

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

City of Sutter Creek
18 Main Street
Sutter Creek, CA 95685

Attention: City Clerk

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

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into as of September 21, 2026 (the "Execution Date"), by and between the City of Sutter Creek, a California municipal corporation ("City") and Sutter Creek Responsible and Compliant Retail LLC ("Permittee"). City and Permittee are sometimes referenced together herein as the "Parties." In instances when a provision hereof applies to each of the Parties individually, either may be referenced as a "Party." The Parties hereby jointly render the following statement as to the background facts and circumstances underlying this Agreement.

RECITALS

- A. The State of California enacted California Government Code sections 65864 et seq. ("Development Agreement Statutes") to authorize municipalities to enter into development agreements with those having a legal or equitable interest in real property to strengthen the public planning process, encourage private participation in comprehensive planning, and reduce the economic risk of development in connection with the development of real property within their jurisdiction.
- B. The purpose of the Development Agreement Statutes is to authorize municipalities, in their discretion, to establish certain development rights in real property for a period of years regardless of intervening changes in land use regulations, to vest certain rights, and to meet certain public purposes of the local government.
- C. As authorized by the Development Agreement Statutes, the City has adopted Section 17.40, et seq., of the City's municipal code (the "Municipal Code") establishing the procedures and requirements for the consideration of development agreements with the City.
- D. Permittee currently owns legal or equitable interest in real property considered in this Agreement, located at 11 Ridge Rd., Sutter Creek, CA 95685, in the City of Sutter Creek,

County of Amador, State of California (the “Site”). The Site includes Assessor’s Parcel Number: 044-020-063, as is more fully described in **Exhibit A** and shown on the map in **Exhibit B**, both exhibits being attached hereto and incorporated herein by this reference.

- E. On September 18, 2017, the City Council adopted Ordinance No. 365 §2, 2017 prohibiting all marijuana uses in the City to the extent allowed under California law, with an exception for an individual who desires to grow up to six (6) marijuana plants at their private residence (the “Cannabis Ordinance”).
- F. On November 8, 2016, California voters approved Proposition 64, titled the “Adult Use of Marijuana Act” (the “AUMA”) and enacted a state statutory scheme legalizing, controlling, and regulating the cultivation, processing, manufacturing, distribution, testing, and sale of nonmedical (“adult-use“ or “recreational”) cannabis, including cannabis products, for use by adults twenty-one (21) years of age and older.
- G. On June 27, 2017, Governor Brown signed Senate Bill 94, the “Medicinal and Adult- Use Cannabis Regulation and Safety Act” (“SB 94” or the “MAUCRSA”). SB 94 creates one state regulatory structure for medical and adult-use cannabis use and commercial cannabis activities, reconciling AUMA, with Proposition 215 and MAUCRSA. SB 94 continues to provide that a state license will not be approved for a business to engage in Commercial Cannabis Activity if the business activity violates any local ordinance or regulation.
- H. The City Council adopted \ Ordinance No. 383 Amending Municipal Code Sections 18.60.020, 18.60.030, and 18.60.040, on September 21, 2026, modifying the City Zoning Code to allow a single commercial cannabis retail business in the City, such that any proposed commercial cannabis retail business must have an Agreement and a business permit prior to operation. On September 21, 2026, the City Council further adopted Ordinance No. 384 amending the Cannabis Ordinance to authorize a single retail cannabis dispensary subject to the issuance of a conditional use permit and approval of a development agreement.
- I. In adopting the Municipal Code amendment authorizing a single commercial cannabis retail business, the City Council determined, as a legislative matter and in the exercise of its authority under Business and Professions Code section 26200 and the City’s police power, that authorizing one commercial cannabis retailer is appropriate for the City at this time in light of the City’s limited population, its limited law-enforcement and code-enforcement resources, and the City’s interest in evaluating the operation of a single retailer through a review period before determining whether to authorize additional retailers. This limitation is a general regulatory limit on the number of retail permits, applicable without regard to the residency or principal place of business of any applicant; it does not confer any exclusive right, franchise, or monopoly on any person; and it does not foreclose the City from authorizing additional retail permits following a review period. This Agreement implements that regulatory framework as to the single authorized permit and does not itself establish the numerical limit.
- J. Presently, Permittee intends to utilize the Site for the sale of cannabis. Permittee is an authorized corporation as allowed by law duly formed under California law for the purpose of commercial cannabis sales (“Commercial Cannabis Activity”). Such Commercial Cannabis Activity facilities shall operate in accordance with the California State

Compassionate Use Act (Health & Saf.Code, § 11362.5) (“CUA”), the Medical Marijuana Program Act (Health & Saf. Code, §§ 11362.7 et seq.) (“MMP”), the Control, Regulate and Tax Adult Use of Marijuana Act of 2016 (“AUMA”), and the Medicinal and Adult Use Regulation and Safety Act (“MAUCRSA”), Ordinance No. 365 §2, 2017 and regulations promulgated thereunder, and any additional California state law related to Commercial Cannabis Activity (collectively “State Cannabis Law”). Prior to operating a Commercial Cannabis Activity facility, Permittee shall be required to obtain a business permit from City pursuant to City ordinance.

- K. Permittee shall obtain all required state licenses issued under State Cannabis Law.
- L. Pursuant to the California Environmental Quality Act ("CEQA") (Public Resources Code §21000 et seq.) and the State CEQA Guidelines (Cal. Code Regs ,tit. 14, §15000 et seq.), the whole of the Project, including the Development Agreement, has been reviewed and found to be categorically exempt from CEQA on two independent grounds: (a) State CEQA Guidelines section 15301 (Existing Facilities), because the Project involves the minor alteration of an existing commercial structure, with no expansion of the building and no more than a negligible change in the nature or degree of the existing or former use; and (b) State CEQA Guidelines section 15061, subdivision (b)(3) (the common-sense exemption), because it can be seen with certainty that there is no possibility the Project will have a significant effect on the physical environment. The City Council has further found that no exception under State CEQA Guidelines section 15300.2 applies, including the ‘unusual circumstances’ exception, and that the comments and materials submitted in opposition do not constitute substantial evidence of a significant physical environmental effect. A Notice of Exemption will be filed upon approval of this Agreement.
- M. Permittee presently intends to develop and open a commercial cannabis facility on the Site consistent with State Cannabis Law, all other applicable California law, and Project approvals (known as the “Project”).
- N. The Project will include commercial retail cannabis sales to individuals under State Cannabis Law at the Project Site.
- O. Project Description. The Project will consist of the reuse of an existing building of approximately 2,662 square feet with parking for 17 vehicles. The Project is designed to integrate seamlessly into the City’s General Plan, and any applicable master plan, public financing plan, specific plan, and special purpose plan for Project Site.
- P. City and Permittee have agreed that, as a condition of the City’s approval of the Project and the land use entitlements granted herein, and as negotiated consideration for the vested rights and regulatory services described in this Agreement, Permittee shall pay to the City a Retail Fee of eight percent (8%) of the gross receipts of Permittee’s commercial cannabis retail sales, as hereinafter defined. The Retail Fee is a charge imposed as a condition of property development within the meaning of Article XIII C, section 1, subdivision (e)(6) of the California Constitution, and is not imposed for general revenue purposes.
- Q. The Parties acknowledge and agree that the Retail Fee and the Community Fund contribution provided for in this Agreement are negotiated contractual consideration and charges imposed as a condition of property development, and are not taxes. The primary

purpose of these charges is to support the City's regulation of commercial cannabis activity and to compensate the City for the vested rights and regulatory services conferred under this Agreement, and not to raise general revenue. Commercial cannabis retail generates regulatory, code-enforcement, monitoring, inspection, law-enforcement- coordination, and public-safety burdens on the City that increase with the volume of Permittee's activity, and a charge measured as a percentage of gross receipts bears a fair and reasonable relationship to those burdens and to the benefits conferred on Permittee. To the extent any portion of these charges were determined to be a tax, the Parties intend that it qualify for an applicable exception under Article XIII C, section 1, subdivision (e).

