

COMMERCIAL CANNABIS BUSINESS PERMIT APPLICATION REVIEW

Review Date	June 4, 2019
Reviewer Name	HdL Companies
Business Name	JSCR Management, LLC
DBA	Reserve House
Permit Type	Microbusiness (A/M) With Retail Store Front and Delivery
Business Contact Information	Jeremy Dlabaj 3958 Valley Vista Drive Camino, CA 95709 (530)503-5905 dlabajjeremy@gmail.com

APPLICATION & DOCUMENTATION

Comments:

- The application identifies the following ownership structure:
 - Jeremy Dlabaj (50%) – CEO – partner of Delias, LLC – cultivation in Sacramento with three additional businesses in build out
 - Scott Martin (50%) – COO – partner of Earth & Iron Inc., a cultivation in Mokelumne Hill that is not active
 - **Point of Concern:** The applicants did not sign the Owner Background Information forms as required
- The application includes a signed and notarized Indemnification Agreement as well as a signed Applicant Certification.
- Phase III documents include an Operating Agreement for JSCR Management.
- **Point of Concern:** The application does not include Articles of Organization or statement of good standing for the entity JSCR Management, LLC.
- **Point of Concern:** The application indicates “JSCR works with SACCR Investment Company” however, no documentation or disclosures about SACCR Investment are included in the application.
- **Point of Concern:** The application does not include a seller’s permit for JSCR Management, LLC.
- **Point of Concern:** The application does not include a “Will Serve” letter for liability insurance.

LOCATION

Comments:

- The proposed location is 560 Placerville Drive Placerville, CA 95667.
- The property owner is identified as Barbara Henningsen; a signed and notarized Property Owner Consent form is included in the application.
- The application includes a signed and notarized Letter of Intent in which the Buyer (JSCR Management) intends to purchase the property of 550 and 560 Placerville Drive for one million dollars, contingent upon receiving a Placerville Commercial Cannabis Permit License.
- The following locations were identified:
 - Nearest school – Edwin Markham Middle School – 2800 Moulton Drive
 - Nearest school – El Dorado High School – 561 Canal Street

- Nearest alcohol related establishment – Placerville Food Co-op – 535 Placerville Drive
 - **Point of Concern:** The application failed to provide distances for these locations
- The application also included the statement, “There are no sensitive use areas within a half mile of the proposed location.”
- A site plan, safety & security plan, and proposed floor plan are included after all Phase III documents.
- **Point of concern:** None of the plans identify limited access areas.

BUSINESS PLAN

Comments:

- The Business Plan includes day-to-day operations for cultivation Phase I and Phase II. Phase II will begin in 2022 after additional construction is complete. Phase I allows for 40 lights, and Phase II adds an additional 168 lights.
- **Point of Concern:** The Business Plan for cultivation referenced various SOPs but they are not included in the application.
- The Business Plan includes a three-year proforma Cash Flow statement for Phase I of the cultivation and a three-year Cash Flow Statement for Phase II of the cultivation.
- The Business Plan includes daily activities for manufacturing, Phase I and Phase II.
- **Point of Concern:** The daily activities described are minimal; there are no SOPs included for manufacturing, nor is does the application identify any necessary equipment for manufacturing.
- The Business Plan includes a three-year proforma Cash Flow statement for Phase I of manufacturing and a three-year Cash Flow Statement for Phase II of manufacturing.
- The Business Plan includes day-today operations for the Retail Store.
- **Point of Concern:** The Business Plan for the Retail Store references SOPs, best practices, and training however, none are included in the plan.
- The Business Plan includes a three-year Cash Flow Statement for the Retail Store.
- **Point of Concern:** One of the assumptions indicated on the Cash Flow Statement for the Retail Store is an average sale of \$96 per client.
- The Business Plan includes day-today operations for the Retail Delivery.
- **Point of Concern:** The Business Plan for the Retail Delivery references SOPs, best practices, and training however, none are included in the plan.
- The Business Plan includes a three-year Cash Flow Statement for the Retail Delivery.
- The Business Plan includes day-today operations for Distribution.
- **Point of Concern:** The daily activities described are minimal; there are no SOPs included for distribution, especially required testing procedures.
- **Point of Concern:** The application indicates the distribution will only operate for this business and therefore, no profits or losses will incur. All operations should be accounted for in financial statements.
- **Point of Concern:** The only financial statements or projections included are cash flow statements.
- **Point of Concern:** The Business Plan does not include track and trace procedures.
- The Business Plan includes a startup timeline and budget. The total estimate is \$609,000.
- **Point of Concern:** The startup budget does not include the real estate purchase of \$1 million.
- The proof of capitalization consists of the following:
 - Charles Schwab letter dated April 28, 2019 that indicates an account balance for Timothy Griffin “in excess of \$300,000”.

- **Point of Concern:** Timothy Griffin is not disclosed as an owner or lender - the relationship is unknown. The letter does not specify the liquidity of the funds, nor is there an authorization letter from Mr. Griffin that indicates the funds are to be used for this business.
- Raymond James account statement dated March 29, 2019 that indicates an account balance for "Hunt Family COLLEGEADVANTAGE FBO Ella M Hunt" in the amount of \$469,931.74.
- **Point of Concern:** This owner of this fund has not been disclosed as a business owner or lender; the type of account may restrict the use of funds. Also, the amount of liquid funds is not equal to the entire balance.
- **Point of Concern:** The applicants do not appear to have sufficient capital to purchase the real estate for the proposed location or to fulfill the startup budget.

