

# AGENDA

## CITY OF WATSONVILLE

### PLANNING COMMISSION MEETING

*Opportunity Through Diversity; Unity Through Cooperation.*



*Working with our community to create positive impact through service with heart.*

**Chair Matthew H. Jones, District 6**  
**Vice Chair, Anna Kammer, District 5**

**Jenny Sarmiento, District 1**  
**Gina Cole, District 2**  
**Jenni Veitch-Olson, District 3**  
**Veronica Dorantes-Pulido, District 4**  
**Ed Acosta, District 7**

**Suzi Merriam, Secretary to Planning Commission**

**Alan J. Smith, City Attorney**  
**Deborah Muniz, Recording Secretary**  
**Remote Teleconference Meeting**

<https://zoom.us/j/96005415026> or Telephone: Dial (for higher quality, dial a number based on your current location): US: +1 (669) 219-2599 or +1 (669) 900-9128 or +1 (213) 338-8477 and entering Webinar ID: 960 0541 5026

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**Spanish language interpretation is available**

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Americans with Disabilities Act

The City of Watsonville, in complying with the Americans with Disabilities Act ("ADA"), requests individuals who require special accommodations to access and/or participate in Planning Commission meetings, to please contact the City Clerk's Office at (831) 768-3040, at least three (3) days in advance of the meeting to make arrangements. The City of Watsonville TDD number is (831) 763-4075.

Meetings are televised live on Charter Cable Communications Channel 70 and AT&T Channel 99 and re-broadcast on Thursday at 5:00 p.m. and Saturday at 8:00 a.m. the same week of the meeting. For information regarding this agenda or interpretation services, please call the City Clerk's Office at (831) 768-3040.

## **Notice of Remote/Teleconferencing Meeting**

*This meeting is being held in accordance with the Brown Act as currently in effect under the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, the Santa Cruz County Health Officer Extended and Modified Shelter in Place Orders, and the Governor's Executive Orders N-25-20 and N-29-20, that allows attendance by members of the Planning Commission, City Staff, and the public to participate and the Commission conduct the meeting by teleconference, video conference, or both.*

**HOW TO VIEW THE MEETING:** *There is no physical location from which members of the public may observe the meeting. Please view the meeting which is being televised on Channel 70 (Charter) and Channel 99 (AT&T) and video streamed at <https://watsonville.legistar.com/Calendar.aspx>*

**HOW TO PARTICIPATE BEFORE THE MEETING:** *Members of the public are encouraged to submit written comments through the Planning Commission portal at <https://watsonville.legistar.com> by clicking e-Comment or by emailing [cdd@cityofwatsonville.org](mailto:cdd@cityofwatsonville.org). All comments will be part of the meeting record. Emails received two hours before the meeting will not be uploaded to the Agenda and may not be seen by the Planning Commission or staff. They will be added to the agenda the day after the meeting.*

**HOW TO PARTICIPATE DURING THE MEETING:** *Members of the public are encouraged to join the meeting through Zoom Webinar from their computer, tablet or smart phone at <https://zoom.us/j/96005415026> or by telephone: Dial (for higher quality, dial a number based on your current location): US: +1 669 219 2599 or +1 669 900 9128 or +1 213 338 8477 and entering Webinar ID: 960 0541 5026.*

*You will be placed in the meeting as an attendee; when you are ready to make a public comment, if joining by computer audio, please click on the "Raise Hand" button and the Chair will unmute your microphone; and if joining by phone, please press \*9 on your keypad. You may also register to speak until two hours before the meeting at <https://watsonville.legistar.com/Calendar.aspx>*

*The City of Watsonville, in complying with the American with Disabilities Act ("ADA"), requests individuals who require special accommodations to access and/or participate in Planning Commission meetings, to please contact the City Clerk's Office at (831) 768-3040, at least three (3) business days before the scheduled meetings to ensure that the City can assist you.*

*Spanish interpretation services will be available through Zoom by toggling language audio options to the Spanish channel.*

*Servicios de interpretación en español estarán disponible en Zoom al elegir el botón "Spanish."*

### **1. ROLL CALL**

### **2. PLEDGE OF ALLEGIANCE**

### 3. PRESENTATIONS AND ORAL COMMUNICATIONS

*This time is set aside for members of the general public to address the Planning Commission on any item not on the Agenda, which is within the subject matter jurisdiction of the Planning Commission. No action or discussion shall be taken on any item presented except that any Commissioner may respond to statements made or questions asked, or may ask questions for clarification. All matters of an administrative nature will be referred to staff. All matters relating to Planning Commission will be noted in the minutes and may be scheduled for discussion at a future meeting or referred to staff for clarification and report. Any Commissioner may place matters brought up under Oral Communications on a future agenda. ALL SPEAKERS ARE ASKED TO ANNOUNCE THEIR NAME AND ADDRESS IN ORDER TO OBTAIN AN ACCURATE RECORD FOR THE MINUTES.*

A. PRESENTATION TO PLANNING COMMISSION ON CURRENT PLANNING VS ADVANCED PLANNING

### 4. CONSENT AGENDA

*All items appearing on the Consent Agenda are recommended actions which are considered to be routine and will be acted upon as one consensus motion. Any items removed will be considered immediately after the consensus motion. The Chair will allow public input prior to the approval of the Consent Agenda.*

A. MOTION APPROVING MINUTES OF SEPTEMBER 1, 2020 REGULAR MEETINGS

Attachments: [September 1, 2020 Minutes](#)

### 5. PUBLIC HEARINGS

A. AN APPLICATION FOR A SPECIAL USE PERMIT (APPLICATION NO. 70) TO ALLOW THE ESTABLISHMENT OF AN OFF-SALE GENERAL (TYPE 21) ABC LICENSE UNDER NEW OWNERSHIP FOR AN EXISTING LIQUOR STORE (WATSONVILLE FIESTA LIQUORS) LOCATED AT 602 EAST LAKE AVENUE (APN 018-302-06), FILED BY SAMER KRIDI, APPLICANT, ON BEHALF OF CLEMENTINE JONES, PROPERTY OWNER

Attachments: [602 East Lake Avenue - Report](#)

[Attachment 1 - Site & Vicinity Map](#)

[Attachment 2 - Alcohol Related Uses Application](#)

[Attachment 3 - Alcohol Related Uses Rubric](#)

[Attachment 4 - Floor Plan](#)

[Attachment 5 - Site Plan](#)

[602 East Lake Avenue Resolution & Exhibits A, B & C](#)

1) Staff Report

- 2) Planning Commission Clarifying & Technical Questions
- 3) Applicant Presentation
- 4) Planning Commission Clarifying & Technical Questions
- 5) Public Hearing
- 6) Appropriate Motion(s)
- 7) Deliberation
- 8) Chair Calls for a Vote on Motion(s)

**B. AN APPLICATION FOR A SPECIAL USE PERMIT (APPLICATION NO. 359) TO ALLOW THE ESTABLISHMENT OF SMALL BEER MANUFACTURER (TYPE 23) ABC LICENSE UNDER NEW OWNERSHIP FOR AN EXISTING MICROBREWERY WITH A 780 SQUARE FOOT TASTING ROOM (ELKHORN SLOUGH BREWING LLC DBA THE SLOUGH BREWING COLLECTIVE) LOCATED AT 65 HANGAR WAY SUITE D (APN 015-111-24), FILED BY THE SLOUGH BREWING COLLECTIVE, APPLICANT ON BEHALF OF SAM BISHOP, PROPERTY OWNER**

Attachments:

[65 Hangar Way - Report](#)  
[Attachment 1 - Site & Vicinity Map](#)  
[Attachment 2 - Alcohol Related Uses Application](#)  
[Attachment 3 - Alcohol Related Uses Rubic - On Sale](#)  
[Attachment 4 - Floor Plan](#)  
[Attachment 5 - Site Plan](#)  
[65 Hangar Way - Resolution & Exhibits A, B & C](#)  
[Public Comment 11-17-20](#)

- 1) Staff Report
- 2) Planning Commission Clarifying & Technical Questions

- 3) Applicant Presentation
- 4) Planning Commission Clarifying & Technical Questions
- 5) Public Input
- 6) Appropriate Motion(s)
- 7) Deliberation
- 8) Chair Calls for a Vote on Motion(s)

**6. REPORT OF THE SECRETARY****7. ADJOURNMENT**

**The next meeting is scheduled for Tuesday, December 1, 2020 at 6:00 p.m.**



MINUTES

REGULAR MEETING OF THE PLANNING COMMISSION  
OF THE CITY OF WATSONVILLE

TELECONFERENCE/REMOTE

September 1, 2020

6:01 PM

*In accordance with City policy, all Planning Commission meetings are recorded on audio and video in their entirety and are available for review in the Community Development Department (CDD). These minutes are a brief summary of action taken.*

**1. ROLL CALL**

Chair Matthew Jones, Vice-Chair Anna Kammer, and Commissioners Ed Acosta, Veronica Dorantes-Pulido, Jenny T. Sarmiento, and Jenni Veitch-Olson were present.

Staff members present were City Attorney Alan Smith, Assistant Police Chief Thomas Sims, Community Development Director Suzi Merriam, Housing Manager Carlos Landaverry, Principal Planner Justin Meek, Associate Planner Ivan Carmona, Recording Secretary Deborah Muniz and Administrative Assistant II Elena Ortiz.

**2. PLEDGE OF ALLEGIANCE**

Chair Matthew Jones led the Pledge of Allegiance.

**3. PRESENTATIONS & ORAL COMMUNICATIONS**

Elizabeth, District 7, expressed her preference for staff utilizing GoToMeeting as opposed to Zoom Webinar meetings.

Vanessa Quiroz-Carter, District 2, encouraged City staff to utilize a streaming platform which allows a more open dialogue between the public and staff.