- R. City has given public notice of its intention to adopt this Agreement and has conducted public hearings thereon pursuant to California Government Code section 65867 and Municipal Code Section 17.40.040. City has found that the provisions of this Agreement and its purposes are consistent with the objectives, policies, general land uses and programs specified in City's General Plan, zoning code, and municipal ordinances.
- S. City, in entering into this Agreement, acknowledges that certain City obligations hereby assumed shall survive beyond the terms of the present City Council members, that this Agreement will serve to bind City and future City Councils to the obligations hereby undertaken, and that this Agreement shall limit the future exercise of certain governmental and proprietary powers of City. By approving this Agreement, the City Council has elected to exercise certain governmental powers at the time of entering into this Agreement rather than defer its actions to some undetermined future date. The terms and conditions of this Agreement have undergone extensive review by City staff, the Planning Commission, and the City Council and have been found to be fair, just and reasonable. City has concluded that the pursuit of the Project will serve the best interests of its citizens and that the public health, safety, and welfare are best served by entering into this Agreement. Permittee has represented to City that it would not consider or engage in the Project absent City approving this Agreement; *i.e.*, assuring Permittee that it will enjoy the development rights given in this Agreement. The City Council specifically finds that this Agreement satisfies each and every one of the required findings in Municipal Code Section 17.40.050.
- T. The City agrees that Permittee's land use entitlements for the Project shall vest for the term of this Agreement as described below, including, but not limited to, the right to commercial cannabis retail sales and related development in compliance with State Cannabis Law and local ordinances.
- U. After conducting a duly noticed hearing on August 17, 2026, in conjunction with Section 17.40.040 of the City's Municipal Code, the Planning Commission of the City reviewed, considered, and approved Resolution No. 26-27-01 recommending approval of the Project to the City Council. The Planning Commission found the Project consistent with the objectives, policies, general land uses and programs specified in the general plan; compatible with the uses authorized in the Commercial zone; is in conformity with the public necessity, public convenience, general welfare and good land use practices; will not be detrimental to the health, safety and general welfare of the city; will not adversely affect the orderly development of property or the preservation of property values; and will have a positive fiscal impact on the City.

- V. After conducting a duly noticed hearing on August 17, 2026, in conjunction with Section 17.40.040 of the City's Municipal Code, and after independent review and consideration, the City Council approved the execution of this Agreement. The City Council found the Project consistent with the objectives, policies, general land uses and programs specified in the general plan; compatible with the uses authorized in the Commercial zone; is in conformity with good land use practices; will not be detrimental to the health, safety and general welfare of the City; and is in the best interest of the City of Sutter Creek and its residents.

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

1. Binding Effect of Agreement. The Parties agree that the Recitals above are true and correct and intend to be bound by the same; the Parties further agree to the incorporation by reference herein of said Recitals, together with all definitions provided and exhibits referenced therein. This Agreement pertains to the Site as described in **Exhibit A** and shown in **Exhibit B**. Except as otherwise provided in Section 14 of this Agreement, the burdens of this Agreement are binding upon the Permittee. In order to provide continued notice thereof, the Parties will record this Agreement with the Amador County Recorder. Should the size or orientation of any Site component specified above be changed in minor respects, e.g., changed by a lot line adjustment, this Agreement shall not thereby be deemed to have been affected or invalidated, but the rights and obligations of the Parties shall remain as provided herein.

2. Relationship of the Parties. It is hereby specifically understood and acknowledged that the Project is a private project and that neither City nor Permittee will be deemed to be the agent of the other for any purpose whatsoever. City and Permittee hereby renounce the existence of any form of joint venture or partnership between or among them and agree that nothing contained herein or in any document executed in connection herewith shall be construed as making City and Permittee joint venturers or partners.

3. Term. Except as otherwise specified herein, the initial term of this Agreement (the "Term") shall be for five (5) years from the Execution Date. The Term shall generally be subject to earlier termination or extension as hereinafter provided.

3.1 Term Extension. This Agreement shall be subject to any number of five (5) year extensions as provided in this Agreement. The City Manager is authorized to enter into the term extensions after conducting a periodic review in accordance with Government Code section 65865.1. If, on the basis of substantial evidence, the Permittee demonstrates to have complied in good faith with the terms and conditions of this Agreement, the Parties shall enter into a written extension signed by both Parties.

3.1.1 Litigation. Any third party-initiated litigation that arises from or is related to any City action or omission with respect to this Agreement or any subsequent City approval required in connection with the Project's development, or third party initiated litigation having the actual effect of delaying the Project's development. This extension period related hereto shall include any time during which appeals may be filed or are pending.

3.1.2 Government Agencies. Any delay arising from or related to the

act(s) or omission(s) of any third party governmental agency, quasi-public entity or public utility, and beyond the reasonable control of Permittee.

3.1.3 Force Majeure. Any delay resulting from riot, war, acts of terrorism, an event during the Term creating radioactive or toxic/hazardous contamination, a catastrophic earthquake, flood, fire or other physical natural disaster, excluding weather conditions regardless of severity, strikes or industrial disputes at national level affecting development involved personnel not employed by Permittee, its subcontractors or suppliers and effecting an essential portion of the Project's development, excluding any industrial dispute that is specific to development taking place as a part of the Project.

3.2 Term Extensions. The Term of this Agreement may be extended in either of the following ways:

3.2.1 Request of Permittee. This Agreement's Term shall be extended for additional five (5) year periods following the expiration of the initial Term upon the occurrence of all of the following:

3.2.1.1 Written Notice. Permittee shall give written notice to City of a request for the Term Extension no later than one hundred twenty (120) calendar days before the expiration of the Term; and

3.2.1.2 No Default by Permittee. Permittee shall not be in default with respect to any material provision of this Agreement or any subsequent agreement or understanding between the Parties arising from or related to this Agreement, having received notice from City of said default per this Agreement, or if Permittee did in fact default as to this Agreement, upon notice from City, that Permittee did cure said default during the period to cure provided herein to City's reasonable satisfaction.

3.2.1.3 Periodic Review. Within the 120-day period provided by Section 3.1., the City Manager shall ensure the completion of the periodic review required by Section 3.1 and, upon the demonstration of substantial evidence to support the extension, the City Manager shall execute the extension for the City.

3.3 Default and Termination for Cause. Without prejudice to its other remedies at law or in equity, the City may terminate this Agreement for cause within thirty (30) days' written notice to Permittee in the manner provided in Section 22. Cause as used in this section is defined as:

3.3.1 Failure to materially comply with the terms of the City of Sutter Creek Permits issued to Permittee by City;

3.3.2 Failure of Permittee to maintain a valid active City of Sutter Creek Business License;

3.3.3 Failure by Permittee to accurately report gross receipts information or other data necessary for City to calculate/confirm operating or development agreement fees (e.g., retail fee);

3.3.4 Failure by Permittee to pay operating agreement fees and

related reimbursement costs within thirty (30) days of the date those fees are due;

3.3.5 Failure by Permittee to cooperate with City or City's authorized agents in any inspection, examination and audit of Permittee's commercial cannabis business books and records (including tax filings and returns).

3.3.6 Permittee's conditional use permit is revoked by City or is not renewed by City, or

3.3.7 Permittee transfers its Permit in violation of Paragraph 44 of this agreement.

3.4 Cure Period. Permittee shall cure the default resulting from the cause for termination within thirty (30) days of the date of the notice of termination. If Permittee fails to cure the default within thirty (30) days of the date of the notice of termination for cause, this Agreement will be terminated. If the default is of a nature that cannot reasonably be cured within thirty (30) days, Permittee shall not be in default if Permittee: (i) commences cure within the initial thirty (30) day period; (ii) diligently pursues cure to completion; and (iii) completes cure within ninety (90) days of the original notice of default. A default that is timely cured within the Cure Period shall be deemed fully cured and shall not constitute grounds for termination. This Agreement shall continue in full force and effect as if the default had not occurred.

