

**2019 CITY OF OAKLAND  
SCORED DISPENSARY PERMIT APPLICATION**

**1. Applicant Information**

a. Name: E7 OAKLAND LLC

b. Type of Corporate Structure:

Corporation     Limited Liability Company     Partnership     Individual


Collective    Other: \_\_\_\_\_


c. Doing Business As: ELEMENT 7 OAKLAND

d. Please Attach a Copy of State Registration (if applicable)

e. Partner/Owner/Manager Information:

Please list all persons directly or indirectly interested in the permit sought, including all officers, directors, general partners, managing members, stockholders, and partners. Please attach additional pages if necessary (additional pages should be on 8½ x 11" paper; single sided, and include a Header with the applicant's name on the top right corner of each page).

<b>Last Name:</b> DIVITO	<b>First Name:</b> ROBERT	<b>Middle Initial:</b> M
<b>Alias(es):</b> N/A		
<b>Title:</b> CO-FOUNDER AND CEO		
		
<b>Business Address:</b> 645 WEST 9TH STREET, #110-631		
<b>City:</b> LOS ANGELES	<b>State:</b> CA	<b>Zip:</b> 90015

<b>Last Name:</b> PAYTON	<b>First Name:</b> GARY	<b>Middle Initial:</b> D
<b>Alias(es):</b> N/A		
<b>Title:</b> CO-FOUNDER		
		
<b>Business Address:</b> 525 E LEMON AVENUE		
<b>City:</b> ARCADIA	<b>State:</b> CA	<b>Zip:</b> 91006

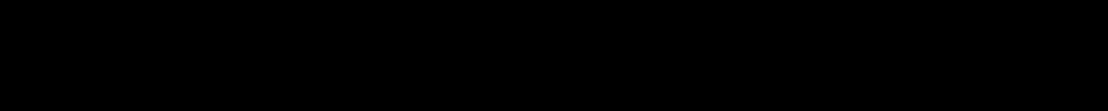
<b>Last Name:</b> ROYAL	<b>First Name:</b> BRENDAN	<b>Middle Initial:</b> F
<b>Alias(es):</b> N/A		
<b>Title:</b> CO-FOUNDER		
[REDACTED]		
<b>Business Address:</b> 117 LOUVAIN AVENUE		
<b>City:</b> OAKLAND	<b>State:</b> CA	<b>Zip:</b> 94603

<b>Last Name:</b> BILAL	<b>First Name:</b> ASSATA	<b>Middle Initial:</b> N
<b>Alias(es):</b> N/A		
<b>Title:</b> CO-FOUNDER		
[REDACTED]		
<b>Business Address:</b> 6220 FORTUNE WAY		
<b>City:</b> OAKLAND	<b>State:</b> CA	<b>Zip:</b> 94605

<b>Last Name:</b> LAMBERT	<b>First Name:</b> SCOTT	<b>Middle Initial:</b> E
<b>Alias(es):</b> N/A		
<b>Title:</b> PARTNER		
[REDACTED]		
<b>Business Address:</b> 525 E LEMON AVENUE		
<b>City:</b> ARCADIA	<b>State:</b> CA	<b>Zip:</b> 91006

<b>Last Name:</b> NORWOOD	<b>First Name:</b> AMBER	<b>Middle Initial:</b> L
<b>Alias(es):</b> N/A		
<b>Title:</b> CHIEF COMPLIANCE OFFICER		
[REDACTED]		
<b>Business Address:</b> 645 WEST 9TH STREET, #110-631		
<b>City:</b> LOS ANGELES	<b>State:</b> CA	<b>Zip:</b> 90015

<b>Last Name:</b> TERRY	<b>First Name:</b> ELICIA	<b>Middle Initial:</b> C
<b>Alias(es):</b> N/A		
<b>Title:</b> HEAD OF REGULATORY AFFAIRS		
[REDACTED]		
<b>Business Address:</b> 645 WEST 9TH STREET, #110-631		
<b>City:</b> LOS ANGELES	<b>State:</b> CA	<b>Zip:</b> 90015

<b>Last Name:</b> SHAVIES	<b>First Name:</b> YOLANDA	<b>Middle Initial:</b> A
<b>Alias(es):</b> N/A		
<b>Title:</b> PARTNER		
		
<b>Business Address:</b> 9660 ARMSTRONG DRIVE		
<b>City:</b> OAKLAND	<b>State:</b> CA	<b>Zip:</b> 94603

## 2. Business Plan (twelve points, two points per question)

Using only the spaces provided below, please answer the following questions.

- a) Describe Applicant's understanding of the cannabis dispensary market, what customers in this market are seeking, and how Applicant intends on capturing market share.

Building, operating, and scaling a business only happens when the right team is in place and a clear and coordinated execution plan has been built. In the rapidly changing and developing cannabis industry, success is similarly the result of having the right people in place, agile planning, and disciplined focused execution. With an ever-changing cannabis regulatory environment, the execution plan must be especially agile, and accomplished in a deliberate and disciplined manner to be successful.

### SUCCESS IN THE CANNABIS INDUSTRY

Success is also about knowing your customer and having a clear, consistent, and collaborative plan in place to win with that customer over. Customer engagement in the twenty-first century is the result of an attractive retail environment and an unparalleled brand experience. We will first create, and then nurture, each of these as demonstrated in our targeted and detailed brand and marketing plan.

Yesterday's windowless and neon-lit dispensaries are giving way to warm and welcoming retail spaces that foster a deep sense of customer comfort. Our retail space design is taking note of innovative brands in the cannabis industry, but also of brands with long track records of elevating customer experience in highly competitive verticals including fashion, health and wellness, home indulgence, and electronics (e.g., Nike, Apple, Gentle Monster, Lush, T2, Ullah Johnson, and Warby Parker).

Today's most successful brands are those that place intense focus on creating inviting and entertaining retail environments where products are perfectly integrated with their surroundings. These environments are places for customers to purchase goods, but more than this, are destinations in themselves.

This is what is needed to counter the existential threat posed by online shopping. The sea change in retail markets has forced designers and brands to innovate—to think in entirely new ways about how customers engage with their products and their brands.

Element 7 will, like today's most forward-thinking brands, incorporate cutting-edge, customer-centric design standards and continuously innovate, looking for ways to improve its retail model as new customer trends emerge.

### UNIQUE RETAIL CONCEPT

Our Element 7 retail stores draw inspiration from several concepts. We want to connect our retail spaces directly to the horticultural world in which they will play a part, which is why our stores will feature living plants used as decoration throughout each location. Whites will be balanced with warm, neutral underlying tones and greens. Glass will be paired with natural-feeling building materials like stones and natural timbers, resulting in an eco-friendly and eco-modern feel. Like our products, our stores will both feel and be natural.

