees at the proposed processing building which is located within 1/4 mile from the proposed cultivation sites. A portable toilet and hand washing station will be located near the cultivation site until the proposed processing building is constructed and will be serviced as required.

Any mixed solutions will be used in their entirety.

## **F. Cultivation Quality Assurance**

Cultivation of safe and effective crops encompasses a wide variety of holistic management practices. The *Lead Cultivator* will implement and maintain SugarLeaf's Integrated Crop Management plan ensuring healthy crops and yields.

SugarLeaf will designate a Quality Assurance Officer (QAO). The QAO will be responsible for verifying the quality of the plants at each stage of cultivation. These include the propagation, vegetative, and flowering phases. When plants fail quality checks, the QAO will determine whether or not the plant must be disposed of immediately, or if it may be recoverable with procedures such as additional Integrated Pest Management protocols.

In all cases, when plants fail quality checks the QAO will review with the *Lead Cultivator* to determine if any standard operating procedures may be improved upon, or if the central control system needs adjusting.

## **G. Selection Procedures for In-House Testing**

Periodic testing of cultivars for contaminants will be performed. All sampling done for the purposes of quality assurance will follow standard operating procedures designed to ensure representative samples.

## **H. Cultivation Monitoring and Recordkeeping**

Cultivation records will be detailed and adhere to state and local regulations.

## **I. Cultivation Training and Certification**

The *Lead Cultivator* will ensure that prior to beginning work in the cultivation facility, employees receive full training, specific to their position, on:

- The methods of propagation, fertilization, and cultivation used in the SugarLeaf greenhouses and outdoor sites
- Methods for recognizing the signs of insect infestation, pathogens and disease in cannabis plants and the procedures for eradication and the safe disposal of plants so affected
- The nutritional requirements of cannabis plants at various growth stages, including but not limited to, proper mixing and dispersal of fertilizer, flushing procedures and procedures for postharvest trimming, drying and curing
- The safe handling of equipment including but not limited to, high-intensity lamps, electrical ballasts, pumps, fans, scissors and other equipment for cultivation
- Inventory control and security protocols designed to minimize or prevent diversion and track on-site cannabis

Employee training on advanced topics will be ongoing.

## 8. COMMERCIAL PROCESSING PLAN

### A. Commercial Processing Facilities

For its commercial and onsite processing, SugarLeaf will develop its proposed commercial processing facilities in phases. The processing facilities will be designed designed with safety, compliance, and work flow in mind. Adequate parking spaces will be developed as part of this project, including 1 ADA compliant parking facility. One loading space will be provided.

Until the proposed phase I or phase II processing facility is developed, processing will be preformed offsite at a permitted processing facility TBD. SugarLeaf will utilize a licensed transporter, if required by state and local law, to transport harvested crops to the selected processing facility.

#### 1. Phase I Commercial Processing Facilities

Phase I will include construction of a 2400 sqft metal building on a concrete slab foundation.

#### 2. Phase II Commercial Processing Facilities

Phase II will include construction of a combined total of 20,000 sqft metal building(s) on a concrete foundation. A to be determined square footage of this development will be dedicated to the commercial processing facility. Upon construction of the phase II building(s), the phase I processing building may be repurposed. Additional parking will be developed as needed to accommodate additional employees for phase II operations.

### B. Processing Plan

#### 1. Receiving

Upon delivery of off site harvested materials, the cargo will be received and unloaded in the Loading Bay and checked against the transport manifest by either the *Agent in Charge* or *Processing Manager*. Upon verification that all goods are accounted for and appropriately logged in the transporters tracking system, the information will be recorded into the inventory management system. Each batch of incoming harvested material will be logged by its unique identification numbers. All incoming material will be

inspected and any material deemed contaminated or unusable will be recorded and deposited in disposal bins for destruction. Incoming material will be taken immediately to a conditioned room to be prepped for the desired processing. At all times will separation be maintained between batches of received materials.

## **2. Preparation**

Before processing or handling any raw plant material, all equipment—clippers, hand scissors, scales, bins, pans, trays, etc.—will be sterilized as per SugarLeaf’s SOPs. All equipment will, additionally, be sterilized after each use. All hand processing (trimming) of cannabis will be performed in a well-ventilated and well-lit room separate from any other production areas. A “clean room” with lockers and personal storage will be built adjacent to the trim room, allowing employees to change into the approved protective clothing, gloves and hair covering. The trim room will have large tables with adequate room for each trim team member. Trim room chairs will be ergonomically designed to allow trimmers best possible position allowing for increased productivity and longevity.

For more details regarding SugarLeaf’s sanitation and quality control standards refer to Section 10: Quality Assurance Plan.

## **3. Harvesting**

Harvesting will be done by hand. Each harvester will be issued an agricultural grade hand held pruner. Each harvester will be trained by the *Lead Cultivator* on the use of the pruner and the methods by which each plant is to be harvested. In addition, SugarLeaf will provide all harvest workers with proper hand, eye, body and respiratory safety equipment, as required.

Plants will be monitored continuously throughout the cultivation process. During the flowering stage of plant development, the *Lead Cultivator* will begin monitoring trichome development and maturity. Depending on the cultivar, the *Lead Cultivator* will determine the point at which a crop is ready to be harvested.

Mature plants that are ready to be harvested will be identified by the *Lead Cultivator* and logged into SugarLeaf’s inventory management system, adhering to any seed-to-sale tracking regulations that have been promulgated by the state. The harvested plants are then weighed, logged, and transported to the onsite processing facility. Information will be tracked and entered into the inventory management system at each stage in the process.

## **4. Product Preparation**

The *Processing Manager* is responsible for implementing and maintaining product preparation practices to protect crops from contamination and maintain the quality of all cannabis flower and cannabis by-products produced by the company.

Depending on the desired product preparation, cannabis may be dried and cured or frozen.

The product preparation rooms will utilize an independent climate control and HVAC to ensure that optimal and sanitary conditions are maintained at all times throughout the drying and curing process.