**4. CONSENT AGENDA**

**A. MOTION APPROVING MINUTES OF JULY 14, 2020 REGULAR MEETING**

**MOTION:** It was moved by Commissioner Veitch-Olson, seconded by Vice-Chair Kammer, and carried by the following vote to approve the Consent Agenda:

AYES: COMMISSIONERS: Acosta, Dorantes-Pulido, Kammer,  
Sarmiento, Veitch-Olson, Jones  
NOES: COMMISSIONERS: None

ABSENT: COMMISSIONERS: None

**5. PUBLIC HEARINGS**

**A. AN APPLICATION FOR A SPECIAL USE PERMIT (APPLICATION NO. PP1) TO ALLOW THE ESTABLISHMENT OF AN OFF-SALE BEER AND WINE (TYPE 20) ABC LICENSE FOR A PROPOSED GAS STATION WITH CONVENIENCE STORE AND CAR WASH (ARCO "AMPM") LOCATED AT 69 LEE ROAD (APN: 018-302-06), FILED BY J&H RETAIL, LLC, APPLICANT AND PROPERTY OWNER**

**1) Staff Report**

The staff report was given by Principal Planner Justin Meek.

**2) Planning Commission Clarifying & Technical Questions**

In answering Vice-Chair Kammer's question, Principal Planner Meek clarified that the Chevron in the vicinity has a type 20 ABC license.

**3) Applicant Presentation**

Juggy Tut, applicant, gave a brief background of his proposed project.

**4) Planning Commission Clarifying & Technical Questions**

In response to Commissioner Veitch-Olson's inquiries, Mr. Tut shared that he plans to hire between 8 to 12 local employees and will be selling local beer and snacks at the convenience store and hotel.

In answering Commissioner Dorantes-Pulido, Mr. Tut stated if there are no delays, their goal is to open early December.

**5) Public Hearing**

Chair Jones opened the public hearing.

Manuel Bersamin, asked that the applicant consider making a donation to the local high schools, specifically towards events such as grad night for the high school seniors.

Pedro Castillo, District 2, spoke in opposition of the application, as he does not feel the City of Watsonville needs another business with alcohol sales.

Elizabeth, District 7, spoke in support of more businesses and revenue for the City.

Hearing no further comment, Chair Jones closed the public hearing.

**6) Appropriate Motion(s)**

**MAIN MOTION:** It was moved by Vice-Chair Kammer, seconded by Chair Jones, to approve the following resolution:

**RESOLUTION NO. \_\_\_\_ (PC):**

**RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF WATSONVILLE, CALIFORNIA, APPROVING A SPECIAL USE PERMIT (APPLICATION NO. PP1) TO ALLOW THE ESTABLISHMENT OF AN OFF-SALE BEER AND WINE ABC LICENSE FOR A PROPOSED GAS STATION WITH CONVENIENCE STORE AND CAR WASH WITH ALCOHOL SALES (ARCO "AMPM") LOCATED AT 69 LEE ROAD, WATSONVILLE, CALIFORNIA (APN: 018-302-06)**

**7) Deliberation**

Commissioner Sarmiento expressed concern about the number of approved alcohol licenses in the recent years, and the saturation of alcohol licenses in the proposed project's location.

Vice-Chair Kammer thanked City staff for creating a grading rubric during the application process as it gives insight as to how the business will operate.

**8) Chair Calls for a Vote on Motion(s)**

**MAIN MOTION (Failed):** The above motion carried by the following vote:

AYES:	COMMISSIONERS: Kammer, Veitch-Olson, Jones
NOES:	COMMISSIONERS: Acosta, Dorantes-Pulido, Sarmiento
ABSENT:	COMMISSIONERS: None

**B. AN APPLICATION FOR SPECIAL USE PERMIT WITH DESIGN REVIEW AND ENVIRONMENTAL REVIEW (PP2019-18) TO ALLOW THE ESTABLISHMENT OF A PROPANE STORAGE AND TRANSFER FACILITY (AKA BULK PROPANE PLANT) ON A 0.7± ACRE PROPERTY LOCATED AT 950 WEST BEACH STREET, (APNS 018-331-28; FORMERLY APNS 018-331-05 & -06), FILED BY DAVID DAUPHIN WITH C2G, APPLICANT, ON BEHALF OF RICHARD KOJAK WITH MOUNTAIN PROPANE SERVICE, PROPERTY OWNER**

**1) Staff Report**

The staff report was given by Principal Planner Justin Meek.

## **2) Planning Commission Clarifying & Technical Questions**

In answering Vice-Chair Kammer's question regarding the number of propane storage facilities within City limits, Principal Planner Meek stated he was unaware of the total number.

In response to Chair Jones' inquiry regarding the existing storage tank onsite, Principal Planner Meek explained that should the project be denied, the temporarily placed empty storage tank would have to be removed from the site.

## **3) Applicant Presentation**

Richard Kojak and William Kojak, applicants, gave an overview of the project and addressed some of the concerns raised by the community.

## **4) Planning Commission Clarifying & Technical Questions**

Mr. Richard Kojak answered questions from Vice-Chair Kammer regarding the propane delivery process, business model, and hiring of local employees.

In answering Commissioner Dorantes-Pulido's inquiry regarding the rail corridor, Principal Planner Meek stated that the proposed rail corridor would be within 75-feet of the project's property.

Mr. Kojak answered questions from Commissioner Veitch-Olson regarding the future expansion of the business.

In answering Chair Jones, Mr. Kojak stated that there was a previous propane rail operator, but if approved, they would be the only facility receiving propane by rail. Additionally, he mentioned that most of their customers are those that reside outside City limits.

Principal Planner Meek responded to Chair Jones' questions regarding the project's principally permitted uses, potential sales tax revenue for the City, and bio-propane sales.

## **5) Public Hearing**

Chair Jones opened the public hearing.

Joy Alafia, Western Propane Gas Association President/CEO, addressed questions raised by Planning Commissioners.

The following speakers spoke in support of the project and listed their reasons

Barry Scott, The Need Project State Program Director

Ben Granholm, Western Propane Gas Association Regulatory Affairs Specialist  
Amber Kinslow, Boulder Creek resident  
David Van Brink, Santa Cruz County resident  
Rob Scott, Western Propane Gas Association Safety Consultant  
IBartle

The following speakers spoke in **opposition** of the project and listed their reasons:

Jennifer Laskin, MS, JD, Esquire  
Manuel Bersamin  
Vanessa Quiroz-Carter, District 2  
Dr. Manny Nunez, District 1  
Jessica Carrasco  
Elizabeth Atilano, Watsonville resident  
John S  
Consuelo Alba, District 5  
Alan Hicks  
Maria Heredia  
Alejandro Garcia

Natalie Olivas, Regeneración- Pájaro Valley Climate Action, expressed concern about climate change and urged the Planning Commission to vote accordingly.

Hearing no further comments, Chair Jones closed the public hearing.

## **6) Appropriate Motion(s)**

Commissioner Sarmiento spoke in opposition to the project as she does not believe it is an appropriate use of the land.

**MAIN MOTION:** It was moved by Commissioner Sarmiento, seconded by Commissioner Veitch-Olson, to deny the following resolution:

**RESOLUTION NO. \_\_\_\_ (PC):**

**RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF WATSONVILLE, CALIFORNIA, RECOMMENDING THE CITY COUNCIL ADOPT A RESOLUTION DENYING A SPECIAL USE PERMIT WITH DESIGN REVIEW AND ENVIRONMENTAL REVIEW (PP2019-18) TO NOT ALLOW THE ESTABLISHMENT OF A PROPANE STORAGE AND TRANSFER FACILITY (AKA BULK PROPANE PLANT) ON A 0.7± ACRE PROPERTY LOCATED AT 950 WEST BEACH STREET, WATSONVILLE, CALIFORNIA (APN 018-331-28; FORMERLY APNS 018-331-05 & -06)**

## **7) Deliberation**

Commissioner Acosta expressed opposition to the project and his reasons for doing so.

Vice-Chair Kammer disclosed that she was contacted by Barry Scott, Drew Rogers and Consuelo Alba, who spoke to her about the project. Additionally, she spoke about the need for propane for those residing outside the City limits.

Chair Jones and Commissioners Veitch-Olson and Dorantes-Pulido all spoke in support of Commissioner Sarmiento's motion and listed their reason for doing so.

**8) Chair Calls for a Vote on Motion(s)**

**MAIN MOTION:** The above motion carried by the following vote:

AYES:	COMMISSIONERS: Acosta, Kammer, Dorantes-Pulido, Sarmiento, Veitch-Olson, Jones
NOES:	COMMISSIONERS: None
ABSENT:	COMMISSIONERS: None

**6. REPORT OF THE SECRETARY**

The report was given by Director Merriam.

**7. ADJOURNMENT**

Chair Jones adjourned the meeting at 9:21 PM. The next remote/teleconference Planning Commission meeting is scheduled for Tuesday, October 6, 2020, at 6:00 PM.

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Suzi Merriam, Secretary  
Planning Commission

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Matthew H. Jones, Chair  
Planning Commission

# **City of Watsonville MEMORANDUM**

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**DATE:** October 29, 2020

**TO:** Planning Commission

**FROM:** Suzi Merriam, Community Development Director  
Sarah Wikle, Assistant Planner

**SUBJECT:** Public Hearing to consider approval of a Special Use Permit Application (Application No. 70) to establish a Type 21 ABC License under new ownership for an existing ±2,000 square foot liquor store, located at 602 East Lake Avenue (APN: 017-063-02)

**AGENDA ITEM:** November 17, 2020 **Planning Commission**

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## **RECOMMENDATION:**

Staff recommends that the Planning Commission adopt a Resolution approving a Special Use Permit Application to establish a Type 21 ABC License under new ownership at an existing liquor store for Watsonville Fiesta Liquor, Inc., a corporation at 602 East Lake Avenue (APN 017-063-02).