Our products will be sourced from Oakland social equity partners - across the full range of licensed verticals - cultivation, manufacturing, and distribution. Our inclusion of Gary Payton as an owner and ambassador for the store will ensure that Element 7, culturally, is closely aligned with the fabric of Oakland society. 80% of workers will be Oakland natives and we will offer an integrated holistic wellness experience and offer focused on addressing the full range of consumers needs. Our partnership with CURA AI, an artificial intelligence platform that uses machine-learning to address patient needs with the most appropriate and data-proven product on the shelf for a patient condition or concern, will set us apart from our competitors. This platform is the first of its kind to cross over into the medicinal cannabis market. With a focus on building precision treatment solutions; leveraging data analytics, genomics, clinical testing and patient focus to quickly innovate, disrupt and penetrate the precision medicine market. CURA AI is working to help nearly one billion chronic pain and mental health patients that can be helped by medicinal cannabis. Element 7 has an exclusive partnership with CURA AI in California.

### CHANGING CONSUMER TRENDS

Our vertically integrated operations give us a panoramic view of the industry that few others can match. Our access to data and intelligence through our partnership with Brigade affords us substantial insights into today's consumers and their changing preferences and behaviors. This allows us to develop new products or approaches to market that will keep us ahead of our competition.

The non-compliant market continues to thrive in California. Local and state taxes, levies, and fees remain a hurdle for would-be operators. As an industry, it is our responsibility to persuade consumers to move their purchases to legal sources. If we are to make a truly compelling case to consumers, we need to find ways to close the cost gap between compliant and non-compliant cannabis.

Data gathered from Californian consumers over the last twelve months tell us that consumers fully understand that they have to pay more for legal products, but consumers also say that they'll only do this up to a certain point. Quality, integrity, trust, customer service, and competitive price points are critical if the industry is to continue convincing existing consumers to shift their purchases to legal channels. At Element 7, we believe we can do more than our part to help tackle this issue through our commitment to providing an unparalleled customer experience and unrivaled product quality.

The cannabis market is shifting. With the addition of younger and older consumers, soccer moms, and housewives, the market is diversifying and fragmenting. Conservative experimenters are now interested in cannabis for its health and medicinal properties. As an operator, we can no longer create brands that attempt to stand for everything—rather, we must be far more defined in how we approach brand marketing, consumer segmentation and addressing certain unmet consumer need-states such as relaxation, sleep, improving mood, alcohol alternative, heightening senses, or improving one's sex life.

As cannabis settles into its place in the market, consumers are purchasing cannabis and cannabis-related products more frequently and in higher volumes. This shows a willingness to spend more and shop more often; however, brand loyalty is still hard to come by. Unlike in other categories such as snacks, beverages and household products, consumers will happily experiment with new brands, delivery methods, and ingestion options.

Given the limited channels available for building a cannabis brand, in-store shelf presence and knowledgeable staff are both critical. This is why we have a dedicated staff training program and a full-time visual merchandiser employed at Element 7. These will combine to create an unforgettable customer experience with education at its core. Consumers want a retail shopping experience that is convenient, but they also want to see extremely knowledgeable staff and extreme care taken with their personal information. As these preferences change—and they almost certainly will—Element 7 will adapt its products and practices to follow customers as they move.

If the alcohol and tobacco industries are any indication, industries can thrive in tightly regulated and controlled markets. As recreational cannabis consumption fully enters the mainstream, we will be there to provide consumers with safe and ethically sourced products tailored to their needs. Rather than a hindrance, we view regulation and control as favorable: not only does it provide a barrier to entry to poorly organized operators, it also has the consumer's wellbeing at heart. We want to operate a profitable business, but we also want to take care of our customers and our community. Regulation is good for both of these.

### SUMMARY

At the core of the success of the world's biggest brands is a deep understanding of the customer and their needs. This is made possible through powerful insights into customer behaviors and expectations, and we have just such a powerful insight before us. We know that those who will enjoy the most growth in the coming years will be the operators who seize upon cannabis's potential as a product that promotes wellbeing as part of a holistic wellness regimen.

Our unique focus on holistic healing aligns with the need-states that a significant number of today's consumers are looking to cannabis, as a product, to satisfy. Staying focused on this group of consumers will allow us to build a brand that stands for trust, compassion, understanding, and education.

Every aspect of our business, from staff training through to the products we place on our shelves, will stay focused on this brand positioning, allowing us to create a business and platform that consumers understand and can build a deep and lasting emotional connection with.

b) Describe Applicant's background and experience in cannabis dispensing or similar industries.

As one of California's largest retail cannabis companies, Element 7 brings a highly experienced management team, extensive access to capital, and a demonstrated growth strategy that has greatly enhanced its market reach across California with 22 retail licenses under development. Providing a best-in-class customer experience, Element 7 operates a compliant and fully licensed Storefront Retail Dispensary in Arcata, CA, with operations expanding to LA (April), Walnut Creek (May), Rio Dell (June), and Firebaugh (June) during the first half year. Element 7 is planning to have 10 retail stores operational by the end of 2020 and is fully financed and funded, sitting as a division within one of California's largest tax-paying cannabis companies with \$120M annually in revenue and over \$30M in EBITDA. This EBITDA ensures that Element 7 will be able to build, operate, and scale the business sustainably as the market matures and continues to evolve.

Element 7's Owner and Founder is Robert DiVito. Robert has over five years' experience in the cannabis industry managing one of the State's largest greenhouse operations (720,000 square feet of cultivation and manufacturing), cannabis policy development, and retail operations with Element 7. Prior to joining the cannabis industry, Robert was the Founder and CEO of an EQ-based learning academy and small business owner. Robert has partnered with Gary Payton (see below) and Brendan Royal, an Oakland native, former athlete, and social equity applicant, to build and operate Element 7 Oakland.

The two social equity partners (who collectively own 50% of the business) are Brendan Royal and Assata Bilal - Brendan, a former College Athlete has experience in the industry working for a legal and compliant delivery company based out of Oakland. Assata, has been active in Oakland for many years helping other social equity applicants find work in the cannabis industry - she is actively involved in The Hood Incubator, a program that helps people from the black and brown communities become entrepreneurs in the cannabis industry. Assata's partner in 4 Tha Sol, a cooking and catering company, is Yolanda Shavies, another Oakland native. Yolanda has been actively lobbying the City of Oakland and attending cannabis meetings for over 3 years, advocating for inclusion and diversity in an industry desperately needing change and more opportunities for people of color.