All product preparation operations will be performed in limited access areas with full surveillance camera coverage in accordance with state and local regulations. The product preparation room will be maintained to ensure that there is sufficient odor mitigation.

Prior to entering the product preparation room, each harvest batch will be examined, and the information entered into the inventory management system by the *Processing Manager*. At this stage the *Processing Manager* may also randomly select samples for in house or third party testing.

Harvest batches will be placed on racks in the appropriate product preparation room.

The drying and curing process takes between five and fourteen days, while freezing is projected to be accomplished in one to twelve hours. The *Processing Manager* and the *Processing Technician* will check the facility periodically to monitor the progress. Once the *Processing Manager* has determined the drying and curing or freezing process meets SugarLeaf proprietary standards, the dried and cured or frozen batches will then be transferred to sterilized bins along with the harvest batch identifier. At this stage the *Processing Manager* may again randomly select samples for in house or third party testing. Once each bin is full the *Processing Technician* will seal, label, weigh and enter into the inventory management system the contents of each bin. Upon completion of the binning process, the *Processing Technician* will turn over all of the now binned material to the *Agent in Charge* or the *Processing Manager* and enter this action into the inventory management system. Only the *Agent in Charge* or the *Processing Manager* can accept and handle material in the binned state. Once in control of either the *Agent in Charge* or the *Processing Manager* the binned material is removed from the product preparation room and moved to a secured and locked Ready to Process Holding Area within the processing facility. This area will be only accessible to either the *Agent in Charge* or the *Processing Manager*. Frozen product will be stored for transport and delivery to an offsite, contracted, licensed Manufacturing Facility.

## 5. Processing

SugarLeaf's SOPs will outline sanitation requirements for employees, workstations, and clean rooms. These standards will be adhered to throughout all points of the processing process at SugarLeaf's facility. Processors will wear protective outerwear, gloves, and hair covering at all times during the processing procedure to prevent any potential contamination.

SugarLeaf takes seriously the health and wellbeing of its employees, and as such, will provide ergonomic seating, workstations, and hand equipment to all processing team members. Each processing team member will also receive the proper safety and operational training as pertaining to their job description. All processing operations will be performed in limited access areas with full surveillance camera coverage in accordance with state and local regulations.

Once the bins containing the dried/cured branches have been transferred to the Ready to Process Holding Area, the *Processing Manager* will then instruct the *Processing Technician* to begin the processing procedures in the trim room. Processing consists of three (3) main components: *Bucking Down*, *Trimming* and *Packaging*.

*Bucking Down* is the process by which the actual flowers are removed from the stalks. This is achieved by using scissors to cut each individual flowers from the stalk into a sterilized bin. During this procedure, flowers will be evaluated and divided by quality into two or more grades. Flowers destined for retail sale will be put through the trimming process, while the remainder will be turned over by the *Processing Technician* to the *Agent in Charge* or the *Processing Manager* and moved to a secured and locked Processed Material Holding Area within the processing facility for transport and delivery to an offsite, contracted, licensed Manufacturing Facility. These bins will be weighed, labeled, sealed, and entered into the inventory management system.

*Trimming* will be done via trimming machines and by hand via experienced seasonal labor. The finished trimmed flowers will be placed into sterilized locking lid bins. These bins will be weighed, labeled, sealed,

and entered into the inventory management system.

The waste product from the machines and hand trimming, “trim”, will be collected and placed into sterilized locking lid bins. These bins will then be weighed, labeled and sealed for transport and delivery to an offsite, contracted, licensed Manufacturing Facility. All weights will be entered into the inventory management system.

Upon completion of the trimming process, the *Processing Technician* will turn over all of the now processed material to the *Agent in Charge* or the *Processing Manager* and enter this action into the inventory management system. Only the *Agent in Charge* or the *Processing Manager* can accept and handle material in the processed state. Once in control of either the *Agent in Charge* or the *Processing Manager* the final processed material is removed from the trim room and moved to a secured and locked Processed Material Holding Area within the processing facility. This area will be only accessible to either the *Agent in Charge* or the *Processing Manager*.

## **6. Packaging, Labeling, and Storing**

Once securely in the Processed Material Holding Area, the *Agent in Charge*, the *Processing Manager*, and appropriately trained agents will begin to weigh, vacuum seal and label individual packages for retail distribution as required. Labeling and packaging will comply with all applicable laws and regulations. After weighing, labeling and packaging each unit will be entered into the inventory management system and placed inside of a lock box or safe inside the Processed Materials Holding Area. This procedure will be done always with both the *Agent in Charge* and the *Processing Manager* present. Storage areas will have full surveillance camera coverage in accordance with security policies and procedures.

## **7. Quality Assurance**

SugarLeaf has standard operating procedure (SOPs) and policies to ensure that all cannabis passes quality control testing for consistency and dosage, and meets the appropriate standards of the Consumer Product Safety Division.

These SOPs are reviewed in more detail in Section 10: Quality Assurance Plan.

However, quality assurance is critical to safely processing cannabis. For this reason, it is important to note the following key objectives of the Quality Assurance Plan:

- Determine if appropriate sources of product and quality problems have been identified
- Confirm that data from these sources are analyzed to identify existing product and quality problems that may require corrective action
- Determine if unfavorable trends have been identified
- Confirm any data and analyze to identify potential product and quality problems that may require preventive action
- Verify that the data received by the CAPA system are complete, accurate and timely
- Verify that appropriate statistical methods are employed (where necessary) to detect recurring quality problems
- Determine if results of analyses are compared across different data sources to identify and develop the extent of product and quality problems
- Determine if failure investigation procedures are followed
- Determine the degree to which a quality problem or nonconforming product is investigated and whether this investigation is commensurate with the significance and risk of the nonconformity

- Determine if failure investigations are conducted to determine root cause (where possible)
- Verify that there is control for preventing distribution of nonconforming product
- Determine if appropriate actions have been taken for significant product and quality problems identified from data sources
- Verify that CAPA system procedure(s) have been defined and documented
- Determine if corrective and preventive actions were effective and verified or validated prior to implementation
- Confirm that corrective and preventive actions do not adversely affect the finished product
- Verify that corrective and preventive actions for product and quality problems were implemented and documented.
- Determine if information regarding nonconforming product and quality problems and corrective and preventive actions has been properly disseminated, including for management review

### **8. Description of Location Where Processing Will Occur**

The SugarLeaf Cultivation facility is located on Metropolitan Heights Road in unincorporated Humboldt County, California, north of the City of Rio Dell. The facility rests on a plot of land that is partially hidden from street view due to slopes and vegetation. Fencing and/or vegetation will be strategically installed to remove all street view of cultivation facilities.