The recommendations are based on the Commission being able to make attached findings and subject to staff's recommended conditions of approval.

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## **BASIC PROJECT DATA**

**APPLICATION NO.:** Application No. 70

**APN:** 017-063-02

**LOCATION:** 602 East Lake Avenue

**LOT SIZE:** ±0.22 acres

**PROJECT DESCRIPTION:** Special Use Permit Application to establish a Type 21 ABC License under new ownership at an existing liquor store at 602 East Lake Avenue

**GENERAL PLAN:** General Commercial (GC)

**ZONING:** Neighborhood Commercial (CN)

**SURROUNDING GENERAL PLAN/ZONING:** General Commercial (GC) in the Neighborhood Commercial (CN) Zoning District (north, south, and east), and Residential Low Density (RLD) in the Single Family Residential – Low Density (R-1) Zoning District (west).

**EXISTING USE:** Liquor store

**PROPOSED USE:** Liquor store

**SURROUNDING USES:** Various commercial uses along East Lake Avenue, single family residential along Hushbeck Avenue, Fire Lane, and Center Street

**FLOOD ZONE:** Flood Zone X

**CEQA REVIEW:** The project qualifies for a Class 1 Categorical Exemption from the provisions of the California Environmental Quality Act (CEQA), pursuant to Section 15301 of the CEQA Guidelines.

**APPLICANT:** Watsonville Fiesta Liquor, Inc. a corporation, 602 East Lake Avenue, Watsonville, CA 95076

**PROPERTY OWNER:** Anthony Lico, as to an undivided 1/15<sup>th</sup> interest; Kimberly Lico, as to an undivided 1/15th interest; Brandl Lico Solorio, as to an undivided 1/15th interest; Jennifer Lico, as to an undivided 1/15th interest; Richard Lico, as to an undivided 1/15th interest; Angelina De Rosa, as to an undivided 1/3rd interest; and Clementine Jones, as to an undivided 1/3rd interest, all as tenants in common, PO Box 2583, Hollister, CA 95024

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## **BACKGROUND**

According to Santa Cruz County Assessor's Office records, the building located at 602 East Lake Avenue was built in 1949 and modified in 1962.

On October 3, 1969, the Department of Alcohol and Beverage Control (ABC) issued James Barsi Jr. and Mary L. Barsi, doing business as Barsi's Liquors, a Type 21<sup>1</sup> ABC License for Off-Sale General Sales which authorizes the sales of beer, wine, and distilled spirits.

The Council adopted ordinance 1135-02 (CM) effective September 10, 2002, codified at Chapter 14-25 of the Municipal Code. Ordinance 1135-02 required an alcohol related use application, and discretionary permits for ABC licenses with conditions of approval. All alcohol related establishments operating as of October 10, 2002 without a valid conditional use permit approved specifically for the purpose of alcohol sales, were required to apply for a conditional use permit no later than January 1, 2003.

Ordinance 1135-02 provided for twenty-year term no-fee special use permits issued upon completing a one-page form without a public hearing if the business was not a "public nuisance" or on probationary status with ABC. Mary L Barsi and James Barsi obtained twenty-year no-fee special use permit (PP2002-275) on February 26, 2003 subject to the following conditions of approval.

1. The Alcohol and Beverage Control (ABC) Conditions of Approval are incorporated by reference as Conditions of Approval of this Use Permit.
2. No exterior pay phone(s) may be placed on the premises.
3. Interior pay phone(s) shall not allow incoming calls.

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<sup>1</sup> Type 21. Off-Sale General (Package Store) Authorizes the sale of beer, wine and distilled spirits for consumption off the premises where sold. Minors are allowed on the premises.

4. Exterior security cameras are not required at this time, but may be required in the future if determined necessary by the Chief of Police.
5. Malt beverage and fortified wine shall not be sold in containers with a volume exceeding sixteen (16) ounces.
6. The sale of individual containers of malt beverage or fortified wine is prohibited.
7. Alcoholic beverages may be displayed and sold from an ice tub or similar display mode only between the hours of 11:30 a.m. and 2:00 p.m.
8. Except as may be specifically allowed by the Municipal Code, no portion of the ground floor windows shall be obscured by paint, walls, window tinting, or other masking device. This subsection is intended to facilitate views of the interior from the exterior for public safety, and does not prohibit neon signs, minimal window borders, or other signs or decorations that are consistent with City sign regulations and do not obscure views.

On July 11, 2019, the Council adopted Ordinances No. 1384-19 (CM) and 1385-19 (CM) which changed Chapter 14-25.

On December 10, 2019, Samer Kridi on behalf of Watsonville Fiesta Liquor, Inc. on behalf of the property owner, submitted Special Use Permit (App No. 70) to establish a Type 21 ABC License under new ownership for Barsi's liquor store at 602 East Lake Avenue.

## PROCESS

### Zoning Ordinance and Legal Non-conforming uses

This parcel is in the Neighborhood Commercial (CN) District and the structure has housed a liquor store with a Type 21 Off-Sale General ABC license issued since 1969. Liquor stores became specifically prohibited uses within the CN District by Ordinance 1135-02 in 2002.<sup>2</sup>

This application seeks to continue operation of the liquor store under new ownership with a Type 21 Off-Sale General ABC License. No other changes are proposed. This is a violation of the City's Zoning Ordinance. The liquor store however qualifies as a legal non-conforming use under the City's Non-conforming Uses and Structures Ordinance<sup>3</sup> if the Commission can make the findings required by subdivisions (a) through (c) of § 14-20.050.<sup>4</sup> Since the liquor store use was lawfully established in 1969 and has not ceased operation for a period of six months or longer, is the same use and does not adversely affect adjoining properties, the liquor store with alcohol sales qualifies under the City's Non-conforming Uses and Structures Ordinance to continue in operation. The three required findings are identified in the proposed resolution of approval.

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<sup>2</sup> WMC § 14-16.1303.1 Prohibited uses.

<sup>3</sup> WMC § 14-20.010 et seq

<sup>4</sup> WMC § 14-20.050 (a) That the discontinued use has not been replaced with a permitted use for a continuous period of six months or more. (b) That the proposed use is substantially similar in type, scope and intensity to the previous nonconforming use, and (c) That the proposed use will not adversely affect adjoining properties.

### Special Use Permit with Alcohol Related Use WMC 14-25

A substantial change of mode or character of operation of an alcohol related use requires approval by a conditional use permit. [WMC §14-16.1303\(c\)](#). WMC Section [14-16.1303\(d\)](#) defines a “substantial change of mode or character of operation” to include a transfer of ownership of any type of regulatory license required specifically for that use. A transfer of an Off-Sale General (Type 21) ABC License requires a Special Use Permit. And so, this application is being processed for a Special Use Permit.

The Planning Commission is authorized to approve Special Use Permits in accordance with WMC §§ [14-12.509](#) - [14-12.512](#) if it can make the seven findings required by subdivisions (a)–(g) of § [14-12.513](#). The Special Use Permit is to ensure the proper integration of uses which, because of their special nature, may be suitable only in certain locations or zoning districts or only provided that such uses are arranged or designed in a particular manner. [WMC § 14-12.500](#). This special review shall be for the purpose of determining that the proposed use is, and will continue to be, compatible with surrounding, existing, or planned uses; and to establish such special conditions as may be necessary to ensure the harmonious integration and compatibility of uses in the neighborhood and with the surrounding area. [WMC § 14-12.501](#).

### Application Materials

[WMC Section 14-25.011](#) requires an application to allow alcohol sales provide the following materials:

- Locational information;
- Business plan;
- Safety and security plan;
- Neighborhood compatibility plan; and
- Community benefits.

### Application Review and Scoring

Once the applicant submits a complete application, City staff (consisting of the Police Chief, Fire Chief, Community Development Director, Finance Director, City Manager or their designees) review the application, and interview applicant(s) within 60 days. [WMC § 14-25.012](#). Successful applications must receive a score of at least 80% of all available points on the rubric. If an application fails, a new application may be submitted after 90 days. The Planning Commission shall consider each application for a Special Use Permit and shall approve or conditionally approve the permit upon making all the findings required in [WMC Section 14-12.513](#).

### Operational Standards and Conditions of Approval

The Planning Commission may condition the alcohol related use with minimum operational standards, in accordance with [WMC Sections 14-25.020 - 14-25.023](#).

## Environmental Review

The California Environmental Quality Act (CEQA) requires local and state governments to consider the potential environmental effects of a project before making a decision on it. CEQA's purpose is to disclose any potential impacts of a project and suggest methods to minimize identified impacts. Certain classes of projects, however, have been identified that do not have a significant effect on the environment, and are considered categorically exempt from the requirement for the preparation of environmental documents. [State CEQA Guidelines § 15300](#).

## **STANDARD OF REVIEW & APPEAL PROCESS**

This decision whether to approve this Special Use Permit is adjudicative, sometimes referred to as quasi-judicial. The Commission must judge whether this project complies with City ordinances.

Whether a particular decision is adjudicative or legislative affects the requirements for findings to support the decision. Legislative decisions involve the adoption of broad policies applicable to many situations (for example, general plan amendments and zoning ordinance changes). Legislative decisions need not be accompanied by findings, unless a State law or City ordinance requires them.