The team is joined by Oakland icon and NBA legend, Gary Payton ('The Glove'). Gary was born and raised in Oakland and started his career playing at Skyline High School, before leaving Oakland to play in Seattle for the SuperSonics where he played 13 years of NBA professional basketball. Gary's recent collaboration with Cookies to create the 'Gary Payton Strain' has elevated Gary with cannabis culture to legendary status. Element 7 will leverage Gary to not only drive traffic to the dispensary but to educate youth in the local community to be more active, say no to drugs, and build goals in life. The 'Gary Payton Foundation' has been active in Oakland for over 24 years. In 2001 Gary donated \$100,000 to help build the East Oakland Youth Development Center (EOYDC). Payton is a proud Oaklander and is excited to expand his cannabis business in his home-town with Element 7 as his partner.

Gary's agent and friend, Scott Lambert, has owned and operated cannabis dispensaries in Los Angeles for over 15 years. Scott was one of the original founders of AHHS West Hollywood, one of Los Angeles original pre-ICO (Measure M) cannabis collectives. Scott brings over a decade of retail cannabis operations experience to the E7 Oakland team.

Element 7's Executive Team will support all local operations. The Element 7 team brings a wealth of experience, management understanding, and operational expertise across the cannabis industry, other regulated industries, and cannabis retail. The team includes Neil Demers and Nicholas Jack, voted the #1 Executive and #1 Retail Dispensary Manager in the cannabis industry at the 2018 National Cannabis Business Awards. Other team members include Lynne Lyman (Former State Director for California Drug Policy Alliance and an author of Prop 64), Amber Norwood (Chief Compliance Officer) who previously worked for the US Attorney, Elicia Terry (Head of Regulations) who regulates policy for all of Element 7's operations, Corey English (Chief Security Officer) who has over 2 decades of cannabis security and military experience, and Kevin Sullivan (Data Security) who is a former Lieutenant Colonel in the US Army. The team includes two medical professionals - Dr. Uma Dhanabalan and Dr. Efthimia Vasiliadis - both who speak regularly internationally and have deep experience in cannabis medicine, education, policy, safe patient access, and pharmaceutical processes.

Element 7 sits within a larger cannabis group focused on vertical operations across California - a business that does over \$10M in monthly revenue and is fully vertical from cultivation through to manufacturing, processing, distribution, brands, and retail shelf presence. The company currently distributes cannabis to 80% of California's legal and licensed dispensaries (over 500 accounts).

Rather than let us continue to tell you how qualified, experienced, and capable we are, here are some references from our peers, colleagues, and industry collaborators:

"Element 7 are the real partner for social justice and reform in an industry where many have taken advantage of minority communities. In the Los Angeles Social Equity Program, no other cannabis company came close to offering fair terms like the team at Element 7 offered equity candidates."

Bonita Money  
Founder and Director  
NDICA

"Element 7 are a company with a strong vision, focused on understanding the customer and building a long-term sustainable cannabis business in a nascent and emerging California industry."

Jonathan Jenkins  
Co-Founder and Chief Operating Officer  
Weedmaps

"Element 7 bring a level of professionalism and integrity to the cannabis industry. They are focused on doing things right and building a business that can stand the test of compliance and continued regulation."

Bob Hoban  
Founder  
Hoban Law Group

"Element 7 have been a strong supporter of UCLA and our Cannabis Research Initiative since it was formed in 2018. I not only value their support for advancing the cannabis industry and cause, but also their friendship, integrity, and trust."

Dr. Jeff Chen  
Founder and Lead  
UCLA Cannabis Research Initiative

"Element 7 are a true advocate for social justice and change in an industry that needs more honesty and diversity."

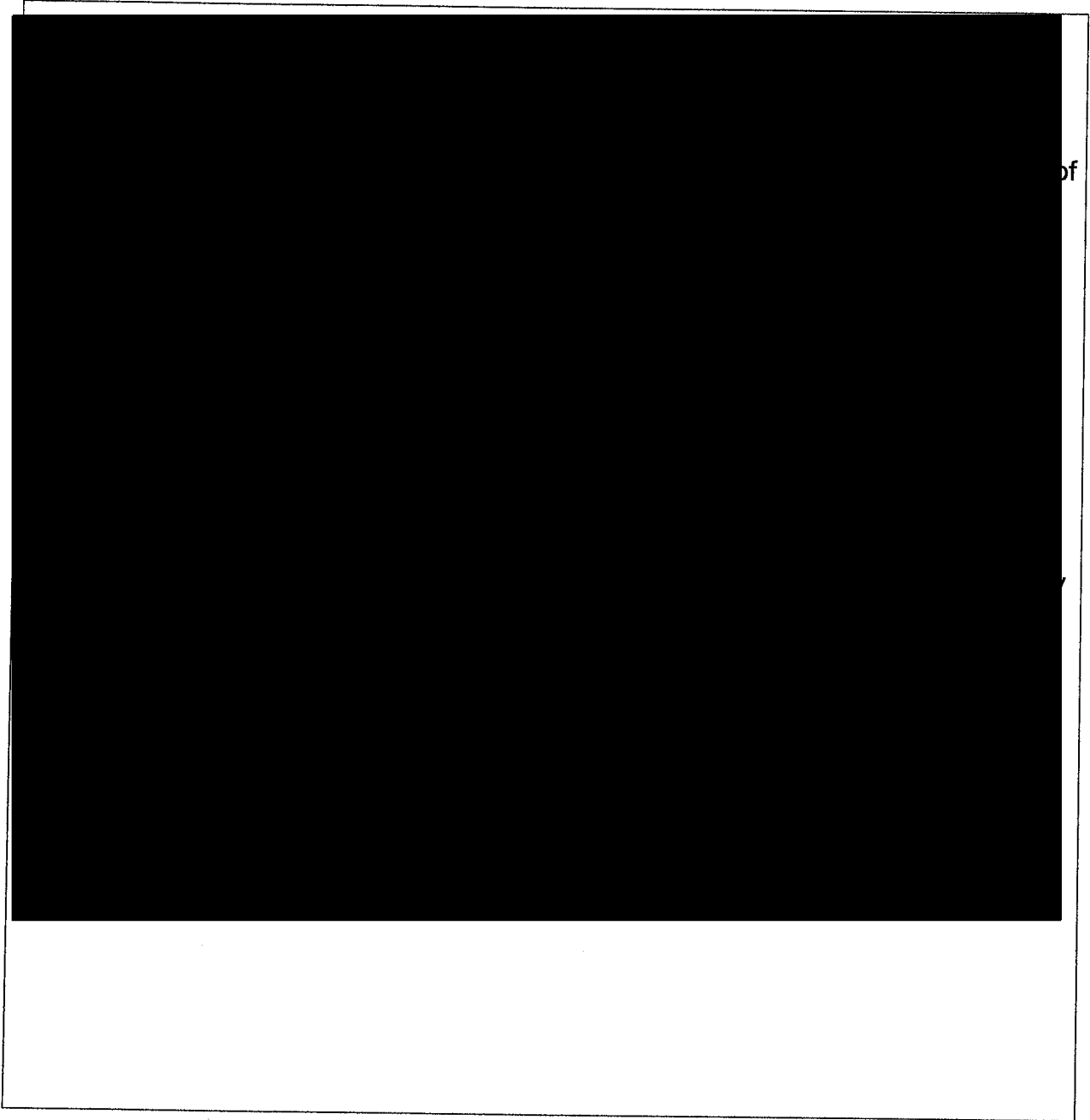
Scheril Murray-Powell  
Cannabis Advocate, Activist, and Attorney