The processing facility will be located on this complex as shown in the Site Plan. SugarLeaf will work with licensed contractors and engineers to develop the proposed phase II buildings and ensure they meet all applicable state and local regulations.

#### **a. Processing Rooms**

The processing facility will include, but will not be limited to, the following rooms:

**Loading Room:** Freshly harvested cannabis will enter the facility via the Loading Room. Processed cannabis will exit the facility via the Loading Room.

**Product Preparation Chamber:** The DCC will house all cannabis that has been harvested, manicured and that is ready to be dried and cured or frozen. The DCC will have its own climate control and HVAC in order to maintain optimal conditions and to prevent the generation of mold or mildew

**Trim Room:** All plant matter, whether it is to be used for the manufacturing of concentrates; or to be processed as dried flower, will be prepared in the trim room. The trim room will have its own independent, enclosed HVAC system to prevent cross- contamination from airborne particulates.

**Clean Room:** Employees will change, wash hands, and adhere to all sanitization- operating procedures inside the clean room before entering either the Trim Room or the Drying and Curing Chamber. Additionally, the cleanroom will have a restroom, and storage spaces for employees' personal belongings.

**Secure Storage Room:** This room will be a Limited Access Area and will house all dried cannabis materials when not actively being processed.

**Storage rooms** designated for materials relating to processing and coded as appropriate. If any such materials may be considered hazardous, they will be stored in appropriate spaces, as described in the Hazardous Materials Plan.

## **b. General Use**

Restrooms: The processing facility will include the appropriate number of restrooms and changing room facilities. Fresh filtered water will be provided for sanitation and hand washing purposes, and will be sourced from the well. Restrooms will also feature emergency eye washing stations.

Several non-operational rooms, including: Offices for administration, storage room for records, break room for employees, potentially including lockers and kitchen space.

## **9. Estimated Number of Employees**

See Section 6: Employment Plan.

## **10. Summary of Employee Safety Practices**

See Section 6: Employment Plan.

## **11. Descriptions of Toilet and Handwashing Facilities**

SugarLeaf will work with local contractors to ensure that the construction of all employee toilet and hand-washing facilities is compliant with the appropriate local and state regulations. SugarLeaf will at all times maintain an adequate amount of toilet and hand-washing facilities as pertaining to the number of individuals employed. All employees will be trained in SugarLeaf's standard operating procedures pertaining to the safe and sanitary handling of cannabis flower.

## **12. Description of Plumbing and/or Septic System and Whether or Not the System is Capable of Handling Increased Usage**

SugarLeaf will be working with Manhard Consulting or local engineers and contractors to develop and install new commercial-grade plumbing and septic systems at the Metro Heights site. Proposed systems will be sufficient to handle at least 30 onsite employees with built-in capacity or plans for handling increased usage.

SugarLeaf will consult licensed contractors and engineers to ensure that all plumbing and septic systems installed on-site are capable of handling increased usage, and are built in compliance with the appropriate local and state regulations.

## **13. Descriptions of Source of Drinking Water for Employees**

SugarLeaf will provide safe, clean, purified drinking water via purified well tap water as well as an upright office style water cooler. Clean disposable paper cups will be made available to all employees.

## **14. Descriptions of Increased Road Use Resulting from Processing and a Plan to Minimize that Impact**

SugarLeaf understands that the increased usage of roads that can result from the initial construction of the cultivation facility and subsequent increase in traffic due to employee numbers may lead to additional required maintenance. In order to not be a burden on the local community or ecosystem that may be affected, SugarLeaf will consult with licensed contractors and engineers to develop plans to maintain the affected roads. SugarLeaf's goal is to minimize any disturbances or environmental concerns, and to maintain the roads.

SugarLeaf will conduct road maintenance inspections during any and all *major rain events*. SugarLeaf considers a *major rain event* to be any rainfall above one half inch (1/2"). This inspection will include observing existing features for any minor or major issues, such as rolling dips, standing water in outlets,

and the diversion of water running directly down and eroding the road surface.

SugarLeaf acknowledges that increased road usage will be an on-going and continual condition once operations commence at the Metro Heights facility and will implement procedures to reduce traffic on our roads. Transportation of medical cannabis and associated supplies will be delivered in bulk to minimize road impacts. By employing the use of mechanical trimming and drying machines, SugarLeaf will mitigate the need for a large number of employees for processing, therefore, reducing the number of daily trips to the property. SugarLeaf will encourage ride sharing to and from the site by employees and is considering shuttle services to minimize traffic.

#### **15. Descriptions of On Site Housing**

A permitted (permit number 12-1292-A-3) 2800 sqft 5-bedroom residence exists for potential onsite housing of Ranch Manager and security purposes. No other residential structures are proposed.

## **9. WHOLESALE NURSERY PLAN**

### **A. Wholesale Nursery Facilities**

For its wholesale nursery operations, SugarLeaf will develop its proposed facilities in phases. Adequate parking spaces will be developed as part of this project, including 1 ADA compliant parking facility. One loading space will be provided.

#### **1. Phase I Wholesale Nursery Facilities**

Phase I wholesale nursery facilities will include construction of an 2400 sqft metal building on a concrete slab and 19,600 sqft of agricultural exempt greenhouses. Low level supplemental lighting lighting or high intensity discharge (HID) fixtures may be utilized to adjust the number of hours of light (photoperiod) the plants receive to sixteen, this will maintain and support the plants vegetative cycle.