Adjudicative (or "quasi-judicial") decisions, on the other hand, are not policy decisions. Adjudicative/quasi-judicial decisions apply already adopted policies or standards to particular cases, such as a variance or conditional use permit application. Adjudicative/quasi-judicial decisions are based on evidence and must always be supported by findings.<sup>5</sup>

This decision before the Planning Commission—a Special Use Permit—is an adjudicative/quasi-judicial decision and requires findings, either for denial, or as recommended, for approval that is supported by substantial evidence. *Toigo v Town of Ross* (1998) 70 Cal App 4th 309; see also *Petrovich v. City of Sacramento* (2020) 48 Cal App 5th 963

If the Planning Commission's decision is appealed, the City Council will consider whether the action taken by the Planning Commission was erroneously taken and may sustain, modify or overrule the action. In order for an official action to be overturned by an appeal, the City Council must find that the action taken by the Planning Commission was taken erroneously and was inconsistent with the intent of the Zoning District regulations that regulate the proposed action. [WMC § 14-10.1106](#)

A lawsuit is required to challenge a Council's decision. A reviewing court will consider whether an adjudicative/quasi-judicial decision by the Council was supported by adequate findings. Courts scrutinize adjudicative/quasi-judicial decisions closely. An action may be overturned if the City (1) exceeded its authority, (2) failed to provide a fair hearing<sup>6</sup>, or (3) made a decision not supported by substantial evidence (also called "a prejudicial abuse of discretion").

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<sup>5</sup> Quasi-judicial decisions require the decision-making body to take evidence and use its judgment to make factual as well as legal determinations about whether a particular property or project meets the standards established by the land use ordinance.

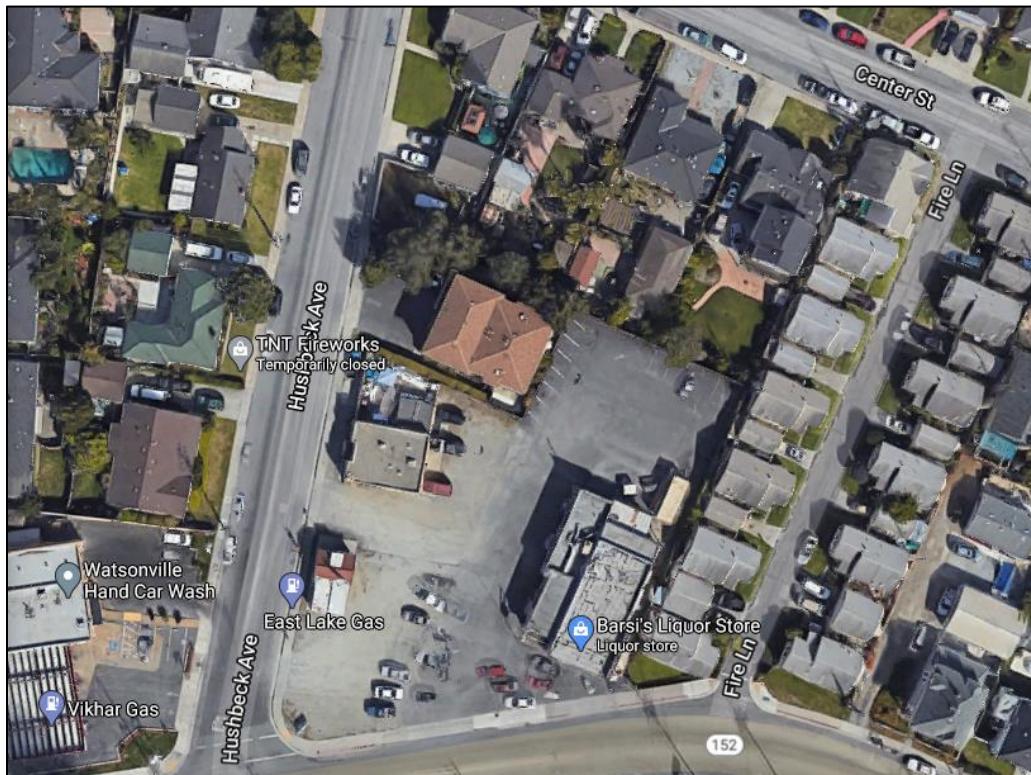
<sup>6</sup> *Petrovich*, *supra*

Another important difference between legislative and adjudicative/quasi-judicial decisions is the substantial evidence standard: in weighing evidence of what happened at the Council meeting, courts go beyond whether a decision was “reasonable” (the legislative standard). Court’s reviewing adjudicative/quasi-judicial decisions look to make sure the decision is supported by substantial evidence. Denied applicants argue the there is no substantial evidence to support the decision. Cities usually assert there is substantial evidence to support the decision and rely on (1) the written words in the staff findings, (2) the statements by those presenting at the hearing, and (3) the words of the Planning Commission or Council.

## DISCUSSION

### Existing Site

The 0.22± acre site is in a commercial area and developed with an existing commercial building. Parking is along rear boundary of the parcel. Access is granted from driveway approaches on East Lake Avenue. To the north, east, and south of the site are other commercial uses. To the west is a single family residential development accessed from Hushbeck Avenue and Fire Lane. See Figure 1 for current conditions and the site plan for 602 East Lake Avenue.

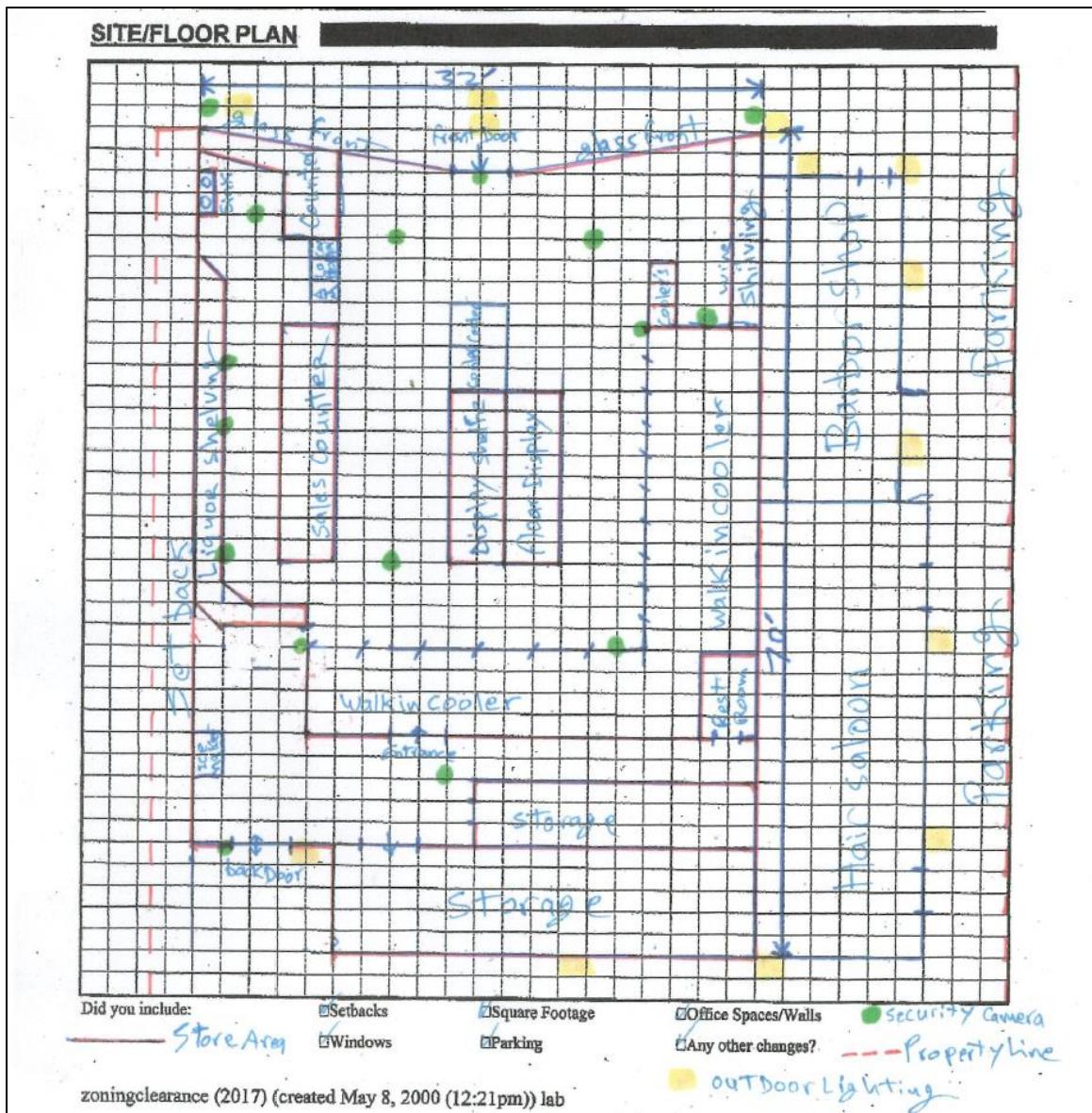


**FIGURE 1** Aerial view of the project site and surrounding area

Source: Google Maps, 2020

### Floor Plan

The liquor store has an open floor plan, with the sales counter located adjacent to the front entrance off East Lake Avenue. See Figure 2 for the floor plan.



**FIGURE 3** Proposed/Existing Floor Plan for Watsonville Fiesta Liquor

Source: Plan Set, received December 10, 2019

As shown on the floor plan, a display sales area is in the middle of the tenant space. To the right of the front entrance is the sales counter area, behind which is the liquor sales area. Along the opposite wall and to the left of the front entrance is a wine sales area. The remaining floor area is framed in by two-walk in coolers. Behind the walk-in coolers are a storage area and bathroom that are only accessible to employees.

The floor plan denotes security camera locations utilizing a green dot and outdoor lighting with a yellow square. In total, there are 16 security cameras located throughout the liquor store. A condition of approval requires the applicant to have security cameras that can retain footage for a minimum of 30 days.