"When it came time for Playboy Enterprises to launch its brand in the US Cannabis Market, we met many groups in the industry and landed with Element 7. We value them as a key strategic partner, facilitator, and friend of the Playboy brand and business."

Jared Doughty  
Global Head of Licensing  
Playboy Enterprises Inc.

c) Explain how Applicant will cover its startup costs and working capital requirements. If Applicant's funds are currently available, please attach a letter of credit demonstrating sufficient capitalization to cover initial business costs. If these funds are not yet available, please outline how Applicant will gather enough capital to cover initial business costs. Examples include:

- I. Selling or converting other personal assets to raise funds.
- II. Borrowing against personal assets.
- III. Raising funds from investors.
- IV. Obtaining a loan from a third party.
- V. Obtaining a letter of credit from a third party.
- VI. Other (please describe)



d) Using the following tables, please provide Applicant's anticipated start-up expenses.

<b>REAL ESTATE AND ADMINISTRATIVE EXPENSES</b>	<b>\$ AMOUNT</b>
Purchase or Rent	\$2,450,000.00
Construction or Remodeling	\$400,000.00
Utility Deposits	\$10,000.00
Legal and Accounting Fees	\$10,000.00
Insurance	\$5,000.00
Prepaid Insurance	\$2,000.00
Pre-Opening Salaries and Benefits	\$35,000.00
Other (please provide detail)	
Property Closing Costs	\$10,000.00
Architect & Engineer	\$40,000.00
Security Systems & Infrastructure	\$40,000.00
Licensing Costs (Includes BCC Annual License Cost of \$21,000)	\$40,000.00

<b>CAPITAL EQUIPMENT LIST</b>	<b>\$ AMOUNT</b>
Furniture	\$50,000.00
Equipment	\$75,000.00
Fixtures	\$50,000.00
Machinery	\$15,000.00
Other (please provide detail)	
Website Development	\$10,000.00
Security & POS Software & Installations	\$20,000.00

<b>OPENING INVENTORY</b>	<b>\$ AMOUNT</b>
Category 1: Flower and Pre-Rolls	\$90,000.00
Category 2: Concentrates and Extracts	\$72,000.00
Category 3: Edibles	\$29,250.00
Category 4: Topicals	\$11,250.00
Category 5: Accessories	\$22,500.00

<b>ADVERTISING AND PROMOTIONAL EXPENSES</b>	<b>\$ AMOUNT</b>
Advertising	\$50,000.00 (Launch Budget)
Signage	\$15,000.00
Printing	\$10,000.00
Travel/entertainment	\$5,000.00
Other/additional categories	\$15,000.00 (AGENCY FEES) \$10,000.00 (PR)

<b>OTHER EXPENSES</b>	<b>\$ AMOUNT</b>
Reserve for Contingencies	\$200,000.00
Other Expense 1: CLEANING	\$2,000.00
Other Expense 2: WASTE REMOVAL (DURING CONSTRUCTION PHASE)	\$10,000.00

e) Please provide a staffing plan for the first three years using the following tables for each anticipated owner or employee:

**2021**

Position Title:	Salary Costs per Month	Benefit Costs per Month	Number Employed at this Position	Anticipated Month of Hiring
General Manager	\$7,000.00	\$1,000.00	1	1
Retail Shift Manager	\$7,000.00	\$500.00	2	1
Inventory Manager	\$6,000.00	\$500.00	1	1
BudTenders	\$5,500.00	\$500.00	8	1
Dispatch Manager	\$5,500.00	\$500.00	1	3
Delivery Driver	\$5,000.00	\$250.00	2	3

**2022**

Position Title:	Salary Costs per Month	Benefit Costs per Month	Number Employed at this Position	Anticipated Month of Hiring
General Manager	\$7,350.00	\$1,050.00	1	-
Retail Shift Manager	\$7,350.00	\$525.00	2	-
Inventory Manager	\$6,300.00	\$525.00	1	-
BudTenders	\$5,775.00	\$525.00	10	-
Dispatch Manager	\$5,775.00	\$525.00	1	-
Delivery Driver	\$5,250.00	\$250.00	3	-

**2023**

Position Title:	Salary Costs per Month	Benefit Costs per Month	Number Employed at this Position	Anticipated Month of Hiring
General Manager	\$7,717.50	\$1,102.50	1	-
Retail Shift Manager	\$7,717.50	\$1,102.50	2	-
Inventory Manager	\$6,615.00	\$551.25	1	-
BudTenders	\$6,063.75	\$551.25	12	-
Dispatch Manager	\$6,063.75	\$551.25	1	-
Delivery Driver	\$5,500.00	\$250.00	4	-



f) Please provide a forecast of your income statement (profit and loss) for each of the first three year, including:

	2021	2022	2023
<b>REVENUES</b>			
Product/Service 1	\$1,931,341.00	\$2,449,407.00	\$2,945,062.00
Product/Service 2	\$1,545,073.00	\$1,959,526.00	\$2,356,049.00
Product/Service 3	\$627,686.00	\$796,057.00	\$957,145.00
Product/Service 4	\$724,253.00	\$918,528.00	\$1,104,398.00
<b>TOTAL REVENUES</b>	<b>\$4,828,352.00</b>	<b>\$6,123,518.00</b>	<b>\$7,352,654.00</b>
<b>COST OF GOODS SOLD</b>			
Product/Service 1	\$965,670.00	\$1,224,703.00	\$1,472,531.00
Product/Service 2	\$772,536.00	\$979,763.00	\$1,178,024.00
Product/Service 3	\$313,843.00	\$398,028.00	\$199,014.00
Product/Service 4	\$362,126.00	\$181,063.00	\$552,199.00
Salaries-Direct	\$529,920.00	\$592,704.00	\$698,544.00
Payroll Taxes and Benefits-Direct	\$40,539.00	\$45,342.00	\$53,439.00
Depreciation-Direct	\$0.00	\$0.00	\$0.00
Other Direct Costs	\$0.00	\$0.00	\$0.00
<b>TOTAL COSTS OF GOODS SOLD</b>	<b>\$2,984,634.00</b>	<b>\$3,421,603.00</b>	<b>\$4,153,751.00</b>
<b>GROSS PROFIT (LOSS)</b>	<b>\$1,843,718.00</b>	<b>\$2,701,915.00</b>	<b>\$3,198,903.00</b>
<b>OPERATING EXPENSES</b>			
Advertising and Promotion	\$259,418.00	\$342,176.00	\$407,733.00
Automobile/Transportation	\$18,000.00	\$19,800.00	\$21,780.00
Bad Debts/Losses and Thefts	\$0.00	\$0.00	\$0.00
Bank Service Charges	\$1,200.00	\$1,260.00	\$1,323.00
Business Licenses and Permits	\$40,000.00	\$40,000.00	\$40,000.00
Charitable Contributions	\$50,000.00	\$55,000.00	\$60,500.00
Computer and Internet	\$10,000.00	\$10,500.00	\$11,025.00
Continuing Education	\$30,000.00	\$33,000.00	\$36,300.00
Depreciation-Indirect	\$0.00	\$0.00	\$0.00
Dues and Subscriptions	\$55,200.00	\$57,960.00	\$60,858.00
Insurance	\$21,600.00	\$22,680.00	\$23,814.00
Meals and Entertainment	\$12,000.00	\$13,200.00	\$14,520.00
Merchant Account Fees	\$36,213.00	\$45,926.00	\$56,357.00
Miscellaneous Expense	\$14,400.00	\$15,120.00	\$15,876.00
Office Supplies	\$3,000.00	\$3,150.00	\$3,307.50
Payroll Processing	\$1,200.00	\$1,320.00	\$1,452.00
Postage and Delivery	\$200.00	\$210.00	\$220.50
Printing and Reproduction	\$10,000.00	\$11,000.00	\$12,100.00
Professional Services-Legal, Accounting	<b>\$36,000</b>	<b>\$37,800.00</b>	<b>\$39,690.00</b>
Occupancy	\$13,800.00	\$14,490.00	\$15,214.50

	2021	2022	2023
Rental Payments	\$120,000.00	\$122,400.00	\$124,848.00
Salaries-Indirect	\$79,488.00	\$88,905.00	\$104,781.00
Payroll Taxes and Benefits-Indirect	<b>\$6,080.00</b>	<b>\$6,801.00</b>	<b>\$8,015.00</b>
Subcontractor: Security	\$238,800.00	\$250,740.00	\$263,277.00
Telephone	\$6,000.00	\$6,300.00	\$6,615.00
Travel	\$5,000.00	\$5,500.00	\$6,050.00
Utilities	\$12,384.00	\$13,003.00	\$13,653.00
Website Development	\$10,000.00	\$5,000.00	\$5,000.00
<b>TOTAL OPERATING EXPENSES</b>	\$1,089,983.00	\$1,223,241.00	\$1,354,309.50
<b>OPERATING PROFIT (LOSS)</b>	\$753,735.00	\$1,478,674.00	\$1,844,593.50
<b>INTEREST (INCOME), EXPENSE &amp; TAXES</b>			
Interest (Income)	\$3,000.00	\$3,150.00	\$3,307.50
Interest Expense	\$0.00	\$0.00	\$0.00
Income Tax Expense	\$654,653.00	\$888,325.00	\$1,092,662.00
<b>TOTAL INTEREST (INCOME), EXPENSE &amp; TAXES</b>	<b>\$651,653.00</b>	<b>\$885,175.00</b>	<b>\$1,089,354.50</b>
<b>NET INCOME (LOSS)</b>	\$ 102,082.00	\$ 593,499.00	\$ 755,239.00



February 20, 2020

**City of Oakland**

455 7th street, Oakland, CA 94607

**TO WHOM IT MAY CONCERN:**

This letter is to certify that Element 7 has hereby appointed GSG Protective Services as their licensed provider for all security related matters required by the City of Oakland (as per the required Security Plan), and the State of California (including the Bureau of Cannabis Control), for cannabis operations for **Element 7 Oakland, 4121 Piedmont Avenue, Oakland.**

GSG Protective Services is a State Licensed Private Patrol Company. Our PPO #16545.

Randy Bragg and Corey English have reviewed and approved Element 7's Security Plan with our inputs incorporated into the plan, as attached herein.

If Element 7 is awarded a license, we would envision working with a local set of suppliers and entities with regards to the provision of security hardware and guards for the management and safety requirements of the business, whilst managing full installs and systems to all Codes and City / BCC Directives.

If any further information is needed regarding the security for this company or anything in the plan attached, please do not hesitate to contact me at 310-425-5316, or Element 7's Founder and CEO, Robert M. DiVito, at [REDACTED]

Kind Regards,

Corey English  
GSG Protective Services  
Executive Vice President  
310-425-5316 mobile  
855-371-5300 office  
[corey@gsgprotective.com](mailto:corey@gsgprotective.com)

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Mailing Address: 4001 Inglewood Ave., Bldng. 382, Suite 101, Redondo Beach, CA 90278  
Phone 310.371.5300  
Fax 310.371.5302

#### 4. Compliance with State Law (four points)

Using only the space provided below, please describe how Applicant will comply with state law, including:

- i. The supply chain from which applicant will obtain cannabis and cannabis products (Applicants need not name specific vendors; identifying license categories is sufficient).
- ii. How Applicant plans to record the movement of cannabis and cannabis products in their custody, such as with a track and trace system.

Element 7 is applying for an Adult-Use Retail Storefront Dispensary Permit (with delivery). If successful, a Type 10 Retail License will be applied for with the BCC.

Element 7's operations plan is rooted in compliance and customer satisfaction. Led by the General Manager, using industry best practices, day to day operations will divide the dispensary's workforce according to different operational tasks, including reception and customer management, patient consultation, retail management, security, facility management, merchandising and inventory tracking.