#### **2. Phase II Wholesale Nursery Facilities**

Phase II will include construction of a combined total of 20,000 sqft metal building(s) on a concrete foundation. Upon construction of the phase II building(s), the phase I nursery building may be repurposed. A to be determined square footage of this development will be dedicated to the wholesale nursery facility. Phase II may also include construction of commercial greenhouses for its nursery operations. The exact type of commercial greenhouse to be constructed is still being determined. Greenhouses currently in consideration include, Grow-Tech Sierra series and/or Next G3N tall ridged greenhouses, or equivalent, commercial grade, gutter connected greenhouses with automated interior light deprivation systems (See Attachment 1). The interior of the commercial greenhouse may be divided into multiple sealed rooms individually controlled to maintain optimum growing conditions. This climate control may include heating and cooling, CO2 supplementation, and intake and exhaust ventilation. Alternatively, active and/or passive ventilation may be exclusively utilized. Low level supplemental lighting lighting or high intensity discharge (HID) fixtures may be utilized to adjust the number of hours of light (photoperiod) the plants receive to sixteen, this will maintain and support the plants vegetative cycle. Additional parking will be developed as needed to accommodate additional employees for phase II operations

### **B. Nursery Cycle**

There are three main components to Nursery Activities:

- Developing strong genetics by breeding parents to generate seeds
- Germinating seeds and determining plant sex to grow new cloning mothers
- Replicating strong genetics through cuttings of a single cloning mother

The nursery facilities will utilize established and proven techniques shown to be effective for the breeding and cloning of medical cannabis species.

### **1. Breeding**

In order to develop new cultivars to better service the needs of medical marijuana consumers, SugarLeaf will establish a research and development breeding program. SugarLeaf will designate a *Lead Breeder* to operate all breeding procedures. SugarLeaf's master cultivators will provide direction as to the prospective breeding plants, but the *Lead Breeder* will be in charge of the operations and administration of the program. Each selected breed stock plant will be uniquely identified and coded both for breeding record keeping purposes, and to allow for the identification and removal of any plant with offspring that quality assurance shows as inferior.

To produce seeds, SugarLeaf will identify Male and Female cannabis plants with genetic qualities deemed to be superior or specific, called "Breeding Females" and "Breeding Males". Once determined to be of appropriate size, flowering will be initiated. All pollen-bearing plants will be strictly isolated with sterilization procedures and minimization of physical traffic deterring contamination potential. Using proprietary techniques, the male pollen will be collected and the female plant pollinated. The result is offspring in the form of Seeds that can be grown from a Baby plant into another Breeding Female, Breeding Male, or Mother.

### **2. Germination**

Germination is a process that causes the Seed to sprout a root and so it is ready to be planted. The germination percentages and rates will be tested before growing into a cloning mother or selling as seed.

After germination, baby plants grow large enough to allow for cuttings. The *Lead Breeder* uses cuttings to determine sex by proxy through a vegetative process. Plants proven to be Male will be removed from the general population, evaluated as Breeding Males, and otherwise disposed of.

Female plants will be evaluated for desirable traits, such as potency, yield, or pest/disease immunities. In order to refine these desired traits, the Breeding Process must be performed multiple times using the same variety before it is "stable," the point at which traits are at their strongest points genetically.

Select Female plants will be identified as prospective Mothers. The first set of cuttings from these prospective Mothers will be flowered and evaluated for genetic, cannabinoid, and terpene profiles. If the desired characteristics are present, the Female will become a Mother.

### **3. Cloning**

A typical cycle for production is a "Mother" plant grown with at least eighteen hours of light until it is ready for cutting, which can be a month or more. This takes place in the greenhouse and also under lights in the Vegetative Area within nursery facility. A mother is typically a cutting from a previous mother and on occasion it is grown from a seed.

"Clones" are cut from Mothers to be used for propagation. The process is to cut approximately four inch cuttings which are then trimmed of excess leaves and stems and placed in Oasis, or equivalent, root cube propagation trays after dipping in a root stimulator. Each cube will hold one clone.

“Propagation Trays” are placed under fluorescent lights for approximately two weeks until roots are clearly showing. The fluorescent lights are mounted to metal racks about six feet tall. Each rack typically has 4 levels of lights. After roots are showing the cuttings are ready for market.

“Soil” is used for cuttings not bought within a week or two of being ready for market. When planting a clone in soil, a clone is placed into a small pot or sleeve and placed under fluorescent lights. These “Clones in Soil” are housed in the propagation rooms utilizing the shelving system and within the greenhouse. Clones in soil are ready for market. Some clones in soil are retained to be used as mothers. Some clones in soil will be transplanted to larger pots to be grown into “Teens” for sale and will be housed within the greenhouse.

When the Metro Heights facilities are fully operational, SugarLeaf may incorporate tissue culture techniques.

Nursery operations once fully implemented will operate year round.

### **C. Cultivation Inputs**

SugarLeaf strives to attain the highest standards of cultivation inputs. By following rigorous protocols and restrictions, SugarLeaf maintains the high quality of cannabis clones and plants and mitigates the risk of wasted production.

SugarLeaf has established standards for:

- Nutrients
- Growing medium
- Pesticides
- Disease and pest management procedures

#### **1. Nutrients**

There are three main macronutrients that a plant needs: Nitrogen, Phosphorus, and Potassium. In addition to these nutrients there are also many micronutrients and vitamin supplements that can amend a growing medium or feed a plant to help with its growing processes. Nutrients break down through a natural bacterial enzyme process, which helps facilitate the uptake of nutrients into a plant’s roots, thus feeding the plant. This process happens in nature with the decay of organic matter on the ground.

In addition to soil amendments, SugarLeaf may use supplemental liquid nutrient formulas. SugarLeaf will utilize the highest quality nutrients available, from select manufacturers.