## Parking

The project involves the transfer of an existing Type 21 ABC License and would not result in any change or expansion of use. In accordance with WMC Section 14-17.801(h), miscellaneous retail stores require five parking spaces for a liquor store that is zero to 3,000 square feet in floor area. The existing liquor store is approximately 2,000 square feet in size and provides eight parking spaces on site. Therefore, no additional parking is required.

## Hours of Operation

The proposed hours of operation for Watsonville Fiesta Liquor are 6:00AM to 10:00PM Sunday to Thursday, and 6:00AM to 11:00PM Friday and Saturday. The hours have been reviewed by the Watsonville Police Department and were found to be acceptable.

## Police Review

The Watsonville Police Department tracks all alcohol licenses in the City and the reported crime associated with these sites. The Police Department also confirms whether alcohol license holders comply with ABC regulations.

Police review did not identify any crimes or criminal activity associated with the existing liquor store. Per ABC, Watsonville Fiesta Liquor is located in a high crime area for Off-Sale ABC Licenses but is not located in an area of over-concentration.

## Type 21 ABC License

ABC issues various licenses for the sale of alcohol for different types of establishments. A Type 21 Off-Sale General License authorizes the sale of beer, wine and distilled spirits for consumption off the premises where sold. Minors are allowed on the premises.

Under state law, existing facilities with an off-sale general (Type 21 ABC license) are not subject to the discretionary powers<sup>7</sup> of the local governing body when the facility simply changes ownership. This means that ABC does not require approval by the local governing body prior to issuing approval when the ownership of these license types change. The proposed use has been conditioned with standard conditions for off-sale liquor stores to ensure that it will be in conformity with applicable regulations and not have any negative impacts on the neighborhood.

## LEAD Training

A condition of approval requires all service staff, managers and owners attend Licensee Education on Alcohol and Drugs (LEAD) training within ninety (90) days of approval of this Use Permit and/or employment at the restaurant to ensure they understand responsible beverage service practices and procedures regarding the sale and service of alcohol. The applicant is required to submit verification of LEAD training attendance to the Community Development Department.

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<sup>7</sup> Discretionary powers allow the exercise of judgment, deliberation or decision in approving or denying a particular activity by the decision-making authority. Non-discretionary powers merely allow the determination whether there is conformity with applicable ordinances or regulations (aka ministerial decision).

### Compliance with Alcohol Ordinance

WMC Chapter 14-25 regulates the location and operation of alcohol establishments within the City. This chapter is intended to reduce alcohol-related environmental and social problems by regulating the use, operation, and location of new alcohol establishments selling alcoholic beverages in relation to existing alcohol licensees and their proximity to sensitive uses and facilities customarily to be used by children and families.

In accordance with [WMC Section 14-25.011](#), the applicant provided the following information regarding their Business Plan for Watsonville Fiesta Liquor:

The business will have one employee in the morning and minimum two in the afternoon and evenings beside one of the owners. One of the owners and family will be moving to Watsonville and husband and wife will be working at the store. Employees will regularly be trained to provide professional customer service.

We prefer to hire local employees who are [bilingual] and know the town and neighborhood (all of our employees are Watsonville residents).

Employees and owners are educated, trained and certified on the ABC LEAD program.

No changes will be made to the current business set up or structure at this time. Improvements will be done later according to City permits and licensing laws and will be paid for from business profit.

Employees will keep the store clean through the day, will sweep and mop the floors every evening and take out trash as needed. Will keep the parking lot and front of store clean of all trash and make sure it's done [daily].

Also in accordance with [WMC Section 14-25.011](#), the applicant provided the following information in its Neighborhood Compatibility Plan:

We pay special attention to underage smoking and drinking. Our employees will be trained to detect illegal sales and purchases of alcohol and tobacco products (LEAD). We card every customer who appears to be under 30 years of age. We look for fake ID's and only accept government issued ID's with personal description and photo. We don't allow adults to buy alcohol or tobacco for minors. WE CARD signs will be posted on the front door and sales counter to show the daily minimum age to buy alcohol and tobacco products. Warning signs about the risk of using nicotine and tobacco and drinking alcohol will also be posted.

Cash registers will display an age verification warning [message] anytime the cashier scans alcohol or tobacco item and will require approval of the customer age to proceed with the transaction.

Signs to prohibit the use and sales of all illegal drugs will be posted outside the store in a visible location.

Signs prohibiting noise, loitering, soliciting and open alcohol containers will be posted in visible locations.

Additionally, the applicant provided the following information for their Safety and Security Plan:

The store will have an alarm system and 24 hours surveillance cameras to keep record of daily operations inside and outside the store.

We like our locations to be bright and well lit, adequate lighting will be maintained around the store and the parking lot.

In accordance with [WMC Sections 14-25.021](#) and [14-25.022](#), all operational standards applicable to an off sale general ABC License are incorporated as Conditions of Approval. For more information on the Alcohol Related Uses Application, see Attachment 2.

#### Interview Scoring

The application was initially reviewed in August 2020 for completeness with City requirements. After the application was deemed complete, the applicant represent was interviewed by a selection committee consisting of the Police Chief, Fire Chief, Community Development Director, Finance Director, and City Manager or their designees. The applicant was then interviewed and scored based on four main categories: location (150 points), business plan (275 points), neighborhood compatibility plan (375 points), and a safety and security plan (225 points). There are bonus points that applicants can receive for community benefits (50 points), labor and employment (25 points), and local enterprise/qualifications of principals (75 points). The total maximum possible score for an alcohol related use application for a microbrewery with a tasting room is 1,025 points, excluding the bonus points. An applicant must receive a minimum score of points (80%) to be approved.

On September 29, 2020, City staff interviewed Samer Kridi and Eddy Barakat of applicant Watsonville Fiesta Liquor. The applicant received a score of 850. With bonus points included the application received a score of 965 out of 1,025 points. A summary of the interview scoring follows each interview category is in Attachment 3.

#### Alcohol Related Findings

WMC §§ 14-12.513 and 14-25.013 require the Planning Commission to make findings to approve or conditionally approve the Special Use Permit allowing the operation of an existing brewpub under new ownership. The applicant has demonstrated through their Alcohol Related Uses Application and Alcohol Related Uses Interview conformance with the City of Watsonville's Alcohol Related Uses Ordinance. As such, the Planning Commission may make required findings to approve the requested Special Use Permit.

#### Environmental Review

The proposed project is eligible for a Class 1 Categorical Exemption per Section 15301 of the State CEQA Guidelines as it involves establishing an alcohol license (ABC Type 20) under new

ownership and involves no expansion of the existing use. The project will not involve any interior or exterior modifications.

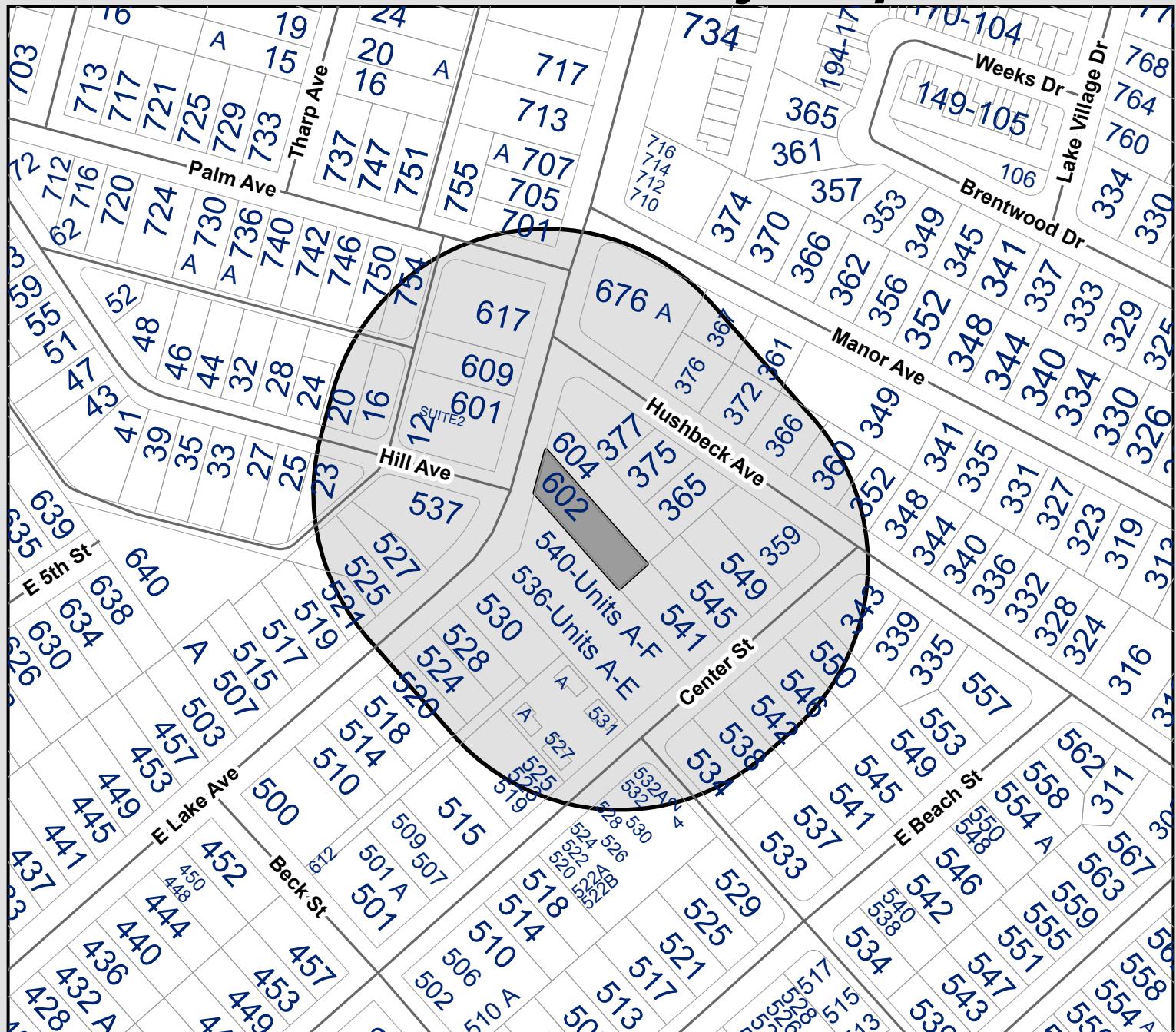
## **CONCLUSION**

The proposal to establish an Off-Sale General (Type 21 ABC License) under new ownership at 602 East Lake Avenue meets all requirements of WMC Chapter 14-25 (Alcohol Related Uses), as conditioned. Therefore, staff recommends that the Planning Commission approve the proposed Special Use Permit.