Day to day operations will be managed by a local General Manager for the Facility, and a Shift Manager (2 Managers hired) that will be sourced from the local community and ideally has previous cannabis retail experience and other adjacent retail experience in the liquor, pharmaceutical, hospitality, or other regulated industries. The General Manager will report into Element 7's Head of Retail who oversees all operations across the State, and Element 7's Head of Compliance who is responsible for all regulation and compliance matters.

Element 7 has a service agreement in place with FlowHub (integrates with METRC) to track and trace all products and report on all aspects of the commercial cannabis business including, but not limited to, such matters as cannabis tracking, inventory data, gross sales (by weight and by sale) and other information which may be deemed necessary by the City.

All cannabis and cannabis products sold, shall be cultivated, manufactured, and transported by licensed facilities that maintain operations in full conformance with the State and local regulations. We have committed to sourcing these products from permitted and licensed social equity applicants in Oakland.

Our Company's Inventory Management and Recordkeeping policies and procedures have been developed to comply with applicable state and local laws and regulations, to reduce the rate of reporting and inventory errors associated with manual data entry and reconciliations, and to prevent diversion, theft and loss of cannabis products and currency.

Typical causes for inventory discrepancies are generally attributed to human error, such as misplacing items, double scanning items at checkout, scanning the wrong version, or flavor of an item, at checkout, failing to account for spoiled, expired or dropped products, and improperly processing returns. These scenarios are easily prevented by establishing robust policies and procedures surrounding inventory handling and management through our point-of-sale (POS) system, FlowHub. FlowHub has streamlined data entry, inventory management and reporting by developing 'Stash', a mobile inventory management application that requires the use of a handheld scanning device that easily identifies, records and manages inventory. With Stash, performing manual reconciliations that involve counting items in every single package in product storage, or various rooms within a facility, is no longer a requirement, and reduces errors when performing reconciliations and reporting. In a highly regulated industry that depends on accurate reporting, being able to utilize state-of-the-art technology that can push/pull data, in real time, towards the State's mandated track and trace system is a powerful tool that ensures compliance and success.

Records pertaining to customer transactions, denials of sale, inventory acquisitions, management, movement, cannabis waste disposal, incident reports and corrective actions can be migrated from electronic devices that are used to perform functions through the POS onto our secure and encrypted cloud-based data system via file migration, which is facilitated by our data system. Specific data and records will also be stored and maintained on a secure and encrypted physical media storage device, which will be kept in the Main Office's vault.

Policies and procedures are developed to maintain compliance with applicable state regulations and industry best practices as they pertain to inventory management and record-keeping. It is imperative to deploy control and assessment measures for these policies and procedures to ensure that they maintain compliance and efficiency. Our Company's quality control standards provide reasonable assurance that the policies and procedures are sufficient in attaining the objectives of compliant and efficient inventory management and record-keeping.

A system of quality control consists of policies designed to achieve the objectives of the system and the procedures necessary to implement and monitor compliance with those policies. The nature, extent, and formality of our quality control policies and procedures will depend on various factors such as: a properly functioning POS, effective departmental structuring, employee adherence to policies and procedures, successful and uninterrupted integration with METRC, effective troubleshooting, strict monitoring, and robust data storage, encryption, and security.

Policies for product handling cover how cannabis and cannabis-infused products will be securely moved throughout the facility to prevent diversion, theft, and loss. Record and Data policies also support the COC by preventing unauthorized intrusions that could lead to the mismanagement, use and alteration of critical personal and Company data and information. Inventory Management and Record-keeping COC protocols require the use of dual-factor authentication across all departmental actions through the POS. This means that owners, managers and employees will be required to personally authenticate actions before they can be executed in the POS. Accountability throughout our Company, and across all tasks, is the foundation of a consistently compliant operation that diligently upholds the COC and the regulated cannabis market.

**5. Tax Rates (four points, one point per question)**

Using only the space provided below, please answer the following questions regarding local and state tax laws that apply to cannabis dispensaries.

**i. Local Taxes:**

**a. What are the City of Oakland's current business tax rates for cannabis businesses?**

In 2020, recreational businesses that make \$500,000 or more in gross receipts will be taxed 6.5%, and medical will be taxed 5%. Recreational businesses that make more than \$5 million in gross receipts will be taxed 9.5%.

Starting in 2021, businesses that make up more than \$500,000 will be taxed 5% and recreational businesses making more than \$5 million will have an 8% tax.

By 2022, businesses that make up between \$750,000 to \$1.5 million will have a tax rate set at 4%. Businesses that make more than \$1.5 million will have a 5% tax.

**ii. State Taxes:**

**a. What is the cannabis excise tax rate for adult use cannabis purchases?**

Retailers collect a 15 percent excise tax from customers on the average market price of the product (collected by Retailer and paid to Distributor).

**b. What is the sales tax rate for adult use cannabis sales?**

The State base sales tax rate is 7.25% - 6% state tax, plus 1.25% mandatory local tax. Local jurisdictions can apply an additional tax of up to 3%.

**iii. What measures, including point of sale systems, Applicant will implement to ensure proper collection of local and state taxes.**

Our Company's Inventory Management and Record-keeping policies and procedures have been developed to comply with applicable state and local laws and regulations, to reduce the rate of reporting and inventory errors associated with manual data entry and reconciliations, and to prevent diversion, theft and loss of cannabis products and currency.

Our Company's preferred point-of-sale system (POS) is FlowHub, which we utilize across all our licensed dispensaries in California. FlowHub is a point-of-sale system that hosts and maintains the servers, databases and systems that enables track and trace of our inventory and sales. Currently, FlowHub has over 700 licensed cannabis retail customers and 30 partners. FlowHub processes over \$1 billion in sales annually.

FlowHub is a web-based application that can be downloaded to desktop and handheld devices with IOS operating systems. This means that all devices connected to our POS will be apple devices, such as iPhones and iPads for all Concierge, BudTender, Inventory and Register devices, and desktop Macs for the Main Office and Security.

FlowHub will engage us to manage inventory, sales, returns, recalls, and compliance with track and trace. The software creates CSV files of historical transactional and inventory reports that are either pushed into the track and trace system or pre-populated into the system, which reduces errors associated to human data input.