SugarLeaf will maintain a list with each substance to be used as a production or handling input, indicating its composition, source, location(s) where it will be used, and documentation of commercial availability, as applicable.

Currently, SugarLeaf proposes to use the following nutrients and amendments, or equivalent, stored in the following approximate amounts. These types and amounts may change from time to time as deemed appropriate.

1. Botanicare Pure Blend Pro Grow: Approximately 55 gallons
2. Botanicare Pure Blend Pro Bloom: Approximately 55 gallons
3. Botanicare Pure Blend Tea: Approximately 55 gallons

4. Botanicare Cal-Mag Plus: Approximately 55 gallons
5. Dip'n'grow Rooting Solution: Approximately 1 gallon
6. Clonex Clone Solution: Approximately 5 gallons
7. Earth Juice High Brix Molasses: Approximately 5 gallons
8. Down to Earth Bio-Fish: Approximately 50 pounds
9. Dr Earth Premium Gold All Purpose Fertilizer: Approximately 25 pounds
10. Worm Castings: Approximately 25 pounds
11. Oyster Shell: Approximately 25 pounds
12. Gypsum: Approximately 25 pounds
13. Compost: Approximately 25 pounds

## **2. Growing Medium**

SugarLeaf has enforced a strict gardening policy of using and reusing of organic substances to create sustainable resources, reduce consumption of those resources, and prevent any type of harmful environmental impact. This includes the cannabis plant growing medium.

All Mothers, Breeding Plants, Potential Mothers will utilize nutrient rich soil formula. MSDS for each applicable amendment will be recorded.

When a Mother or Breeding Plant is determined to be no longer viable, the spent soil will be deposited in the spent soil repository to be amended and reconditioned for future use.

By reconditioning the spent soil, SugarLeaf will be continually building soil fertility leading to increased production and pest resistance. This practice will also reduce the need to import soils.

## **3. Pesticides**

SugarLeaf will use only pesticides and herbicides for pests and/or diseases approved by the State of California. Pesticides include rodenticides, insecticides, bacteria/fungi (beneficial), herbicides, arachnidicides, miticides, molluscicides, nematocides, growth regulators and others.

Currently, SugarLeaf proposes to use the following pesticides stored in the following approximate amounts. These types and amounts may change from time to time as deemed appropriate, abiding by state and local regulations.

1. Valent PyGanic 5.0 Insecticide: Approximately 5 gallons
2. Marrone Bio Innovations Grandevo Bioinsecticide: Approximately 5 pounds
3. BioStart TripleX Biofungicide: Approximately 1 gallon
4. Micronized Sulfur: Approximately 4 pounds
5. Elemental Sulfur Prills: Approximately 4 pounds

## **4. Disease and Pest Management Procedures**

The *Lead Gardener* will use resistant cultivars and maximize biological prevention of pests and diseases. This will be combined with an Integrated Pest Management System (IPM). The goal of IPM is to apply a combination of control methods to prevent, reduce, or maintain pest populations at non-damaging levels. The *Lead Gardener* will implement and monitor IPM practices to predict potential levels of crop damage, mitigate risk, and control pests.

A variety of mechanical, physical, and biological controls will be implemented in compliance with state and local regulation.

The *Lead Gardener* will establish spraying protocols and will maintain records of any pesticide use in the cultivation records for at least 36 months.

#### **D. Cannabis Disposal and Waste Management**

All waste, including waste composed of or containing medical cannabis plants, will be stored, secured, and managed in accordance with applicable state and local regulations. Additional waste disposal provisions include detailed plans for excess product disposal, liquid, and solid waste disposal based on guidelines from the Department of Environmental Conservation, composting practices, and the disposal of expired, contaminated, or otherwise unusable medical cannabis products.

In order to reduce the potential to misuse the disposal procedures for diversion, the cannabis waste disposal plan is a four-step system:

- Collect compostable waste cannabis.
- Record compostable waste cannabis.
- Verify compostable waste cannabis.
- Compost waste cannabis.

Before waste cannabis is composted, it will be logged in the inventory system as required by state and local regulations.

All employees will be trained to handle the proper procedures for compost disposal, and to record all details of a composting disposal in the inventory management system.

Nursery-related wastes including, but not limited to, empty soil/soil amendment/ bags and containers, and empty plant pots or containers will be stored at locations where they will not enter or be blown into surface waters, and in a manner that ensures that any organic contaminants within those materials do not migrate or leach into surface water or groundwater.

Waste cannabis plant material will be rendered unusable and unrecognizable by adding and mixing with other ground materials such as soil or other compostable material, as required by state and local regulations.

#### **E. Cultivation Quality Assurance**

Propagation of safe and effective crops encompasses a wide variety of holistic management practices. The *Lead Gardener* will implement and maintain SugarLeaf's Integrated Nursery Management plan ensuring healthy plants.

SugarLeaf will designate a Quality Assurance Officer (QAO). The QAO will be responsible for verifying the quality of the plants at each stage of propagation.

Note that plant handling and hygienic protocols are covered separately in Section 10: Quality Assurance Plan. Water and energy standards are covered in Section 4: Environmental Protection Plan.

When plants fail quality checks, the QAO will determine whether or not the plant must be disposed of

immediately, or if it may be recoverable with procedures such as additional Integrated Pest Management protocols.

In all cases, when plants fail quality checks the QAO will review with the *Lead Gardener* to determine if any standard operating procedures may be improved upon, or if the central control system needs adjusting.

#### **F. Nursery Monitoring and Recordkeeping**

Nursery records will be detailed and adhere to state and local regulations.

#### **G. Sales**

Nursery sales will be received via phone, in person, or over the internet. All sales will be recorded per state and county regulations in SugarLeaf's selected inventory management system. Until such time as a suitable inventory management system is selected, sales receipts will be created for each transaction. Paper receipts will be maintained for 5 years. No sales will be made to the public, only commercial farmers and wholesale or retail nurseries will be able to purchase products. Products sold will consist of seeds, clones, and teens of varying sizes. Products will be either picked up or delivered by licensed transporters, if required by state or local law.