## **ATTACHMENTS**

1. Site and Vicinity Map
2. Alcohol Related Uses Application (received on 12/10/2019, revised 6/30/2020)
3. Alcohol Related Uses Rubric – Off Sale (interview conducted on 10/21/2020)
4. Floor Plan (received on 12/10/2019)
5. Site Plan (received on 12/10/2019)

# Site and Vicinity Map



Street



Project Site



Watsonville City Limit



Parcel



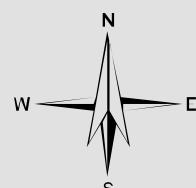
300' Buffer Zone

PROJECT: 70

APPLICANT: Samer Kridi

APN#s: 017-063-02

LOCATION OF PROJECT: 602 East Lake Ave



Prepared by Watsonville GIS Center 10/26/2020 ([20-024]).

This Document is a graphic representation only of best available sources.  
The City of Watsonville assumes no responsibility for any errors.

Attachment 1

Page 1 of 1

**WATSONVILLE FIESTA LIQUOR****602 E. LAKE AVE****WATSONVILLE CA, 95076****To whom it may concern:**

**Watsonville fiesta liquor Inc. was formed by SAMER KRIDI, EDDIE BARAKAT, ZAHER KRIDI.**

**Three individuals who have multiple years of experience in the liquor store and retail business.**

**SAMER KRIDI / President. In 1994 started working in a liquor store/ market business and in the year 2001 had part ownership in a liquor store/ market. Always worked hard to insure a smooth daily operation and establish a good relationship with customers and community.**

**EDDIE BARAKAT/ secretary. In 1996 started working in the liquor store business until the year 2016 became part owner in a liquor store. Always worked long hours to make sure product are stocked and the business is operating according to city and state laws.**

**ZAHER KRIDI/ treasury. In 2013 started working in the liquor store/market business. Gained great amount of experience in the retail industry.**

**This business have been around for over 60 years as a liquor store, the surrounding area is as follow:**

- Within a 100' radios, to the north is a vacant lot corner of E. lake Ave and Hushbeck Ave , to the south single family homes, to the east is a sport activity place and Paulino's bakery and adjacent vacant space, to the west is a barber shop, a hair salon, a single family home and a multifamily units .**
- Within a 300' radios, to the north is Berkshire Hathaway home services real estate, single family homes and Valero gas station and car wash. To the south single family homes, to the east E. lake ave and single family homes, to the west Hushbeck Ave. and single family homes .**

**No live entertainment will be offered at this business location.**

**We pay special attention to underage smoking and drinking. Our employees will be trained to detect illegal sales and purchases of alcohol and tobacco products (LEAD). We card every customer who appears to be under 30 years of age. We look for fake id's and only accept**

government issued ids with personal description and photo. We don't allow adults to buy alcohol or tobacco for minors. WE CARD signs will be posted on front door and sales counter and annual calendar will be displayed on the sales counter to show the daily minimum age to buy alcohol and tobacco products. Warning signs about the risk of using nicotine and tobacco and drinking alcohol will be posted in the store.

Cash registers will display an age verification warning message anytime the cashier scans alcohol or tobacco item and will require approval of the customer age to proceed with the transaction.

No self service displays of tobacco products will be available to customers.

The store will have an alarm system and 24 hours surveillance cameras to keep record of daily operations inside and outside the store.

The business will have one employee in the morning and minimum of two in the afternoon and evenings beside one of the owners. One of the owners and family will be moving to Watsonville and husband and wife will be working at the store. Employees will regularly be trained to provide professional customer service.

We prefer to hire local employees who are bilingual and know the town and the neighborhood (all our employees are Watsonville residents).

Employees and owners are educated, trained and certified on the alcoholic and beverage control LEAD program (certificates attached).

Business hours are: 6:00 AM - 10:00 PM Sunday - Thursday.

6:00 AM-11:00PM Friday and Saturday.

No changes will be made to the current business set up or structure at this time. Improvements will be done later according to city permits and licensing laws and will be paid for from business profit.

Employees will keep the store clean through the day, will sweep and mop the floors every evening and take out the trash as needed. Will keep the parking lot and front of store clean of all trash and make sure it's done Dailey.

Signs to prohibit the use and sales of all illegal drugs will be posted on the outside of the store in a visible location.

Signs prohibiting noise, loitering, soliciting and open alcohol containers will be posted in visible locations.

Signs prohibiting the sale or furnishing alcohol to minors will be posted (copies of signs attached).

We like our locations to be bright and well lit, adequate lighting will be maintained around the store and the parking lot (

We love to blend in the community and participate in its activities, we keep our donations locally. We do sponsor sport teams and community activity and do what we can to help and have positive impact on the community we are in. Will get to know our customers and build a good relationship with them.

## ALCOHOL RELATED USES RUBRIC – OFF SALE

### LOCATION

Score	Max Score	Questions	Answers
25	25	Detailed description of proposed location.	Provided detailed description of proposed location
25	25	List of surrounding uses within 100 feet.	List of surrounding uses includes commercial uses and residential units
50	50	No existing sensitive uses within 300 feet.	No existing sensitive uses within 300 feet
0	25	Is the business located in a census tract with high crime per ABC regulations? (points earned if no)	Located in an area of high crime
25	25	Is the business located in a census tract that is over concentrated per ABC regulations? (points earned if answer is no)	Not located in an area
125	150	<b>TOTAL</b>	

## BUSINESS PLAN

Score	Max Score	Questions	Answers
75	75	A detailed description of daily operations (staffing plan, menu, staff training and procedures).	Detail of daily operations provided
50	50	Proposed operating hours (Does it comply with standard hours of operation per Ordinance?)	Operating hours are Sun-Thurs: 6:00AM-10:00PM, 6:00AM-11:00PM Fri-Sat. The hours of operation comply with the Alcohol Ordinance.
50	75	A budget for construction, operation, maintenance, compensation of employees, equipment costs, utility costs, and other operation costs.	Transfer of ownership, business will do improvements with profits generated from business
25	25	Proof of capitalization, in the form of documentation of cash or other liquid assets on hand, letters of credit or other equivalent assets.	Proof of capitalization provides
50	50	Three professional letters of reference (1- Character and 2- Business experience)	Three letters of reference provided
250	275	<b>TOTAL</b>	

## NEIGHBORHOOD COMPATIBILITY PLAN

Score	Max Score	Description	Answers
200	200	Management plan for interior and exterior areas, both public and private to prevent nuisances: <ul style="list-style-type: none"> <li>• Noise control measures for uses with outdoor areas</li> <li>• Sufficient signage</li> <li>• Sufficient lighting for safety</li> <li>• Clear measures to avoid sales to minors</li> <li>• Measures for reporting crime</li> <li>• Litter control measures</li> </ul>	Provided exhibits of signage located on the property to avoid the sale of alcohol to minors. Provided a lighting and security camera plan. Indicate that they will be cleaning property every day and monitoring of outdoor areas every day.
40	50	Procedures to monitor areas adjacent to business to include litter clean up on a regular basis	Note routine maintenance/cleaning of indoor/outdoor areas daily
0	50	Signage posted near exit doors altering patrons to any residential neighbors	No signage provided
30	50	Procedures to prevent nuisances, loitering in parking lot, and any other requirements to prevent conflicts with adjacent residences/businesses.	Will post signage to mitigate loitering and soliciting on site.
25	25	Bike racks provided	Bike racks provided on site
295	375	TOTAL	

## SAFETY AND SECURITY PLAN

Score	Max Score	Description	Answers
80	100	Does business have well thought out security plan? <ul style="list-style-type: none"> <li>• Security camera plan detailing location and retention schedule of footage</li> <li>• Lighting schedule detailing appropriate lighting inside and outside of business. Lighting does not create spillover onto adjacent properties.</li> <li>• Window coverage – up to 25 percent of windows can be covered. Plans indicate that windows will allow adequate visibility.</li> </ul>	Security camera and exterior lighting locations provided on floor plan. Security cameras record 24 hours a day. Provides exterior lighting for front entrance and parking areas.
0	25	Plans indicate maximum occupancy of the facility	Plans do not show maximum occupancy
50	50	Site and floor plans showing existing floor plan and a proposed floor plan, if changes are to be made.	Floor plan and site plan provided
50	50	Planned LEAD training of owners, managers, and staff.	LEAD training certificates provided to staff
180	225	<b>TOTAL</b>	

#### COMMUNITY BENEFITS (Bonus Points)

Score	Max Score	Questions	Answers
15	25	A description of how the facility will benefit the community.	Will provide donations and sponsorships to local teams and fundraisers
0	25	Community events and/or entertainment open to all ages.	
15	50	<b>TOTAL</b>	

#### LABOR AND EMPLOYMENT (Bonus Points)

Score	Max Score	Questions	Answers
25	25	Local hiring policy	Commitment to hiring local Watsonville residents
25	25	<b>TOTAL</b>	

#### LOCAL ENTERPRISE/QUALIFICATIONS OF PRINCIPALS (Bonus Points)

Score	Max Score	Questions	Answers
25	25	Business owner or main partners live within City of Watsonville.	One of main business partners lives in Watsonville
25	25	Business owner or main partners live within Santa Cruz County.	One of main business partners lives in Santa Cruz County
25	25	Business owner or main partners have previously owned a similar alcohol-serving business in good standing.	Business owners have prior experience with alcohol serving businesses
75	75	<b>TOTAL</b>	

# Watsonville Festa Liquor

602. E. Lake Ave  
Watsonville, CA 95076

RECEIVED

DEC 10 2019

City of Watsonville  
Community Development Dept.