3.4.1 If Permittee disputes in good faith that a default has occurred under Section 3.3 of this Agreement, Permittee shall provide written notice of such dispute to City within fifteen (15) days of receipt of the notice of default. The Cure Period shall be tolled during the pendency of any dispute resolution process, and City shall not terminate this Agreement while such dispute is pending.

3.5 License Compliance Review. No later than ninety (90) days following the first anniversary of the date Permittee opens the Project to the public, the City Manager shall conduct a License Compliance Review ("Compliance Review") to assess Permittee's compliance with the terms and conditions of this Agreement and all applicable City of Sutter Creek Permits. If, on the basis of substantial evidence, Permittee demonstrates to the City Manager that it has complied in good faith with the material terms and conditions of this Agreement, including but not limited to: (i) timely payment of Retail Fees; (ii) accurate submission of Certified Reports; (iii) maintenance of required state and local licenses and permits; (iv) compliance with the Security Plan and Good Neighbor obligations; and (v) satisfaction of Community Benefit obligations under Sections 8.4 and 8.5 of this Agreement; then the City Manager shall issue a written finding of compliance ("Compliance Finding") within thirty (30) days of the conclusion of the Compliance Review. If the City Manager determines, on the basis of substantial evidence, that Permittee has not complied in good faith with a material term or condition of this Agreement, the City Manager shall issue a written finding of non-compliance identifying: the specific provision(s) with which Permittee has failed to comply. A finding of non-compliance pursuant to this Section shall constitute a notice of default under Section 3.3 of this Agreement, subject to any applicable cure periods.

3.6 Termination of Agreement. Upon the termination of this Agreement, either by expiration or otherwise, Permittee shall have no right to engage in Commercial Cannabis Activity at the Project Site, except as may otherwise be allowed by City ordinance or

law. Any such termination shall not relieve Permittee of any outstanding or previously incurred liability, payment or obligation to the City. All fees due between the Parties shall immediately be due and payable.

4. Defined Terms. As used in this Agreement, the following terms shall have the meanings hereinafter set forth:

4.1 Certified Report. "Certified Report" shall mean a detailed document prepared by Permittee on a form acceptable to the City's Finance Supervisor to report to City of the sales by Permittee, as defined herein, in the Project during each Operational Quarter, as defined herein. Each Certified Report shall be certified as true and correct by a duly-authorized officer of Permittee. City may also require certification by Permittee.

4.2 Certification of Non-Income Tax Exemption. Permittee certifies that Permittee is not income tax exempt under State or Federal Law and that Permittee will not file for such an exemption from the Internal Revenue Service or the Franchise Tax Board. The Permittee will also require all tenant(s) to certify that tenant(s) are not income tax exempt under State or Federal Law and will not file for such an exemption.

4.3 Gross Receipts. Except as otherwise specifically provided, means the total amount actually received or receivable from all sales and transfers; the total amount of compensation actually received or receivable for the performance of any act or service, of whatever nature it may be, for which a charge is made or credit allowed, whether or not such act or service is done as a part of or in connection with the sale of. materials, goods, wares or merchandise; and discounts, gifts, rents, royalties, fees, commissions, dividends, and gains realized from trading in stocks 'or bonds, however designated. Included in "gross receipts" shall be all receipts, cash, credits and property of any kind or nature, without any deduction therefrom on account of the cost of the property sold, the cost of materials used, labor or service costs, interest paid or payable, or losses or other expenses whatsoever, except that the following shall be excluded therefrom.

4.3.1 Cash discounts where allowed and taken on sales;

4.3.2 Credit allowed on property accepted as part of the purchase price and which property may later be sold, at which time the sales price shall be included as gross receipts;

4.3.3 Any tax required by law to be included in or added to the purchase price and collected from the consumer or purchaser;

4.3.4 Such part of the sale price of any property returned by purchasers to the seller as refunded by the seller by way of cash or credit allowances or return of refundable deposits previously included in gross receipts;

4.3.5 Receipts derived from the occasional sale of used, obsolete or surplus trade fixtures, machinery or other equipment used by the taxpayer in the regular course of the taxpayer's business;

4.3.6 Receipts derived from convenience fees charged for ATM or cashless ATM services;

4.3.7 Receipts of refundable deposits, except that such deposits when forfeited and taken into income of the business shall not be excluded when in excess of one dollar; and

4.3.8 Retail sales of non-cannabis products, such as t-shirts, sweaters, hats, stickers, key chains, bags, books, posters, rolling papers, cannabis accessories such as pipes, pipe screens, vape pen batteries (without cannabis) or other personal tangible property.

4.4 Operational Quarter. “Operational Quarter” shall mean any calendar quarter, or portion of a calendar quarter, during which any Gross Receipts of the Project is produced, as defined herein. The calendar quarters shall begin and end as follows: January 1 through March 31; April 1 through June 30; July 1 through September 30; and October 1 through December 31.

4.5 Land Use Regulations. “Land Use Regulations” shall mean all ordinances, resolutions, codes, rules, regulations and official policies of the City governing the development and use of land, including, without limitation, the permitted use of land, the density or intensity of use, subdivision requirements, timing and phasing of development, the maximum height and size of buildings, the provisions for reservation or dedication of land for public purposes, and the design, improvement and construction and initial occupancy standards and specifications applicable to the Project. “Land Use Regulations” do not include any City ordinance, resolution, code, rule, regulation or official policy governing:

4.5.1 The conduct or taxation of businesses, professions, and occupations applicable to all businesses, professions, and occupations in the City;

4.5.2 Other than as provided in this Agreement, taxes and assessments of general application upon all residents of the City, provided that the taxes and assessments are not imposed for the purpose of taxing the right, power or privilege of developing or improving land (e.g., excise tax) or to directly finance the acquisition or dedication of open space or any other public improvement in respect of which the Permittee is paying any fee or providing any improvement pursuant to this Agreement;

4.5.3 The control and abatement of nuisances;

4.5.4 The granting of encroachment permits and the conveyance of rights and interests which provides for the use of, access to or the entry upon public property, as may be approved by mutual agreement between Permittee and City; and

4.5.5 The exercise of the power of eminent domain.

4.6 Existing Land Use Regulations. “Existing Land Use Regulations” means all Land Use Regulations in effect as of the approval date of this Agreement, including the Project approvals.

4.7 Retail Fee. Shall mean eight percent (8%) of Gross Receipts due to the City at the end of each Operational Quarter. In the event the City enacts or increases a voter-approved cannabis excise or business tax applicable to Permittee’s operations at the Project Site during the Term, the Retail Fee due under this Agreement for each applicable Operational Quarter shall be reduced by the amount of such voter-approved tax paid by Permittee for that quarter, provided that the Retail Fee shall not be reduced below zero. The Parties shall execute

a written amendment memorializing any such reduction within thirty (30) days of the effective date of the applicable voter-approved tax.

5. Annual State Retail License; Background Checks.

5.1 Permittee shall be required to receive and maintain in good standing its state cannabis retail license issued by the Department of Cannabis Control (or successor agency) as a condition to operating, and any lapse or failure by Permittee to do so shall be deemed to be a default under this Agreement.

5.2 All of Permittee's "owners" (as defined under Cal. Code Regs. Tit. 4, § 15003), "financial interest holders" (as defined under Cal. Code Regs. Tit. 4, § 15004), and employees shall be disclosed to the City. All such owners, financial interest holders, and employees shall be subject to all applicable requirements and qualifications under State Cannabis Laws.