#### **H. Nursery Training and Certification**

The *Lead Gardener* will ensure that prior to beginning work in the nursery facility, employees receive full training, specific to their position, on:

- The methods of propagation, vegetative maintenance, and fertilization
- Methods for recognizing the signs of insect infestation, pathogens and disease in cannabis plants and the procedures for eradication and the safe disposal of plants so affected
- The nutritional requirements of cannabis plants at various growth stages, including but not limited to, proper mixing and dispersal of fertilizer and flushing
- The safe handling of equipment including but not limited to, high-intensity lamps, electrical ballasts, pumps, fans, scissors and other equipment for cultivation
- Inventory control and security protocols designed to minimize or prevent diversion and track on-site cannabis

Employee training on advanced topics will be ongoing.

## **10. QUALITY ASSURANCE PLAN**

### **A. Overview**

SugarLeaf's QA Plan describes the standards, processes and procedures used to support the consistent creation of high-quality cannabis and cannabis products. The QA Plan builds on a Corrective and Preventive Action (CAPA) approach. The intent is first to establish standard operating procedures to prevent problems from occurring, second to monitor and identify problems that do arise, and third to institute procedures to prevent problems from recurring.

SugarLeaf personnel will implement Quality Assurance and Quality Control protocols to ensure that all

SugarLeaf cannabis and cannabis products meet the standards that have been outlined in Code of Federal Regulation 211-Good Manufacturing Practices (GMP). The Quality Assurance Plan is intended to be compliant with ISO 9001:2015, the requirements for quality management systems. Quality Assurance and Control Agents will receive job-specific training and will adhere to standard operating procedures that are current GMP compliant.

## **B. Standards of Cleanliness**

### **1. Personal Hygiene**

To maintain the integrity of all cannabis processed at the facility, SugarLeaf will provide sanitization and cleanroom preparation training to all processing agents. Standard operating procedures will be made available in digital and print forms, and will be included in SugarLeaf's employee handbook/training manual.

### **2. Sanitation and Handling Protocols**

SugarLeaf will establish, maintain and follow standard cleaning procedures for all buildings and equipment used to store medical cannabis. The *Processing Manager* will ensure all employees involved are trained to properly clean assigned equipment and document the process. In compliance with FDA and GMP and GLP requirements, one or more trained supervisors will be assigned to supervise overall sanitation.

To ensure sanitary production equipment, SugarLeaf will maintain standard operating procedures addressing written procedures to be implemented for the cleaning of equipment, including utensils, used in the processing, packing or holding of all products. These written procedures, schedules, and logbooks will include:

- Assignment of responsibility for cleaning equipment
- Controlling airborne contamination
- Using sanitary handling procedures
- Using safe water in all operations
- Performing chemical, microbiological, or other testing, as necessary to prevent the use of contaminated ingredients in processing operations
- Storing packaging materials, in-process medical cannabis raw material, and medical cannabis finished products appropriately to prevent contamination and adulteration
- Preventing cross-contamination and mix-ups between contaminated or adulterated medical cannabis raw material or medical cannabis finished products and non-tainted medical cannabis
- Washing or cleaning containers and packaging components that contain contaminants
- Using effective measures to protect cannabis products against adulteration by other foreign materials when at risk due to processing equipment or instruments
- A description in sufficient detail of the methods and materials used for cleaning and the methods of disassembling and reassembling equipment to ensure proper cleaning
- Measures for the protection of clean equipment from contamination prior to use
- Required inspection of equipment for cleanliness immediately before use
- Based upon the individual equipment design, the following sequence of cleaning operations will be performed upon the completion of each batch of product:
  - If applicable, a reduced disassemble and cleaning procedure may be utilized between sequential batches of the identical product brand, strength, and dosage form
  - Upon the completion of a processing or packaging operation, equipment will be disassembled and all moveable parts removed so that the equipment can be properly

cleaned

- All exterior surfaces will be sanitized and the interior cleaned with an approved detergent mixed with water and then rinsed thoroughly with tap water
- Finally, all surfaces that come in contact with components will be sanitized with denatured alcohol and allowed to air dry
- Upon completion, the employee will fill in the cleaning log and inform their immediate supervisor the equipment is ready for inspection

An audit or check will be performed on the equipment cleaning and its documentation on a random basis several times a week. These reviews will include an inspection of the actual equipment cleanliness and the accuracy of all cleaning documentation. All cleaning records required by this procedure will be retained for at least five (5) years after distribution of the last batch of product manufactured, processed or packaged utilizing that equipment. When developing the above protocols, the *Lead Cultivator*, *Lead Gardener*, and *Processing Manager* will also incorporate the following elements:

- Defining responsibility and frequency for cleaning and disinfecting each piece of equipment or item that comes in contact with medical cannabis
- Monitoring compliance
- Training employees to ensure they are able at all times to answer the question “How do you know that this item has been cleaned and/or disinfected?”
- Cleaned/disinfected items should be labeled (date/time)

All areas will maintain a general cleanliness and go through routine maintenance. The facility will be of food production quality at all times, with frequent inspections and internal audits to ensure safety in production. Sanitation units or wash stations should be utilized throughout the facility where they are placed. Employees are encouraged to wash frequently and always between handling products.

Restrooms and toilets will be located separately from all production and processing areas. Restrooms will have a self-closing door and be completely enclosed with proper, individual ventilation units. Wash hands signs will be placed above all sinks. Training on best practices will be given annually and documented. Restrooms will be cleaned daily and maintained in a clean manner.