The Inventory Manager (IM) will act as the assigned Agent-in-Charge (AIG). As the AIG, he or she will be tasked with overseeing all aspects and responsibilities related to inventory management and record-keeping. These responsibilities include:

- Establishing, managing and maintaining the Company's METRC (TTS) account.
- Monitoring updates on the TTS from our POS. Sales transactions, cannabis waste reports, inventory movement and updates should occur in real-time.
- Ensure that opening and closing inventory management and record-keeping policies and procedures, such as confirming and reporting starting and closing inventory, acquisitions, sales, and cannabis waste disposal are reflected on the TTS. The IM will also inspect and confirm whether data on the TTS reflects data on our POS and physical inventory.

In addition to strict inventory policies and procedures, and the use of both FlowHub and METRC, our Company will deploy a comprehensive product barcoding system (SKUs). Barcodes are machine-readable codes in the form of numbers and patterns of parallel lines of varying widths printed onto a product for identification. This digital format is used to transfer information about products to various locations. All products received, accepted and stored at the facility will be entered into inventory using both SKU and Batch Identification. Part of our POS' unique features include Slash, an inventory management application, which creates, manages and maintains a comprehensive, itemized inventory of all cannabis and cannabis-infused products at the dispensary.

The inventory database will include product quantities, product type, name and strain, units of measure, purchase cost, vendor information, minimum inventory amount, and product descriptions. Barcodes will be assigned to each product via Company generated labels, which include specific location/s where the product is stored. Barcode scanning will be deployed when receiving, stocking and moving inventory, preparing products for purchase and exit packaging, and assigning expired, defective or damaged products as cannabis waste, and during product recalls.

FlowHub will also provide ease of collection the proper local and state taxes. The local and state rate will be automatically applied to the appropriate items for every transaction. FlowHub has the capability to update and implement the relevant local and state taxes that need to be collected per transaction. Further, a CSV files can be generated to provide record of the collection of local and state taxes. Our Company is also retain an experience CPA in California that is experienced and specializes in cannabis related taxes. Taxes will be paid by a bank check to relevant authorities each quarter, or as required.

## 6. Odor Mitigation (four points)

Using only the space provided below, please submit a plan for how cannabis odors will not be detectable outside of the proposed facility, such as utilization of carbon filters.

Element 7 has developed a proactive integrated odor management system to eliminate cannabis odors from the immediate exterior of the Facility, and between operations within the Facility. As part of our Good Neighbor policy and internal practices, we take all odor and noise complaints very seriously. If an odor complaint is made against our facility, we will work with local officials to find the source of the odor and eliminate it.

Industry standards demand that comprehensive Odor Control devices and best practices are implemented across cannabis facilities. As a leading cannabis operator, we work with 15000 Inc., an industry-specific engineering group from Santa Rosa, who are experts and leaders in designing effective and environmentally efficient odor management systems that we implement across our facilities.

The best practices and industry approved-equipment ensures redundancies across our system that exceed State and City directives to absorb and eliminate cannabis odors. Our odor and noise management systems prevent odor generated inside the facility from being detected outside our facility, anywhere on adjacent property, or public rights-of-way.

### HEPA FILTERS

Element 7 utilizes HVACs with HEPA filters, six to twelve pocket bag filters, activated carbon inserts, and an ultra-quiet blower that creates negative pressure and does not produce more than 62dBA. There are four filtering layers with the CL2500 system used by Element 7 that provides quadruple redundancies to ensure that odor generated at the facility does not leak into its external surrounding areas and cause an odor nuisance. This comprehensive and environmentally efficient system captures airborne threats that include mold, fungi, spores, bacteria, pollen, pests, insects, volatile organic compounds (VOCs) and odors. The system requires 115V 60Hz power and produces just 62 dBA (decibels) of sound, which is equivalent to a conversation in a restaurant, office background music, or an air-conditioning unit at 100 feet.

### MERV-13 FILTERS

The true measure of any air purifier's efficiency is the MERV rating assigned to it. This is the Minimum Efficiency Reporting Value, and this value is indicative of the technology's ability to trap particles in a variety of sizes. The CL2500 used by Element 7 uses MERV-13 Filters. Anything above a 13 MERV Rating is considered to be a High-Efficiency Particulate Arrestance (HEPA) Filter, often used for hospitals and scientific research lab applications. A filter with a MERV rating of 13 captures particles greater than 0.3 micrometers. This includes bacteria, droplets from sneezing, smoke, and most other sources of pollution. This level of filtration is used in patient and surgery areas of hospitals.

### CARBON SCRUBBERS

Element 7 will also be deploying activated carbon scrubbers in storage rooms where the highest concentration of products is located. These types of filters use pelletized granule carbon to remove odor, dust, and pollutants from the air and can be used as a standing unit in a space or as an exhaust filter. Just like the carbon in the air filters mentioned previously, these pellets remove dust, odor, and other pollutants through the air as it passes through the filter.

### ELECTROSTATIC AIR CLEANERS

Element 7 will install Electrostatic air cleaners, which are highly efficient filtration devices that use electrostatic attraction to remove fine particulate matter such as dust and cigarette smoke from the air. Electrostatic air cleaners ionize (or electrically charge) particles as incoming air is drawn over an electronic cell. The charged particles are then attracted to and trapped by a series of flat collector plates that are oppositely charged, with the particles literally 'sticking' to the collection plates until they are manually removed.

### AIR-QUALITY ENHANCING PLANTS

Part of Element 7's facility design incorporates living plants that have the ability to enhance air quality. NASA studies the effects of plants on air quality and their research confirms that common houseplants are natural air purifiers. Although their original research was aimed at finding ways to purify the air for extended stays in orbiting space stations, the findings are important for us on Earth as well.

### DAILY INSPECTIONS PROGRAM

Element 7 will conduct daily field tests to measure odor outside the facility using a "Nasal Ranger Field Olfactometer", which is manufactured by St. Croix Sensory, Inc. The Olfactometer provides precise odor strength measurement that is consistent from place to place. This device will enable local authorities, and Element 7, to validate and/or substantiate odor complaints. St. Croix Sensory, Inc. currently offers an Odor School Program which our Chief Compliance Officer and the facility's General Manager will attend and complete to ensure that accurate and effective readings using the Olfactometer are consistently taken during daily inspections and when addressing odor complaints.

### ODOR MANAGEMENT HOTLINE

As part of Element 7's community and outreach programs, an odor management hotline will be set-up to receive and process odor complaints. Community members and neighbors will receive Company-issued communication twice annually, reminding them of the Odor Management Hotline – a number they can call for any complaints from an Element 7 facility.

**7. Neighborhood Beautification (five points)**

Using only the space provided below, please submit a community beautification plan detailing specific steps your business will take to reduce illegal dumping, littering, graffiti and blight and promote beautification of the adjacent community. Examples of specific steps include participating in City of Oakland Adopt a Spot/Drain program, installing murals, removing graffiti within 48 hours and providing landscaping.