6. Fee Payments.

6.1.1 Fee Payments. In consideration of City's entering into this Agreement and, as a condition of the City's approval of the Project and the land use entitlements granted herein, including: (i) the vested rights to develop and operate the Project during the Term; (ii) City's ongoing cannabis permitting review and administration; (iii) annual compliance monitoring and periodic review pursuant to Government Code § 65865.1; (iv) law enforcement coordination and surveillance access administration; (v) community benefits program oversight; (vi) ALPR program administration; and (vii) all other City regulatory services and oversight required under this Agreement, State Cannabis Laws, and the City's municipal ordinances throughout the Term of this Agreement, the following payments shall be made to City:

6.1.2 Eight percent (8%) of Gross Receipts for operations from the Commercial Cannabis Activity of the storefront retail operations, to be paid quarterly. Retail Fees shall be **paid to** the City within thirty (30) calendar days following the end of each Operational Quarter, concurrent with submission of the Certified Report required under Section 7.1. Any Retail Fee not received by the City within thirty (30) calendar days following the end of the applicable Operational Quarter shall be deemed delinquent, and a penalty equal to twenty-five percent (25%) of the total delinquent amount shall be immediately due and payable.

6.1.3 The Parties acknowledge that the foregoing payments are negotiated consideration and a charge imposed as a condition of property development, are reasonably related to the City's regulatory burdens and to the benefits conferred on Permittee, and are not imposed for general revenue purposes.

7. Payment Procedures. The following procedures shall apply during the operation of the Project:

7.1 Remittance of Retail Fees/Certified Reports. Within thirty (30) calendar days following the end of each Operational Quarter during the Term of this Agreement, commencing with the first Operational Quarter in which the Project has commenced, Permittee shall submit the Certified Report to the City's Finance Director together with payment of the

Retail Fees for that Operational Quarter as identified in the Certified Report. Permittee shall pay Retail Fees to City on a quarterly basis without exception. Any material misstatement or misrepresentation in the Certified Report and any failure to pay Retail Fees when due shall constitute events of default by Permittee subject to the default provisions of this Agreement.

7.2 Maintenance of Records. Permittee shall maintain complete records of its operations to substantiate and document the content of each Certified Report. Such records shall include, without limitation, invoices and payments taken by Permittee and/or any operator of the commercial cannabis facility. Permittee shall maintain such records in a form and location reasonably accessible to City, following reasonable notice to Permittee, for a period of at least five (5) calendar years following Permittee's submission of the Certified Report to which the records apply.

7.3 Audit. The City may conduct an audit or arrange for a third-party independent audit, at Permittee's expense, of Permittee records regarding Certified Reports and the Gross Receipts, at the sole discretion of the City. Such audit would not occur more than once in one calendar year. The City's Finance Director shall provide at least seven (7) business days written notice of the commencement of such audit to Permittee and shall reasonably attempt to schedule the audit so as to reduce the impact on Permittee operations as much as is feasible. Permittee shall cooperate with the City in completing the audit. If the audit reveals that Permittee has underpaid the payment due at the end of any Operational Quarter, Permittee shall pay such underpaid amounts to the City within thirty (30) calendar days of receipt of written notice from the City's Finance Director. If the underpaid amount is more than five percent (5%) of the amount due, Permittee shall pay a penalty of an additional five percent (5%) of Gross Receipts for first time underpayment and an additional fifteen percent (15%) of Gross Receipts for any subsequent violations of the payment due at the end of the Operational Quarter. If the audit reveals that the Permittee has overpaid any amount of the Gross Receipts, City shall provide written notification to Permittee and shall credit such amount against Permittee's subsequent quarterly payments of Gross Receipts until the overpaid amount has been resolved.

7.4 Site Inspection. From time to time, the City has the right to inspect the Facility for the purpose of monitoring operations, checking quantities and verifying volumes of product during operating hours or any time deemed appropriate to insure accurate reporting. The City must give notice at least forty-eight (48) hours in advance of any inspection.

8. Covenants of Permittee. During the Term of this Agreement, Permittee hereby covenants and agrees with the City as follows:

8.1 Implementation. Permittee shall use commercial reasonable efforts to pursue the implementation of the Project as expeditiously as feasible, in the form approved by the City, subject to all applicable laws, this Agreement, the business permit, and the Municipal Code.

8.2 Maintain & Operate Project. Permittee shall maintain and operate the Project on the Site, throughout the Term of this Agreement, in accordance with the Project approvals and all City, State and Federal laws.

8.3 Operating Hours. Permittee shall operate the Project only during the hours agreed to within the business plan attached to this agreement, and in no case will exceed hours permitted under State Cannabis Law,.

8.4 Community Benefits. Permittee shall pay one percent (1%) of Gross Receipts into a community benefits fund (the “Community Fund”), for the benefit of the City and its residents. The Community Fund shall be governed and administered by a Community Advisory Board (“CAB”) established and maintained by Permittee in accordance with Section 8.5 of this Agreement. All allocations from the Community Fund shall be made for public purposes benefiting the City and its residents, consistent with written allocation criteria provided in advance to the City Manager. Permittee shall provide the City Manager with an annual written report of all Community Fund receipts and allocations, due by January 31 of each calendar year, which report shall be a public record. The Community Fund shall not be used for the private benefit of Permittee or its owners, officers, or affiliates.

8.5 Community Advisory Board. Permittee shall establish and maintain a three person Community Advisory Board (“CAB”) consisting of at least two (2) members who reside within the City of Sutter Creek and one (1) member who works within the City of Sutter Creek. The CAB shall meet no fewer than four (4) times per calendar year. The CAB shall have authority to direct all allocations from the Community Fund required under Section 8.4 of this Agreement. Permittee shall provide the City Manager with a written list of current CAB members by January 31 of each calendar year and shall invite City representatives to participate in each CAB meeting in a non-voting, advisory capacity. For the avoidance of doubt, a vacancy on the CAB shall not constitute a default under this Agreement. Permittee shall have sixty (60) days from the date the vacancy arises to appoint a replacement member.

8.6 Youth Drug Education and Prevention. Within six (6) months of the date Permittee first opens the Project to the public, Permittee shall fund and implement a youth drug education and prevention program using a curriculum recognized by the California Department of Education or a comparable accredited national evidence-based program. Permittee shall use commercially reasonable efforts to partner with at least one locally based youth-serving organization in delivering such program. Permittee shall provide the City Manager with an annual written summary of program activities and total expenditures, due by January 31 of each calendar year.

8.7 Local Hiring. Permittee shall use reasonable best efforts to recruit and hire 100% of the employees from within the City of Sutter Creek and Amador County. In filling open positions, Permittee’s recruitment process shall prioritize, in order: (i) qualified applicants residing within a five (5) mile radius of the Project Site; (ii) all other qualified residents of the City of Sutter Creek; and (iii) qualified residents of Amador County. Prior to the date Permittee first opens the Project to the public, Permittee shall conduct at least one community job fair at a location within Sutter Creek and shall post all open positions through at least one locally distributed media outlet. Permittee shall provide the City Manager with an annual written report by January 31 of each calendar year summarizing the number of employees hired during the preceding calendar year and the ZIP codes of their primary residence at the time of hire. Sutter Creek PD requires a Livescan for all Permittee employees

8.8 Window Design Standards. Permittee shall maintain clear, unobstructed windows in all areas of the Project premises where no commercial cannabis activity occurs. In areas where cannabis products, transactions, or displayed inventory would otherwise be visible from the public right-of-way, Permittee shall apply a frosted or opaque window treatment from floor level to a height of five (5) feet above finished floor. Permittee shall maintain all window treatments in good condition throughout the Term of this Agreement. Any material change to

the window design shall require prior written approval from the City Manager, which shall not be unreasonably withheld.