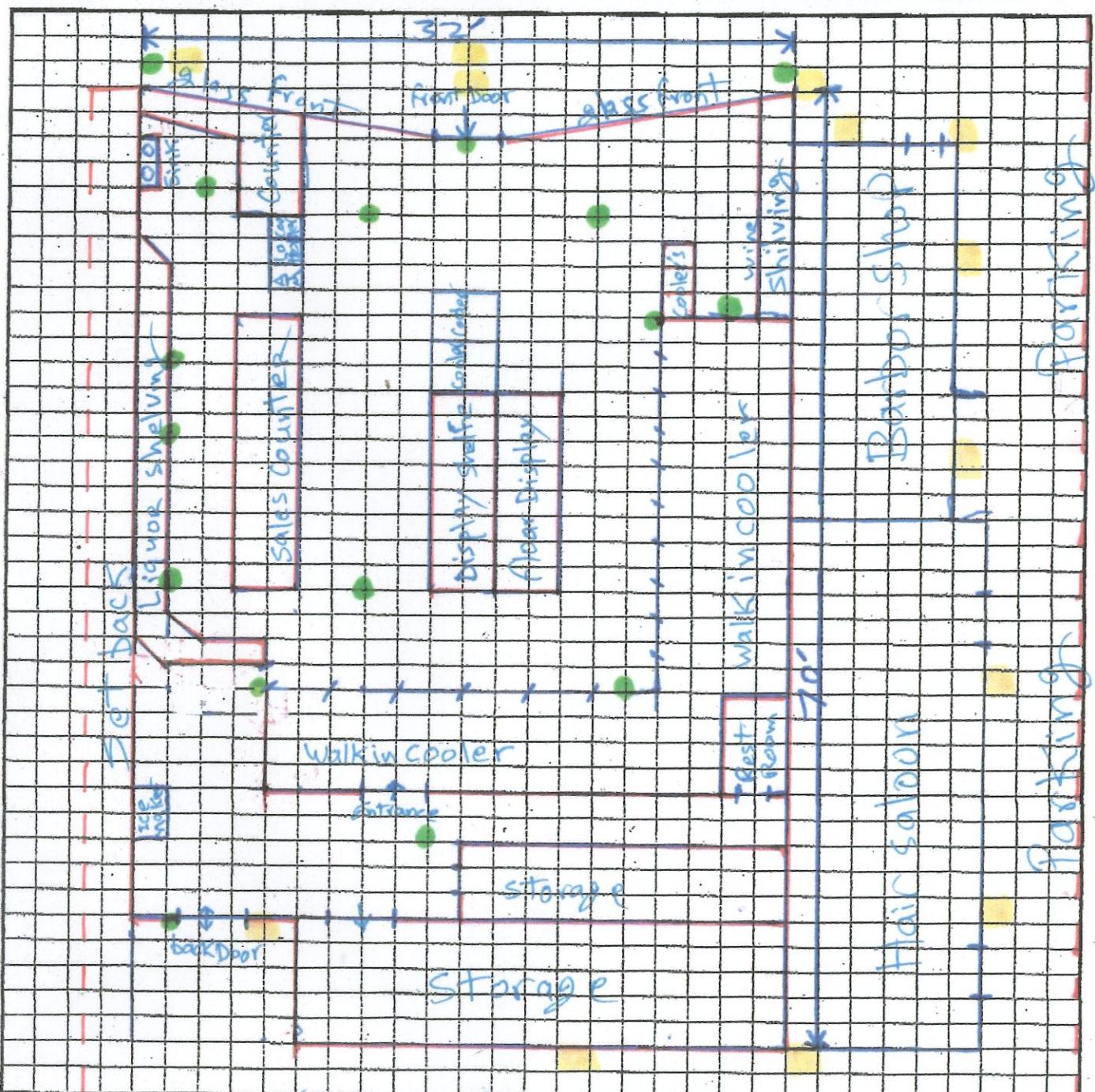
4

## COMMENTS/CONDITIONS

APN # 01706302

Store Area Apx 2000 SA'

## SITE/FLOOR PLAN



Did you include:

Setbacks

Square Footage

Office Spaces/Walls

● Security Camera

Store Area

Windows

Parking

Any other changes?

--- Property line

OUTDOOR lighting

Attachment 4

Page 1 of 1

APN  Address  Street  Intersection



Select  
Overlay

Select  
Base Map

Property Report  
Zoning Report

2 east lake avenue



**RESOLUTION NO. \_\_\_\_\_ (PC)**

**RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF WATSONVILLE, CALIFORNIA, APPROVING A SPECIAL USE PERMIT (APPLICATION NO. 70) TO ALLOW THE ESTABLISHMENT OF AN OFF-SALE GENERAL (TYPE 21) ABC LICENSE UNDER NEW OWNERSHIP FOR AN EXISTING ±2,000 SQUARE FOOT LIQUOR STORE (WATSONVILLE FIESTA LIQUOR) LOCATED AT 602 EAST LAKE AVENUE, WATSONVILLE, CALIFORNIA (APN 017-063-02)**

**Project: Watsonville Fiesta Liquor Inc.  
APN: 016-063-02**

**WHEREAS**, on December 10, 2019, an application for a Special Use Permit (Application No. 70) to allow the establishment of a Type 21 ABC License under new ownership for an existing liquor store at 602 East Lake Avenue, Watsonville, California, was filed by Samer Kridi, applicant with Watsonville Fiesta Liquor, Inc., on behalf of Clementine Jones, property owner; and

**WHEREAS**, the project site is designated General Commercial (GC) on the General Plan Land Use Diagram and is within the Neighborhood Commercial (CN) Zoning District; and

**WHEREAS**, the project site is considered a nonconforming use in relation to its current CN Zoning Designation; and

**WHEREAS**, pursuant to Watsonville Municipal Code (WMC) Section 14-20.030, lawfully established and maintained uses, structures and lots which do not conform to the regulations for the district in which they are located may continue. Normal maintenance and repair for benefit of such uses may be performed; and

**WHEREAS**, The Type 21 ABC License was lawfully established at the existing liquor store in 1969 and has not ceased operation for a period of six or more months. The applicant is applying for a Special Use Permit to establish the existing Type 21 ABC

License under new ownership. There is no change or expansion of use as part of this application request; and

**WHEREAS**, pursuant to WMC Section 14-20.050, a nonconforming use may continue in operation as long as the use does not cease operation for a period of six or more months; and

**WHEREAS**, a nonconforming liquor store with beer, wine, and distilled spirits sales is allowed to continue in operation conditionally with issuance of a Special Use Permit pursuant to WMC Section 14-25.030; and

**WHEREAS**, the project qualifies for a Class 1 Categorical Exemption from the provisions of the California Environmental Quality Act (CEQA), pursuant to Section 15301 of the CEQA Guidelines; and

**WHEREAS**, according to Santa Cruz County Assessor's Office records, the building located at 602 East Lake Avenue was built in 1949 and modified in 1962; and

**WHEREAS**, on October 3, 1969, the Department of Alcohol and Beverage Control (ABC) issued James Barsi Jr. and Mary L. Barsi, doing business as Barsi's Liquors, a Type 21 ABC License for Off-Sale General Sales which authorizes the sales of beer, wine, and distilled spirits; and

**WHEREAS**, on September 10, 2002, the City of Watsonville enacted Watsonville Municipal Code (WMC) Chapter 14-25 on Alcohol Related Uses (Ordinance 1135-02-CM). The Ordinance details required documentation for an alcohol related uses application, permits required for various ABC licenses, and conditions of approval for alcohol related uses; and

**WHEREAS**, WMC Section 14-25.050(b) provides the process to permit existing alcohol related establishments in accordance with Chapter 14-25, as follows: all alcohol related establishments operating as of October 10, 2002 [the effective date of, after the

adoption of Ordinance No. 1135-02 (CM) creating Chapter 14-25 of the Watsonville Municipal Code, but without a valid Use Permit approved specifically for the purpose of alcohol sales, shall file an application to obtain a conditional use permit no later than January 1, 2003; and

**WHEREAS**, the City developed a No-Fee Special Use Permit, a one-page form that was approved without a public hearing for businesses not declared a "public nuisance" or on probationary status with ABC. WMC §14-25.050(b). To comply with this update, Mary L. Barsi and James Barsi obtained a No-Fee Special Use Permit (PP2002-275) on February 26, 2003; and

**WHEREAS**, on July 11, 2019, the City of Watsonville modified WMC Chapter 14-25 on Alcohol Related Uses with Ordinance No. 1384-19 and No. 1385 (CM); and

**WHEREAS**, the existing liquor store with a Type 21 ABC License is exempt from separation requirements provided that the only change in more or character is a change in ownership. WMC §14-25.050(a); and

**WHEREAS**, notice of time and place of the hearing to consider Special Use Permit (Application No. 70) was given at the time and in the manner prescribed by the Zoning Ordinance of the City of Watsonville. The matter called for hearing evidence both oral and documentary introduced and received, and the matter submitted for decision; and

**WHEREAS**, the Planning Commission has considered all written and verbal evidence regarding this application at the public hearing and has made Findings, attached hereto and marked as Exhibit "A," in support of the Special Use Permit (Application No. 70) to allow the establishment of an off-sale general license under new ownership at an existing liquor store at 602 East Lake Avenue (APN 016-063-02)

**NOW, THEREFORE, BE IT RESOLVED** by the Planning Commission of the City of Watsonville, California, as follows:

Good cause appearing, therefore, the Planning Commission of the City of Watsonville does hereby grant approval of Special Use Permit (Application No. 70), attached hereto and marked as Exhibit "C," subject to the Conditions attached hereto and marked as Exhibit "B," to allow the establishment of an off sale general license under new ownership at an existing liquor store at 602 East Lake Avenue (APN 015-111-24).