### **3. Equipment Sanitation**

In general, surfaces and equipment within the processing facility would be classified by the CDC guidelines under Spaulding’s Classification as Non-Critical (i.e., items that might come in contact with intact skin, but not mucous membranes or non-intact skin) and in general most are environmental surfaces, which must be regularly disinfected to a low level. Cleaning protocols will include limits on how long reusable cleaning clothes and mop heads can be used before laundering, and on how frequently the water disinfectant mixture (using an appropriate and approved disinfectant, with preference for naturally-based options) is changed (at a minimum per every three rooms). The facility will have single-use disposable towels impregnated with a disinfectant (such as Clorox wipes) for spot cleaning as necessary during the day. All employees will be trained on these duties and procedures and cleaning procedures will be carefully overseen at the beginning and end of each business day. In addition, for all surfaces, equipment, or materials that will touch medical cannabis or individually packaged containers of medical cannabis, the *Processing Manager* will develop and oversee the implementation of more rigorous cleaning protocols. These will be to the standard required by the CDC guidelines for Spaulding’s Classification of Critical,

because medical cannabis can come into contact with mucous membranes. These items require either sterilization or a cleaning process followed by high-level disinfection. Additional handling protocols will meet or exceed California requirements for safe and sanitary food handling and packaging.

### **C. Contamination Prevention**

In order to maintain the medical cannabis free of contamination, SugarLeaf employees will be required to comply with SugarLeaf's standard operating procedures. All employees will be trained to ensure absolute sanitary conditions in areas that have been designated for packaging and handling, including all equipment, utensils, and accessories used during the packaging process. SugarLeaf's standard operating procedures have been designed to meet or exceed the high sanitary standards of the California state regulations pertaining to the handling of food-grade products:

- All processing agents involved with the handling and packaging of medical cannabis will wear proper protective clothing, latex gloves, and hairnets.
- Personnel will also be required to wash hands and exposed areas of the arm before beginning work, before and between glove use, and after using a toilet facility.
- Gloves will be replaced after each batch of medical cannabis has been packaged, or, when beginning to package a different variety or shipment of product (to prevent cross-contamination), and additionally every two-hours.
- Prior to entering the packaging room, employees must report to the shift supervisor any illness or personal health condition that might compromise the cleanliness or quality of the medical cannabis the Processing Agent might handle.
- Maintain a sanitation log with records retained for five years.

### **D. Quality Control Testing**

Proper standard operating procedures are a critical prerequisite for GMP and Good Laboratory Practice (GLP) compliance. SugarLeaf takes its commitments to these standards seriously, and will provide the appropriate training to all personnel employed by SugarLeaf. By instituting GMP and GLP compliant SOPs and providing proper employee training, SugarLeaf will operationalize its commitment to produce only the highest quality, pharmaceutical grade cannabis flower and by products.

#### **1. Standards for Purity, Integrity, and Potency**

Processing agents that have received the proper training will be responsible for identifying all useable and non-useable plant parts and matter. Useable by-product plant matter created during the manicuring and trimming phase of processing will be inspected, logged—and if appropriate—shipped to a licensed and contracted Manufacturing Facility to be manufactured into cannabis concentrate. All unusable plant matter will be disposed of properly and in accordance with SugarLeaf's SOPs (Disposal procedures are described in the Cultivation Plan). Raw plant matter will be inspected via methods that include, but are not limited to, organoleptic, macroscopic and microscopic examination.

Processing agents will:

- Provide a qualitative description of each batch of raw plant matter or dried cannabis flower that includes:
  - Name of the plant cultivar
  - Description of initial quality of plant matter
  - An organoleptic review

- Provide a quantitative description of each batch of raw plant matter or dried cannabis flower that includes:
  - Cannabinoid profile
  - Potency level
  - Batch size by weight

Each batch of cannabis flower produced onsite will be monitored throughout each stage of cultivation, dry/curing, and processing. Each batch of cannabis flower produced or received at the commercial processing facility will undergo an intensive analysis, identifying the cannabinoid profile of each product processed at the facility. This profile will then be cross-referenced against the appropriate cultivar profile monograph as provided by the American Herbal Pharmacopeia to ensure cultivar accuracy and consistency.

Combinations of the following compounds will be measured:

- CBD (Cannabidiol)
- CBDA (Cannabidiolic Acid)
- CBN (Cannabinol)
- Terpenes described in the current version of the cannabis inflorescence monograph published by the American Herbal Pharmacopeia (AHP)
- D9-THC (Delta-9 Tetrahydrocannabinol)
- D8-THC (Delta-8 Tetrahydrocannabinol)
- THCA (Tetrahydrocannabivarin Acid)
- THCV (Tetrahydrocannabivarin)
- THCVA (Tetrahydrocannabivarin – Acid)
- CBC (Cannabichromene)
- CBDV (Cannabidivarin)
- CBDVA (Cannabidivarin - Acid)
- CBG (Cannabigerol)
- CBGA (Cannabigerol – Acid)
- CBGV (Cannabigerovarin)
- CBNV (Cannabinovarin)
- Any further compounds added by the AHP

Each batch of cannabis flower produced onsite or received at the commercial processing facility must additionally pass quality control tests for purity and integrity. Batches of flower that contain any substance that has been banned by the California Department of Food of Agriculture, or that has amounts of regulated chemicals, fertilizers, or pesticides that exceed the levels allowed by the Department of Food and Agriculture, will be segregated and addressed as required by law. All raw plant matter will be tested for mold and mildew.

## **2. Testing**

All finished products will be sent to a licensed third-party laboratory to be tested and certified for purity, potency and quality. Additionally, SugarLeaf will maintain its own in-house testing schedule to ensure that all cannabis produced to pharmaceutical standards, and that manufacturing protocol continues to adhere to current GMP and GLP. Independent lab testing will be used to certify that all raw materials and concentrates produced are well within acceptable ranges in regards to the presence of:

- Total aerobic microbial count
- Total yeast mold count
- P. Aeruginisa
- Aspergillus spp
- S. aureus
- Aflatoxin B1, B2, G1 and G2
- Ochratoxin A

### **E. Cannabis Recall Protocol**

SugarLeaf is committed to patient and product safety, and will institute an exhaustive product recall plan into SugarLeaf's operational manual. Once a product has been labeled for recall, Processing Agents will immediately begin an in-house investigation into the batch and lot number of the products in question. This investigation will be conducted with the purposes of:

- Identifying the appropriate products, via batch and lot numbers, that will need to be recalled
- Identifying the distributors that have procured and transported the products in question
- Contacting the aforementioned parties, informing them of the product recall
- Identify and dispose of any remaining product in question in storage at the SugarLeaf facility
- Prevent the further distribution of any product in question

Any cannabis waste disposal will follow the protocols explained in the Cultivation Plan, Nursery Plan, and Processing Plan.