8.9 Law Enforcement Surveillance Access. Permittee shall provide the Sutter Creek Police Department (“SCPD”) with secure, real-time, read-only remote access to video surveillance cameras required to be maintained at the Project premises under State Cannabis Law. Permittee shall establish such access prior to the date Permittee first opens the Project to the public and shall maintain such access in good working order throughout the Term of this Agreement. In the event of any technical failure disrupting SCPD access, Permittee shall restore access within seventy-two (72) hours of written notice from the City. Permittee shall cooperate with all law enforcement requests for surveillance footage and still images within twenty-four (24) hours of any such request.

8.10 The Permittee shall immediately notify the Sutter Creek Police Department of any criminal activity, or suspected criminal activity, occurring at the Subject Property. In the event of any internal security system breach, including a faulty alarm system, broken or damaged surveillance cameras or other videorecording equipment, or broken or damaged locks, doors, or lighting which may increase risk of criminal activity at the Subject Property, the Manager of the Permittee shall notify the City Police Department as soon as practicable after becoming aware of the security system breach. The Permittee shall diligently attempt to fix or resolve any such security breach immediately; if circumstances require additional time and delay to remedy, the Permittee shall so notify the City Police Department and provide an estimated timeline the security breach will be secured.

8.11 Reserved.

8.12 Security Plan. Prior to opening the Project to the public, Permittee shall file a written Security Plan with the City Manager detailing Permittee’s security staffing, surveillance equipment specifications, alarm systems, access control measures, and cash handling procedures. Any material modification to the Security Plan that reduces security staffing levels or reduces surveillance coverage shall require prior written approval from the City Manager. Permittee shall conduct an annual review of the Security Plan and provide a written summary of any changes to the City Manager due by January 31 of each calendar year. For purposes of this Section, “material modification” means any change that reduces the number of security personnel on duty during operating hours by more than twenty-five percent (25%) from the levels set forth in the then-current Security Plan, or that eliminates coverage of any entrance, exit, or cannabis or currency storage area by the surveillance system.

8.13 Good Neighbor Obligations.

8.13.1 Community Hotline. Prior to the date Permittee first opens the Project to the public, Permittee shall establish a dedicated telephone number for community communications regarding the Project (the “Community Hotline”). Permittee shall post the Community Hotline number conspicuously at the entrance to the premises and shall provide the number in writing to all property owners and occupants of record within one thousand (1,000) feet of the Project Site. A designated manager shall be responsible for receiving and logging all Community Hotline communications. Permittee shall maintain a written log of all

Community Hotline calls and shall retain such logs for no fewer than three (3) years. Permittee shall make the Community Hotline logs available to the City Manager within five (5) business days of written request.

8.13.2 Complaint Response Protocol. Permittee shall adopt and maintain a written complaint response protocol addressing noise, odor, litter, traffic, parking, loitering, and public consumption issues. The protocol shall require: (i) documentation of each complaint received, including date, time, nature of complaint, and contact information if provided; (ii) written or verbal response to the complainant within forty-eight (48) hours of receipt; (iii) documented resolution of the complaint; and (iv) implementation of corrective measures to prevent recurrence where feasible. Permittee shall provide a written summary of complaints received and resolutions reached to the City Manager within five (5) business days of written request.

8.13.3 Pre-Opening Neighbor Notification. Prior to the date Permittee first opens the Project to the public, Permittee shall provide the name, direct telephone number, and email address of the Project's designated on-site general manager to all property owners and occupants of record within one thousand (1,000) feet of the Project Site. Permittee shall provide updated contact information to such neighbors within thirty (30) days of any change in the designated contact person.

8.13.4 Graffiti on the property will be removed within 48 hours of discovery or notification, whichever is earlier.

8.13.5 In addition to responding to written requests within the specified time frame, Permittee will provide a monthly Good Neighbor Report that includes hotline calls and resolutions, complaint log and resolutions, and banned individual list.

8.14 Permittee agrees to comply with requirements found in **Exhibits C to H** to this agreement including Business Plan, Labor and Employment plan, Neighborhood compatibility plan, Security plan, Community Benefits plan, and Location plan.

8.15 No promotional messages will be visible outside of the building. Signage is limited to only what is approved in the Sign Permit.

8.16 The Parties acknowledge that, as of the Execution Date; the Project as proposed is consistent with the densities, building heights, setbacks, and lot sizes required by the Sutter Creek Municipal Code and that no new dedications of property or land for public use are required as a condition of this Agreement or the approvals granted hereunder.

9. Insurance and Indemnification.

9.1 Insurance Requirements. Permittee shall procure and maintain in full force and effect at all times during the Term of this Agreement, and any extensions thereof, policies of insurance issued by a carrier or carriers licensed and authorized to do business in the State of California, which: (A) are rated "A-VII" or better in Best's Key Rating Guide and financially sound on a current basis; (B) shall be primary and noncontributory with respect to City; (C) with respect to any liability policy, name City as an additional insured; and (D) include a waiver of

subrogation in favor of City. Permittee shall deliver to City certificates of insurance no later than thirty (30) days prior to opening the Project to the public. Upon City's request, Permittee shall deliver complete copies of any insurance policies required under this Agreement. Permittee shall be required to procure the following coverages:

9.1.1 statutory workers' compensation insurance as required by applicable law, together with employer's liability insurance with limits of not less than One Million Dollars (\$1,000,000) per accident, One Million Dollars (\$1,000,000) disease-policy limit, and One Million Dollars (\$1,000,000) disease-each employee;

9.1.2 commercial general liability insurance written on an occurrence basis, including, without limitation, premises/operations, broad-form property damage, personal injury and advertising injury, completed operations, products liability, independent contractors, fire legal liability, and assault-and-battery and security-services coverage, with limits of not less than Two Million Dollars (\$2,000,000) per occurrence and Five Million Dollars (\$5,000,000) general aggregate;

9.1.3 commercial automobile liability insurance covering owned, hired and non-owned vehicles used in connection with Permittee's business or operations at or relating to the Project, with limits of not less than One Million Dollars (\$1,000,000) combined single limit per accident;

9.1.4 products and completed-operations liability insurance specifically covering cannabis goods sold, dispensed or distributed by Permittee, with limits of not less than Two Million Dollars (\$2,000,000) per occurrence and Five Million Dollars (\$5,000,000) general aggregate; and

9.1.6 crime/employee dishonesty/on-premises and in-transit money and securities coverage in an amount not less than One Million Dollars (\$1,000,000) per occurrence.

9.2 Permittee shall defend (with Counsel reasonably approved by the City), indemnify, and hold harmless the City and its Council, boards and commissions, officers, officials, employees, and agents from and against any and all actual and alleged liabilities, demands, claims, losses, damages, injuries, actions or proceedings and costs and expenses incidental thereto (including costs of defense, settlement and attorney's fees), which arise out of, or which are in any way related to i) the business permit and any land use entitlement related thereto, ii) the proceedings undertaken in connection with the approval, denial, or appeal of the business permit and any land use entitlement related thereto, iii) any subsequent approvals or licensing/permits relating to the business permit and any land use entitlement related thereto, iv) the processing of the business permit and any land use entitlement related thereto, v) any amendments to the approvals for the business permit and any land use entitlement related thereto, vi) the City's approval, consideration, analysis, review, issuance, denial or appeal of the business permit; vii) the City's approval, consideration, analysis, review, issuance, denial or appeal of any land use entitlement related thereto, viii) the City's drafting, adoption and passage of an ordinance, and related resolutions, policies, rules and regulations, allowing for cannabis businesses, ix) the City's drafting, adoption and passage of an ordinance, and related resolutions if necessary in the future regarding any zoning law amendment(s) related to

Permittee, x) the operation of Project or activity, xi) the process used by the City in making its decision to approve, consider, analyze, review, issue, or deny, the business permit or any related land use entitlement, or the appeal of either, xii) City's compliance or failure to comply with applicable laws and regulations or xiii) the alleged violation of any federal, state or local laws by Permittee or any of its officers, employees or agents, except where such liability is caused by the sole negligence or willful misconduct of the City.