NEIGHBORHOOD COMPATIBILITY PLAN

Comments:

- The Neighborhood Compatibility Plan indicates the following:
 - The facility and property will be "strictly managed by an exterior building security protocol"
 - There will be limited points of access
 - Signage will be discreet
 - An Odor Control Plan will be utilized

SAFETY PLAN

Comments:

- **Point of Concern:** There is no Safety Plan included in the application. No details for fire prevention, suppression, HVAC and alarm systems (safety, not burglary) are included in the application.
- A letter from Sierra Security & Fire is included in the application. Technician Brian Bunch is licensed as a State Contractor; Sierra Security & Fire is licensed through the State of California Consumer Affairs.
- The letter details the following necessary requirements regarding fire prevention:
 - Install fire extinguishers at exits and break room/food prep area
 - Test the existing emergency lights and replace if necessary
 - Install required signage
 - Design and install "Floor plan/Evacuation Map" at each exit and break room
 - Install Carbon and UV filters to existing HVAC system
 - Maintain the current fire and burglary alarm system
 - Add, modify or install any other equipment required by the City of Placerville

SECURITY PLAN

Comments:

- The Security Plan was prepared by Ilan Frank, President and CEO of Crime Alert Security.
- The plan addresses the following:
 - General security risks
 - Electronic Security System
 - Alarm

- Motion sensors/doors
- Controlled Access/visitors
- Video Assessment and Surveillance System
 - Specifications
 - Storage (90 days minimum)
 - Third party monitoring
- Compliance & Procedures
 - Hours of operation (9am to 9pm every day)
 - No onsite consumption
 - Secure storage area – safe room
 - **Point of Concern:** The description of the safe room lacks details and descriptions of the type of safe/vault, reinforced windows, walls, etc.
 - Client admittance
 - Will show identification at front desk
 - 1:1 ratio inside the sales room
 - **Point of Concern:** The plan lacks details and procedures, and fails to identify if the facility will utilize a “buzz-in” feature
 - Loading procedures
 - Will utilize loading dock on southeast side of building
 - Manager will verify authorized personnel prior to opening door to facility
 - Finished product for transport will remain in the locked storage area until transport vehicle pulls up to door
 - Cash Handling
 - “Management will oversee all cash handling and conduct periodic cash drops from point of sale locations”
 - Cash will be transported by the security manager in a secured vehicle
 - **Point of Concern:** The cash handling policy lacks details and standard operating procedures
 - Internal Theft Prevention
 - Pre-employment background checks
 - Annual background checks of existing employees
 - Restricted visitors
 - Video surveillance
 - One manager with access to security system
 - **Point of Concern:** This section fails to provide adequate access controls to areas within the facility, as well as access controls to cash and cannabis/cannabis product
 - **Point of Concern:** Allowing one manager to have secured access and passwords to the surveillance system fails to provide adequate checks and balances
 - Lock-down of Inventory
 - “One person will oversee all inventory procedures and will be recorded on a regular basis”
 - **Point of Concern:** Allowing one person to oversee all inventory procedures fails to provide adequate checks and balances
 - Training Drills

- Ongoing training will be conducted for best practices
 - Fire drills, armed robbery and burglary drills
 - **Point of Concern:** The plan does not include training policies, procedures or examples of training manuals with respect to security
- On Site Physical Security Services
 - Two security guards will be securing the area during business hours
 - One guard will be stationed outside the front door
 - The second guard will be stationed within the sales floor
- **Point of Concern:** The Security Plan does not include an assessment of site security by a qualified security consultant as required.

AIR QUALITY PLAN

Comments:

- The Air Quality Plan consists of one written paragraph that indicates the following measures will be utilized to control/mitigate odor:
 - Separate HVAC systems for each room
 - Negative air movement
 - Carbon filtration
- **Point of Concern:** The plan does not include sufficient details such as schematics, brands and/or types of HVAC systems and carbon filters, examples of specific equipment currently in use at the applicants' other facilities, or standard operating procedures for odor management and odor complaints.

LABOR & EMPLOYMENT PLAN

Comments:

- The Labor & Employment Plan details the following:
 - Employee Hiring Guidelines
 - Hire local, qualified residents
 - Utilize pre-employment background checks and vetting process
 - Strive to pay all employees a living wage (min \$15/hour)
 - Employee Training Guidelines
 - Employees will receive job specific training from the Site Manager
 - Training must be complete prior to an employee performing tasks independently
 - New employees are required to shadow a more experienced employee
 - Upon completion of training, employees will sign an acknowledgement of adherence to rules and regulations
 - Employee Expectations and Security Training
 - Employees will be trained on building access and use of the access badge
 - Employees will receive training on various safety precautions and emergency responses
 - The applicants acknowledge the rights of employees to participate in collective bargaining
 - Continuing Education
 - The applicants will encourage employees to participate in "outside seminars, classes and conferences specifically related to the Commercial Cannabis Industry"

- The applicants will send appropriate employees and owners to meetings, seminars and conferences provided by the State of California, County of El Dorado, and the City of Placerville
- **Point of Concern:** The plan does not include any written human resources policies or procedures or training manuals. The plan lacks specific details.
- All sections of Phase II and the required sections for Phase III are also included in the “Phase III” section of the application.