## **11. SECURITY PLAN**

### **A. Overview**

SugarLeaf intends to establish a safe and secure facility for its operations at Metro Height. The Metro Heights facility has two entrance points. Metroploitan Heights Road and Northwestern Avenue both are private roads to which the subject parcel has deeded access. An automatic locked gate is located at the parcel line off of Metropolitan Heights, and a locked gate at the parcel line off of Northwestern. An additional heavy duty locked security gate is located on Northwestern where it becomes a private road. *No Trespassing* signs are proposed near the gates. Cultivation sites will be completely enclosed by a 6' security fence that features a locked gate. Additional fencing is proposed at strategic points to deter unapproved entry, and a 6' wood fence is proposed at the south edge of the entrance road off of Metropolitan Heights to block visibility of activities from the highway. Proposed lighting outside of the nursery and processing facility consists of security lights that illuminate the entrances and parking areas. SugarLeaf is proposing to have security cameras at the entrances to the site, residence, and nursery and processing facility with data storage for up to thirty (30) days. Motion sensors will be installed at all cultivation sites. The nursery and processing facility and residence will have an alarm system monitored by a licensed third party security company.

All potential employees will be subject to a criminal background check prior to employment. Employees will be issued a company issued ID badge and will be required to display the badge at all times while working at the subject property.

At all times there will be at least one personnel on site. One of the duties of the Ranch Manager living at the onsite residence will be to maintain awareness of the security of the facility. Protocols will be developed to ensure a proper response to any security concern and all employees will be trained on their use.

As the project develops, SugarLeaf will explore collaboration with neighboring permitted cannabis operations to employ a roving licensed security guard.

The standards and procedures established here provide a safe working environment while protecting against diversion, theft, and access by minors.

### **B. Updating and Annual Review**

SugarLeaf recognizes that required security measures may change over time. As the project is developed, SugarLeaf owners and management may update the standards and procedures of the Security Plan.

SugarLeaf staff will review the entire Security Plan at least annually, and will present to the owners and management findings as to its sufficiency and appropriateness. Following any substantive updates, SugarLeaf will incorporate appropriate training.

### **C. Limited Access Areas**

All Limited Access Areas (LAA) will feature heightened security measures including but not limited to reinforced entries and security camera surveillance. At least two people, along with commercial-grade surveillance equipment, will oversee all transactions and transportation arrangements.

### **D. Physical Copy of Security Plan and SOPs**

SugarLeaf will maintain on-site at all times a physical copy of the most up-to-date version of the Security Plan and all related standard operating procedures.

### **E. Emergency Contacts**

Per Humboldt County 313-55.4.11 (t) (vi), SugarLeaf will at all times maintain at all cultivation and processing locations, as well as at the onsite residence, emergency contact numbers for the following:

- SugarLeaf *Agent in Charge*
- SugarLeaf *Ranch Manager*
- Fire Department (both emergency and non-emergency)
- Police Department
- Department of Health contact
- 9-1-1
- Poison control center
- Alarm and surveillance companies

The *Agent in Charge* is responsible for ensuring the listed numbers are up to date and will ensure they are reviewed and updated at a minimum on a quarterly basis.

### **F. Security Information Storage**

All areas where business records, including employee files and surveillance footage, are stored shall be defined as Limited Access Areas. Records shall be stored as digital files on access-limited computers.

Documents will also be printed and stored in locked filing cabinets within areas defined as LAA.

Records stored on-site include 60 days of surveillance footage and business and incident records dating back five years.

The *Agent in Charge* will at least weekly verify the integrity of the records, and review the logs to ensure there has been no unauthorized access. In the event of a records security breach, the *Agent in Charge* will work with the *Ranch Manager* and executive staff to review all recordkeeping and security policies to identify deficiencies, corrective measures, and to rectify any compromised information. The *Agent in Charge* will also report such incidents to law enforcement if appropriate.

### **G. Transportation and Distribution**

Transportation will be handled via a third party, contracted, licensed transporter/distributor, if require by state and local law. All merchantable product will only be distributed through licensed medical cannabis dispensaries. Prior to moving packages from the on-site holding facility to another physical location, a transport manifest will be created by the distributor/transporter. This distribution document is required for each movement of packages and will be recorded in the Master Log.

The *Agent in Charge* and the *Processing Manager* are responsible for performing a physical inventory of all packages being transported, ensuring that the physical inventory reconciles with the transport manifest, as well as the packaging material is intact and the labeling is secure. The distribution document records the current location and status of the packages, such as "in- transit" or "received." The licensed distributor must also create detailed transport manifests for the package distribution. The manifest contains details such as:

- Time of departure
- Time of arrival
- Product and product weight
- Route to be travelled
- Origin and destination addresses

### **H. Diversion Prevention**

Any person that is part of or aware of any theft or diversion of cannabis will result in immediate termination and reporting the incident to the proper authorities. All personnel will sign documents agreeing to this clause before being permitted to enter the facility for the first time, and these documents will be stored with the employee's file.

Individuals who are not authorized to be on the premises will not be permitted to enter. Visitors will be escorted at all times, and at no time will there be more than five visitors per single escort.

The selected inventory management system will be reviewed for discrepancies on a regular basis. All inventory discrepancies will be reported to the *Agent in Charge*, who will assign security staff to investigate and review relevant surveillance footage. The staff will report at least daily to the *Agent in Charge* on the steps and findings of the investigation. All investigations shall be resolved within five business days with a written report.