9.3 City may (but is not obligated to) defend such a challenge as City, in its sole discretion, determines appropriate, all at applicant's sole cost and expense. Permittee shall bear any and all losses, damages, injuries, liabilities, costs, and expenses (including, without limitation, staff time and in-house attorney's fees on a fully-loaded basis, attorney's fees for outside legal counsel, expert witness fees, court costs, and other litigation expenses) arising out of or related to any challenge ("Costs"), whether incurred by Permittee, City, or awarded to any third party, and shall pay to the City upon demand any Costs incurred by the City. The Permittee shall have the right, at its sole cost and expense, to participate in the defense of any such challenge with counsel of its choosing. The City shall reasonably cooperate with Permittee in coordinating the defense, including sharing relevant non-privileged information and consulting in good faith regarding strategy; provided, however, that the City shall retain sole control over the defense and settlement of the matter. Permittee shall have the right to intervene in any such proceeding as a party, to the extent permitted by applicable law. The City shall not unreasonably withhold, condition, or delay its consent to such intervention; provided that such intervention does not, in the City's reasonable determination, compromise its legal positions, defenses, or immunities.

9.4 The City may require that Permittee fund a deposit account ("Fund") to reimburse the City's cost, including attorney's fees, to defend any claim, action, or proceeding that is or may be subject to the agreement on limitations of City's liability, and certifications, assurances warranties, and indemnification to City. In the event that any such claim, action, or proceeding is filed against the City, City may require that Permittee, within 30 days of the filing, deposit an initial sum of \$25,000 to the Fund to reimburse my portion of the City defense costs, as determined by the City in its sole discretion. The Fund shall, once established, at all times contain an amount necessary to cover not less than three months' worth of budgeted expenditures by the City relating to the City's defense of the claim, action, or proceeding, including all time to appeal, or as long as expenditures made by the City relating to its defense remain unreimbursed, whichever is later. The City may, from time to time, in the City's sole and absolute discretion, request additional deposits from the Permittee to ensure the fund balance is adequate to defend any claim, action or proceeding, including appeals related thereto. Once all remaining and outstanding reimbursements have been paid to the City by Permittee, City shall return to Permittee any remaining unused portion of my deposit.

10. Hold Harmless.

10.1 Permittee hereby waives, releases, and holds harmless the City of Sutter Creek and its Council, boards and commissions, officers, officials, employees, and agents from any and all actual and alleged claims, losses, damages, injuries, liabilities, costs (including attorney's fees), suits or other expenses which arise out of, or which are in any way relate to my application for a business permit, the issuance of the business permit, the process used by the City in making its decision, the enforcement of the conditions of the business permit, or the cannabis business' operations.

10.2 Permittee hereby waives, releases and holds harmless the City and its Council, boards and commissions, officers, officials, employees, and agents from any and all actual and alleged claims, losses, damages, injuries, liabilities, costs (including attorney's fees), suits or other expenses which arise out of, or which are in any way relate to: (1) any repeal or amendment of any provision of the Sutter Creek Municipal Code or Zoning Ordinance relating to commercial cannabis activity; or (2) any investigation, arrest or prosecution of Permittee, operators, employees, clients or customers, for a violation of state or federal laws, rules or regulations relating to cannabis activities.

10.3 The provisions of this subsection shall survive the termination or expiration of this Agreement for any reason.

11. Covenants of City. During the Term of this Agreement, City hereby covenants and agrees with Permittee as follows:

11.1 Expeditious Services. City shall process applications and address questions and concerns raised by Permittee representatives at the "counter" at City Hall as expeditiously as reasonably possible. Upon Permittee's request, or if, in an exercise of City's own discretion, City staff determines that it cannot comply with this Section, City shall expeditiously engage the services of private contract planners, plan checkers or inspectors ("Private Contractors") to perform such services as may be necessary to assist in processing the project plans as described herein. Compensation of such Private Contractors shall be at Permittee's sole cost and expense, inclusive of any administrative cost to City of integrating services by Private Contractors into the project's development processing. Permittee shall pay such costs and expenses of Private Contractors via reimbursement to City, per City's applicable policies and procedures. City shall have absolute discretion in the selection of such Private Contractors.

11.2 Vested Rights. During the term of this Agreement, Permittee shall have the vested right and entitlement to develop and operate the Project in accordance with the Land Use Regulations, in addition to any operating standards found in the Municipal Code, which may be amended only to the minimum extent required to address an imminent and specifically identified public health or safety hazard, provided that: (i) the City Council adopts written findings identifying the specific hazard and the minimum amendment necessary to address it; (ii) Permittee receives at least thirty (30) days prior written notice of the proposed amendment and an opportunity to comment; and (iii) any such amendment does not materially impair Permittee's ability to operate the Project as authorized herein. Nothing in this Section shall limit the City's reserved powers under California Government Code § 65865.4.

11.3 Building Permits and Other Approvals and Permits. Subject to (a) Permittee's compliance with this Agreement, the Project approvals, and the Municipal Code; and (b) payment of the usual and customary fees and charges of general application charged for the processing of such applications, permits and certificates and for any utility connection, or similar fees and charges of general application, the City shall process and issue to Permittee promptly upon application therefore all necessary use permits, building permits, occupancy certificates, permits, licenses and other required permits for the construction, use and occupancy of the Project, or any portion thereof, as applied for, including connection to all utility systems under the City's jurisdiction and control (to the extent that such connections are physically feasible and that such utility systems are capable of adequately servicing the Project).

11.4 Procedures and Standards. The standards for granting or withholding permits or approvals required hereunder in connection with the development of the Project shall be governed as provided herein by the standards, terms and conditions of this Agreement and the Project approvals, and to the extent not inconsistent therewith, the Existing Land Use Ordinances, but the procedures for processing applications for such permits or approvals (including the usual and customary fees of general application charged for such processing) shall be governed by such ordinances and regulations as may then be applicable.

12. Effect of Agreement.

12.1 Grant of Right. This Agreement shall constitute a part of the Enacting Ordinance, as if incorporated by reference therein in full. The Parties acknowledge that this Agreement grants Permittee the right and entitlement to develop the Project and use the land pursuant to specified and known criteria and rules as set forth in the Project approvals and Existing Land Use Ordinances, and to grant the City and the residents of the City certain benefit which they otherwise would not receive.

12.2 Binding on City. This Agreement shall be binding upon the City and its successors in accordance with and subject to its terms and conditions, unless subsequent action is taken by the City, whether by ordinance or resolution of the City Council, by referendum, initiative, or otherwise. As long as the Development Agreement is in good standing, the Permittee shall have a right to a business permit.

12.3 Future Conflicting Local Laws. Notwithstanding any other provision of this Agreement, a conflicting City Law enacted after the Execution Date shall apply to the Project only if: (i) it is required by changes in State or Federal law; (ii) the City Council adopts written findings that the change is the minimum necessary to address an imminent and specifically identified threat to public health or safety; or (iii) it is agreed to in a written amendment signed by both Parties pursuant to Section 13.2 of this Agreement. The Parties acknowledge that the City's approval of this Agreement constitutes a legislative action subject to referendum; however, the Parties intend that the vested rights granted herein shall be enforceable against any subsequently enacted City Laws to the maximum extent permitted by California Government Code sections 65864 et seq.