**9. Ownership (fifteen points)**

Does Applicant's "ownership" as defined under 5.80.010 (M) satisfy the definition of an Equity Applicant<sup>3</sup>?

yes

no

If you answered yes to question 9, please provide supporting documentation as described below.

For proof of ownership please provide entity formation documents or documents filed with the California Secretary of State (e.g. articles of incorporation, stock issuance records, operating agreements, partnership agreements).

For proof of income please provide federal tax returns and at least one of the following documents: two months of pay stubs, current Profit and Loss Statement, Balance Sheet, or proof of current eligibility for General Assistance, Food Stamps, Medical/CALWORKS, or Supplemental Security Income or Social Security Disability (SSI/SSDI).

For proof of conviction should be demonstrated through Court documents, Probation documents, Department of Corrections or Federal Bureau of Prisons documentation.

For proof of residency please complete the below Proof of Residency Chart for all qualifying individuals and provide a minimum of two of the documents listed below evidencing 10 years of residency. All residency documents must list the applicant's first and last name, and the Oakland residence address in applicable police beats.

- California driver's record; or
- California identification card record ; or
- Property tax billing and payments; or
- Verified copies of state or federal income tax returns where an Oakland address is listed as a primary address; or
- School records; or
- Medical records; or
- Oakland Housing Authority records; or
- Utility company billing and payment covering any month in each of the ten years.

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<sup>3</sup> an "Equity Applicant" is an Applicant whose ownership/owner:

1. Is an Oakland resident; and
2. Has an annual income at or less than 80 percent of Oakland Average Medium Income (AMI) adjusted for household size; and
3. Either

(i) has lived in any combination of Oakland police beats 2X, 2Y, 6X, 7X, 19X, 21X, 21Y, 23X, 26Y, 27X, 27Y, 29X, 30X, 30Y, 31Y, 32X, 33X, 34X, 5X, 8X and 35X for at least ten of the last twenty years OR

(ii) was arrested after November 5, 1996 and convicted of a cannabis crime committed in Oakland.



Proof of Residency Chart

NAME OF EQUITY INDIVIDUAL <b>BRENDAN ROYAL (45% MEMBERSHIP INTERESTS)</b>		
CURRENT OAKLAND ADDRESS	DATES	

NAME OF EQUITY INDIVIDUAL <b>ASSATA BILAL (5% MEMBERSHIP INTERESTS)</b>		
CURRENT OAKLAND ADDRESS	DATES	

NAME OF EQUITY INDIVIDUAL		
CURRENT OAKLAND ADDRESS	DATES	
	FROM	TO
PRIOR OAKLAND ADDRESS(ES)		

**10. Product (forty points)**

What percentage of its cannabis products will Applicant commit to placing on its shelves and electronic platforms from Oakland equity cultivators and manufacturers? This commitment shall be demonstrated to the City via quarterly reports and verified on an annual basis.

- 1-10%   
  11-20%   
  21-30%   
  31-40%   
  41-50%   
  above 50%

**11. Distribution (forty points)**

What percentage of its cannabis products will Applicant commit to purchasing from Oakland equity distributors? This commitment shall be demonstrated to the City via quarterly reports and verified on an annual basis.

- 1-9%       10-20%       21-40%       41-60%       61-80%       81-100%

**12. Dispensary Incubator Program (maximum 60 points available with point allocation described below)**

- **Twenty-five points for first equity business incubated**
- **Fifteen points for second equity business incubated**
- **Ten points for third equity business incubated**
- **Five points for fourth equity business incubated**
- **Two points for fifth or any additional equity business incubated**
- **Five additional points per cultivation, testing lab, and manufacturing equity business incubated**
- **Five additional points per each license that is for an equity applicant who has not yet been incubated under the City of Oakland's equity program since it was established in 2017**

General dispensary applicants that serve as incubators for cannabis equity applicants by providing free rent or real estate are entitled to bonus points for every cannabis equity business it incubates. Please note, the equity business may be any cannabis business type and it may be incubated either on the same property as the dispensary or at another site in Oakland.

In order to receive these bonus points, the General Applicant must comply with the following conditions:

- a. The free real estate or rent shall be for a minimum of three years.
- b. The Equity Applicant shall have exclusive access to a minimum of 1,000 square feet to conduct its business operations, with the exception of applicants in a Type S manufacturing space.<sup>4</sup>
- c. The General Applicant must provide any City required security measures, including camera systems, safes, and alarm systems for the space utilized by the Equity Applicant.
- d. The incubated equity applicant is not already being incubated in the proposed space under a separate permit application.
- e. The dispensary applicant cannot incubate themselves by possessing any ownership interest in an incubatee license.
- f. The same equity applicant cannot be incubated for more than three licenses per dispensary permit application.
- g. Should an incubated equity applicant cease operating its business within the three-year period, the General Applicant must notify the City of Oakland within 30 days and incubate a new equity applicant.

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<sup>4</sup> Please note that this exclusive access requirement under the Dispensary Incubator Program is different than the equity incubator program for non-dispensary uses, which allows for shared use of space.

In order to receive credit for incubating an equity business, general dispensary applicants must submit a copy of the lease and/or contractual agreements between General and Equity Applicants that provides the requirements listed under (a) through (e) above.

Please use the Dispensary Incubator Chart to list all equity applicants dispensary applicant intends on incubating under the conditions outlined above. Attach additional pages as necessary.

Dispensary Incubator Chart

NAME OF EQUITY APPLICANT	ADDRESS OF EQUITY BUSINESS	BUSINESS TYPE
1. ERIC JONES	ADDRESS TBC	Distribution
2. ERIC JONES	ADDRESS TBC	Manufacturing
3. ERIC JONES	ADDRESS TBC	Cultivation
4. MARQUIS LESHAUN TUCKER	ADDRESS TBC	Distribution
5. MARQUIS LESHAUN TUCKER	ADDRESS TBC	Manufacturing
6. MARQUIS LESHAUN TUCKER	ADDRESS TBC	Cultivation
7.		
8.		
9.		
10.		

**12. Supporting Documents.**

Please check the boxes below for each supporting document submitted with this application. Please ensure that all supporting documents include a Header with the applicant's name on the top right corner of each page.

Copy of State Registration for corporate structure

Letter of Credit if applicable

***For Oakland Owners Applicants Only:***

Proof of Oakland Residency

***For Oakland Equity Applicants Only:***

Proof of Ownership

Proof of Income

And either

Proof of Residency

or

Proof of Conviction