13. Specific Criteria Applicable to Development of the Project.

13.1 Applicable Ordinances. Except as set forth in the Project approvals and subject to the provisions of Section 10.2 below, the Existing Land Use Ordinances shall govern the development of the Site hereunder and the granting or withholding of all permits or approvals required to develop the Site; provided, however, that (a) Permittee shall be subject to all changes in processing, inspection and plan-check fees and charges imposed by City in connection with the processing of applications for development and construction upon the Site so long as such fees and charges are of general application and are not imposed solely with respect to the Project Site, (b) Permittee shall abide by the California Building Standards Codes in effect at the time of such applications, and (c) development shall be consistent with current operating standards as set forth in the Municipal Code.

13.2 Amendment to Applicable Ordinances. Any change to the Existing Land

Use Ordinances that conflicts with the Project approvals shall nonetheless apply to the Project if, (i) it is determined by City and evidenced through findings adopted by the City Council that the change or provision is reasonably required in order to prevent a condition dangerous to the public health or safety; (ii) it is required by changes in State or Federal law; or (iii) it is otherwise expressly permitted by this Agreement.

14. Supersedure of Subsequent Laws or Judicial Action.

14.1 The provisions of this Agreement shall, to the extent feasible, be modified or suspended as may be necessary to comply with any new decision issued by a court of competent jurisdiction (a “Decision”), enacted or made after the Execution Date which prevents or precludes compliance with one or more provisions of this Agreement. Promptly after enactment of any such new Decision, the Parties shall meet and confer in good faith to determine the feasibility of any such modification or suspension based on the effect such modification or suspension would have on the purposes and intent of this Agreement. In addition, Permittee and City shall have the right to challenge the new Decision preventing compliance with the terms of this Agreement. In the event that such challenge is successful, this Agreement shall remain unmodified and in full force and effect, except that the Term shall be extended, in accordance with Section 3.1 above, for a period of time equal to the length of time the challenge was pursued, to the extent such challenge delayed the implementation of the Project.

14.2 The Parties recognize that California adopted, through ballot initiative, the AUMA and may adopt through initiative or legislative action other laws and regulations pertaining to either medical or adult use of cannabis. The Parties intend through this Agreement that Permittee shall have the right for retail sales of cannabis as allowed by current State Cannabis Law, pertaining to Commercial Cannabis Activity. To the extent the changes in California law change the legal process or structure by which cannabis retailers can or may operate (i.e. for-profit vs. non-profit entities, size of licensees, etc.), the Parties intend this Agreement to be flexible to allow such changes and may alter the procedures specified herein, or otherwise, as may be necessary.

15. CEQA. The City has reviewed the Project pursuant to the California Environmental Quality Act (“CEQA”) (Public Resources Code § 21000 et seq.) and the State CEQA Guidelines (Cal. Code Regs., tit. 14, § 15000 et seq.), and has determined that the Project, including this Development Agreement, is categorically exempt from CEQA on two independent grounds: (a) State CEQA Guidelines section 15301 (Existing Facilities), because the Project involves the minor alteration of an existing private commercial structure, with no expansion of the building and no more than a negligible change in the nature or degree of the existing or former use; and (b) State CEQA Guidelines section 15061, subdivision (b)(3) (the common-sense exemption), because it can be seen with certainty that there is no possibility the Project will have a significant effect on the physical environment. The City has further determined that no exception under State CEQA Guidelines section 15300.2 applies, including the ‘unusual circumstances’ exception, and that the materials submitted in opposition do not constitute substantial evidence of a significant physical environmental effect. A Notice of Exemption shall be filed with the County Clerk-Recorder upon City Council approval of this Agreement. No Initial Study, Negative Declaration, Mitigated Negative Declaration, or Environmental Impact Report is required for this Project.

16. Building Permits. Nothing set forth herein shall impair or interfere with the right of City to require the processing of building permits as required by law relating to any specific improvements proposed for the Project pursuant to the applicable provisions of the Municipal Code, inclusive of such California and international codes as have been adopted in accord therewith, that are in effect at the time such permits are applied for; provided, however, no such permit processing shall authorize or permit City to impose any condition on and/or withhold approval of any proposed improvement the result of which would be inconsistent with this Agreement.

17. Review for Compliance.

17.1 Periodic Review. Pursuant to California Government Code section 65865.1, City shall engage in an annual review of this Agreement, on or before the anniversary of the Execution Date, in order to ascertain Permittee's good faith compliance with its terms (the "Periodic Review"). In the event City fails to formally conduct such annual review, Permittee shall be deemed to be in full compliance with the Agreement.

18. Amendment or Cancellation. This Agreement may be amended or canceled in whole or in part only by mutual consent of the Parties or in the manner provided in California Government Code section 65865.1 or California Government Code section 65868.

19. Reserved.

20. Meet and Confer. Upon notice by one Party to another as to preemption or frustration of this Agreement by law or regulation, the Parties shall promptly meet and confer in good faith and make a reasonable attempt to modify or suspend this Agreement to comply with such applicable Federal or State law or regulation. If the Parties cannot agree on a manner or method to comply with such Federal or State law or regulation, the Parties may, but shall not be required to, engage in alternative dispute resolution.

21. Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be either personally delivered (which shall include delivery by means of professional overnight courier service which confirms receipt in writing [such as Federal Express or UPS]), sent by telecopier or facsimile ("Fax") machine capable of confirming transmission and receipt, or sent by certified or registered mail, return receipt requested, postage prepaid to the following parties at the following addresses or numbers:

If to City:

City of Sutter Creek
Attention: City Manager
18 Main Street
Sutter Creek, CA 95685

If to Permittee:

440 N Barranca Ave #8433
Covina, CA 91723
Attention: Legal Notices

With copy to:

Embarc 1125 I St
Sacramento, CA 95814
Attention : Legal Notices

Notices sent in accordance with this Section shall be deemed delivered upon the: (a) date of delivery as indicated on the written confirmation of delivery (if sent by overnight courier service); (b) date of actual receipt (if personally delivered by other means); (c) date of transmission (if sent by email or telecopier, so long as sender receives actual confirmation that the transmission was received); or (d) date of delivery as indicated on the return receipt (if sent by certified or registered mail, return receipt requested). Notice of change of address shall be given by written notice in the manner detailed in this Section.

22. Breach and Remedies. Notwithstanding any provision of this Agreement to the contrary, Permittee shall not be deemed to be in default under this Agreement with respect to any obligation owed solely to City, and City may not terminate or modify Permittee's rights under this Agreement, unless City shall have first delivered a written notice of any alleged default to Permittee that specifies the nature of such default. If such default is not cured by Permittee within thirty (30) calendar days after receipt of such notice of default, City may terminate Permittee's rights under this Agreement. In the event that a breach of this Agreement occurs, irreparable harm is likely to occur to the non-breaching Party and damages will be an inadequate remedy. To the extent permitted by law, therefore, it is expressly recognized that injunctive relief and specific enforcement of this Agreement are proper and desirable remedies, and it is agreed that any claim by Permittee against City for an alleged breach of this Agreement shall be remedied by injunctive relief or an appropriate action for specific enforcement of this Agreement and not by a claim or action for monetary damages.

23. Entire Agreement. This Agreement and the **Exhibits A through H** herein contain the entire integrated agreement among the Parties. The Parties intend that this Agreement state their agreement in full to each and every one of its provisions. Any prior agreements, understandings, promises, negotiations or representations respecting the matters dealt with herein or the duties of any Party in relation thereto, not expressly set forth in this Agreement, are agreed by all Parties to be null and void.

24. Severability. If any term, provision, condition, or covenant of this Agreement, or the application thereof to any Party or circumstance, shall to any extent be held invalid or unenforceable, the remainder of the instrument, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. Without limiting the foregoing provision, the Parties specifically agree that the Retail Fee (§ 4.7) and the Community Fund contribution (§ 8.5) are severable from the remainder of this Agreement. Permittee's vested rights and authority to develop and operate the Project constitute independent consideration supported by Permittee's covenants under this Agreement (including its operating, security, good-neighbor, and community-benefit obligations) and are not contingent upon the validity or payment of the Retail Fee or the Community Fund contribution. If the Retail Fee or the Community Fund contribution is held invalid or unenforceable by a final judgment, (i) that provision shall be severed and the remainder of this Agreement, including Permittee's rights to develop and operate the Project, shall continue in full force and effect, and (ii) the Parties shall negotiate in good faith a lawful, mutually acceptable replacement charge or

arrangement consistent with the court's ruling. The Parties intend that any challenge to the financial provisions of this Agreement shall not impair the continued operation of the Project.

25. Attorneys' Fees. In the event any Party hereto brings an action or proceeding for a declaration of the rights of the Parties, for injunctive relief, for an alleged breach or default, or any other action arising out of this Agreement, or the transactions contemplated hereby or institutes a reference or arbitration proceeding as may expressly be permitted by the terms of this Agreement, the prevailing Party in any such action shall be entitled to an award of actual attorneys' fees and costs incurred in such action or proceeding, without regard to any rule of court or schedule of such fees maintained by the court, in addition to any other damages or relief awarded, regardless of whether such action proceeds to final judgment.

26. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which constitute one and the same instrument.

27. Execution of Agreement. The Parties shall sign this Agreement on or within five (5) business days of approval.

28. Estoppel Certificate. City shall, at any time and from time to time within ten (10) calendar days after receipt of written notice from Permittee so requesting, execute, acknowledge and deliver to Permittee a statement in writing: (a) certifying that this Agreement is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Agreement, as so modified, is in full force and effect); and (b) acknowledging that there are no uncured defaults on the part of Permittee hereunder or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Site. Upon Permittee's written request, City shall issue a certificate of performance evidencing completion of any of Permittee's obligation(s) under this Agreement.

29. Discretion to Encumber. The Parties hereto agree that this Agreement shall not prevent or limit Permittee, in any manner, at Permittee's sole discretion, from encumbering the Site or any portion thereof or any improvements thereon then owned by such person with any mortgage, deed of trust or other security device ("Mortgage") securing financing with respect to the Site or such portion. City acknowledges that the lenders providing such financing may require certain modifications, and City agrees, upon request, from time to time, to meet with Permittee and/or representatives of such lenders to negotiate in good faith any such request for modification. City further agrees that it will not unreasonably withhold its consent to any such requested modification. Any mortgagee or trust deed beneficiary of the Site or any portion thereof or any improvements thereon and its successors and assigns ("Mortgagee") shall be entitled to the rights and privileges of Permittee herein.

30. Lender Requested Modification/Interpretation. City acknowledges that the lenders providing financing to Permittee may request certain interpretations and modifications of this Agreement. City therefore agrees upon request, from time to time, to meet with the Permittee and representatives of such lenders to negotiate in good faith any such request for interpretation or modification. The City will not unreasonably withhold its consent to any such requested interpretation or modification provided such interpretation or modification is consistent with the intent and purposes of this Agreement, provided, further, that any modifications of this Agreement are subject to the provisions of this Agreement relative to

modifications or amendments.

31. Governing Law and Venue. This Agreement and the legal relations between the Parties shall be governed by and construed in accordance with the laws of the State of California. Furthermore, the Parties agree to venue in Amador County, California.

32. Mutual Covenants. The covenants contained herein, including those contained in the Recitals herein, are mutual covenants and also constitute conditions to the concurrent or subsequent performance by the Party benefited thereby of the covenants to be performed hereunder by such benefited Party.

33. No Third Party Beneficiaries. This Agreement is made and entered into for the sole protection and benefit of the Parties. No other person or entity shall have any right of action based upon any provision of this Agreement.

34. Waiver. Failure by a Party to insist upon the strict performance of any of this Agreement's provisions by the other party, or the failure by a Party to exercise its rights upon the default of the other Party, shall not constitute a waiver of such Party's right to insist and demand strict compliance by the other Party with the terms of this Agreement thereafter.

35. Time of Essence. Time is of the essence in the performance of the provisions of this Agreement as to which time is an element.

36. Recordation of Agreement. This Agreement and any amendment or cancellation thereof shall be recorded with the County Recorder by the City Clerk within the period required by Government Code Section 65868.5.

37. Headings. The headings in this Agreement are inserted for convenience only. They do not constitute part of this Agreement and shall not be used in its construction.

38. Waiver. The waiver by any party to this Agreement of a breach of any provision of this Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach of that or any other provision of this Agreement.

39. Jointly Drafted. It is agreed among the Parties that this Agreement was jointly negotiated and jointly drafted by the Parties and their respective counsel, and that it shall not be interpreted or construed in favor of or against any party solely on the ground that it drafted the Agreement. It is also agreed and represented by all Parties that said Parties were of equal or relatively equal bargaining power and that in no way whatsoever shall this Agreement be deemed to be a contract of adhesion, or unreasonable or unconscionable.

40. Independent Legal Counsel. Each Party acknowledges that it has been represented by independent legal counsel of its own choice throughout all of the negotiations that preceded the execution of this Agreement or has knowingly and voluntarily declined to consult legal counsel, and that each Party has executed this Agreement with the consent and on the advice of such independent legal counsel.

41. Further Cooperation. The Parties herein agree to execute any and all agreements, documents or instruments as may be reasonably necessary in order to fully effectuate the agreements and covenants of the Parties contained in this Agreement, or to evidence this Agreement as a matter of public record, if required to fulfill the purposes of this Agreement.

The Parties further agree to mutually cooperate with one another in carrying out the purposes of this Agreement.

42. Enforceability. This Agreement shall not become binding and shall have no force and effect whatsoever until such time as it has been fully executed by and delivered to all of the parties hereto.

43. No Exclusive Rights. Nothing in this Agreement grants or shall be construed to grant Permittee any exclusive right, franchise, or monopoly to conduct Commercial Cannabis Activity in the City. The number of commercial cannabis retail permits authorized in the City is governed solely by the Municipal Code, as it may be amended from time to time. Permittee's rights under this Agreement are limited to the vested land use entitlements expressly provided herein for the single permit authorized to Permittee.

44. Assignment Permitted at City's Sole Discretion. The parties acknowledge that a commercial cannabis retail permit is personal to the licensed operator, that State Cannabis Law and the City's regulatory interest require the City to know and approve the identity of the operator conducting Commercial Cannabis Activity at the Site, and that the City's approval of this Agreement is based on the specific regulatory qualifications and licensing status of Permittee. Accordingly, Permittee may not assign, delegate, transfer, or otherwise convey any of its rights, duties, or obligations under this Agreement, whether voluntarily, involuntarily, by operation of law, merger, consolidation, sale of assets, change of control, or otherwise, without the prior written consent of the City, which consent may be withheld in the City's sole discretion. Any attempted assignment, delegation, transfer, or conveyance without such prior written consent shall be null, void, and of no force or effect.

[Signatures on following pages]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the Execution Date.

“CITY”

CITY OF SUTTER CREEK, CA
a California Municipal Corporation

Date: September 21, 2026

By:

Attest:

By: _____

Approved as to form:

By: _____

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or

STATE OF CALIFORNIA }
COUNTY OF _____}

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the Execution Date.

“PERMITTEE”

Sutter Creek Responsible and Compliant
Retail LLC, a California limited liability
company

Date: September 21, 2026

By:

Attest:

By: _____

Approved as to form:

By: _____

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }
COUNTY OF _____}

On _____ before me, _____
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I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary

Exhibits

- A. Property Description
- B. Property Map
- C. Business Plan and Proforma
- D. Labor and Employment Plan
- E. Neighborhood Compatibility
- F. Security Plan (confidential)
- G. Community Benefits Plan
- H. Location and Site Plan