**I HEREBY CERTIFY** that the foregoing Resolution was introduced at a regular meeting of the Planning Commission of the City of Watsonville, California, held on the 17<sup>th</sup> day of November, 2020, by Commissioner \_\_\_\_\_, who moved its adoption, which motion being duly seconded by Commissioner \_\_\_\_\_, was upon roll call, carried and the resolution adopted by the following vote:

Ayes: Commissioners:

Noes: Commissioners:

Absent: Commissioners:

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Suzi Merriam, Secretary  
Planning Commission

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Mathew H. Jones, Chairperson  
Planning Commission

**Application No:** 70  
**APN:** 016-023-02  
**Applicant:** Watsonville Fiesta Liquor  
**Hearing Date:** November 17, 2020

**SPECIAL USE PERMIT FINDINGS (WMC § 14-12.513)**

The purpose of the Special Use Permit is to allow the establishment of a liquor store with beer, wine, and distilled spirit sales under new ownership, pursuant to Chapter 14-16 of the Watsonville Municipal Code (WMC).

- 1. The proposed use at the specified location is consistent with the policies embodied in the adopted General Plan and the general purpose and intent of the applicable district regulations.**

**Supportive Evidence**

Land designated General Commercial in the City's General Plan is intended to serve a variety of retail and service needs of the community. A liquor store is allowed conditionally in certain commercial zoning districts with the approval of a Special Use Permit. The existing liquor store has been in operation since 1969 and was issued a use permit in 2003 but is located in a commercial zoning district—the CN Zoning District—that no longer permits the establishment of new liquor stores, which are allowed in other portions of the city. This lawfully established liquor store has not ceased operation for a period of six or more months. There is no change or expansion of use as part of this permit request. As such, the existing liquor store is considered a legal, nonconforming use and may continue in operation, pursuant to WMC Sections 14-20.030 and 14-20.050. The requested Special Use Permit for the establishment of a liquor store with a Type 21 ABC License (for the off sale beer, wine and distilled spirit sales) under new ownership has been conditioned to conform to all applicable requirements of WMC Chapter 14-25 (Alcohol Related Uses) of Title 14 (Zoning).

- 2. The proposed use is compatible with and preserves the character and integrity of adjacent development and neighborhoods and includes improvements or modifications either on-site or within the public rights-of-way to mitigate development related adverse impacts such as traffic, noise, odors, visual nuisances, or other similar adverse effects to adjacent development and neighborhoods.**

**Supportive Evidence**

Pursuant to WMC Section 14-20.030 and 14-20.050, a lawfully established nonconforming use may continue in operation as long as it does not cease operation for a period of six or more months. As such, this use is allowed to continue in operation. Establishing an existing Type 21 ABC License under new ownership is allowed with approval of a Special Use Permit. Standard conditions have been placed on the liquor store with off sale beer, wine, and distilled spirit

sales to ensure adverse impacts do not occur related to alcohol sales, in accordance with WMC Sections 14-25.021 and 14-25.023. These conditions ensure the liquor store will be compatible with the neighborhood.

3. **The proposed use will not generate pedestrian or vehicular traffic which will be hazardous or conflict with the existing and anticipated traffic in the neighborhood.**

**Supportive Evidence**

The proposed project does not represent a change or intensification of use for the existing liquor store. The Special Use Permit to establish off sale beer, wine and distilled spirit sales in an existing liquor store will not generate additional pedestrian or vehicular traffic that will be hazardous or conflicting with the existing and anticipated traffic in the neighborhood.

4. **The proposed use incorporates roadway improvements, traffic control devices or mechanisms, or access restrictions to control traffic flow or divert traffic as needed to reduce or eliminate development impacts on surrounding neighborhood streets.**

**Supportive Evidence**

No alterations to building layout or location are proposed as part of this Use Permit, and no additional traffic impacts are anticipated to occur as a result of establishing off sale beer, wine, and distilled spirit sales under new ownership at an existing liquor store. As such, no additional onsite or roadway improvements or modifications are required as part of this Use Permit.

5. **The proposed use incorporates features to minimize adverse effects, including visual impacts and noise, of the proposed special use on adjacent properties.**

**Supportive Evidence**

As stated previously, standard conditions have been placed on the liquor store with off sale beer, wine and distilled spirit sales to ensure adverse impacts do not occur related to alcohol sales, in accordance with WMC Sections 14-25.021 and 14-25.023. These conditions ensure the liquor store will continue to be compatible with the neighborhood.

Establishing an existing liquor store with a Type 21 ABC License under new ownership will not result in additional noise impacts.

6. **The proposed special use complies with all additional standards imposed on it by the particular provisions of this chapter and all other requirements of this title applicable to the proposed special use and uses within the applicable base zoning district.**

**Supportive Evidence**

As stated previously, the proposed use is required to comply with standard operational conditions for a liquor store with off sale beer, wine and distilled spirit sales, which prohibits the individual sale of malt beverage or fortified wine nor

allows malt beverages and fortified wine to be sold in containers with a volume exceeding 16 ounces. The liquor store has been conditioned to require that all managers and employees attend LEAD training within 90 days of approval of this Use Permit and/or employment at the liquor store.

7. **The proposed special use will not be materially detrimental to the public health, safety, convenience and welfare, and will not result in material damage or prejudice to other property in the vicinity.**

#### **Supportive Evidence**

The change in ownership for an existing Type 21 ABC License does not involve a change in or expansion of use for the existing liquor store. The existing liquor store with off sale beer, wine, and distilled spirit sales would continue to complement the existing commercial uses in the vicinity. As conditioned, the liquor store will continue to be required to comply with all requirements of an establishment with off sale beer, wine, and distilled spirit sales as outlined in WMC Chapter 14-25.

The applicant will be required to implement a neighborhood compatibility plan to mitigate adverse impacts associated with an alcohol related use and comply with operational standards for an alcohol establishment with off-sale general sales. As conditioned, the existing liquor store will not be detrimental to the public health, safety, convenience and welfare, and will not result in material damage or prejudice to other property in the vicinity.

## ALCOHOL-RELATED USE FINDINGS (WMC § 14-25.013)

1. The proposed use received the minimum score necessary to issue a conditional use permit.

### **Supportive Evidence**

The application received a passing score of 850, exceeding the minimum score of 820 points.

2. The proposed use will not cause adverse noise, litter, crowd control, or parking impacts.

### **Supportive Evidence**

The subject site is developed with an existing liquor store where parking exists towards the rear of the property. The applicant has indicated that signage will be posted both inside and outside the existing business, altering patrons to keep noise to a minimum while on the premises. The location of existing lighting and security cameras provides adequate security for the liquor store. As conditioned, the proposed use will not cause adverse noise, litter, crowd control, or parking impacts for the surrounding development.

3. The proposed use will not create objectionable conditions that constitute a nuisance, as defined in California Business and Professions Code Section 24200(f)(2).

### **Supportive Evidence**

The proposed use, as conditioned with minimum operation standards for alcohol related uses pursuant to WMC Sections 14-25.021, 14-25.023, and 14-25.030, will not create objectionable conditions that constitute a nuisance, as defined in California Business and Professions Code Section 24200(f)(2).

4. The proposed use will maintain all levels of service, including but not limited to the provision of security, maintenance of premises, LEAD training, and professional management as identified in the original application.

### **Supportive Evidence**

The proposed use, as conditioned with minimum operation standards for alcohol related uses, will maintain all levels of services, including but not limited to provisions of security cameras, maintenance of premises, LEAD training, and professional management as identified in the original application.

**Application No:** 70  
**APNs:** 016-023-02  
**Applicant:** Watsonville Fiesta Liquor  
**Hearing Date:** November 17, 2020

**SPECIAL USE PERMIT  
CONDITIONS OF APPROVAL**

**General Conditions:**

1. **Approval.** This approval applies to the application submitted on December 10, 2019 and revised June 30, 2020 by Watsonville Fiesta Liquor, and identified as "Special Use Permit" for the establishment of an existing liquor store under new ownership, received by the Community Development Department on December 10, 2019 and resubmitted on June 30, 2020 (CDD-P)
2. **Conditional Approval Timeframe.** This Special Use Permit (Application No. 70) shall be null and void if not acted upon within **24 months** from the effective date of the approval thereof. Time extensions may be considered upon receipt of written request submitted no less than forty-five (45) days prior to expiration and in accordance with the provisions of Section 14-10.1201 of the Watsonville Municipal Code (WMC). (CDD-P)
3. **Modifications.** Modifications to the project or conditions imposed may be considered in accordance with WMC Section 14-10.1305. (CDD-P)
4. **Compliance.** The proposed use shall be in compliance with Use Permit Conditions of Approval, all local codes and ordinances, appropriate development standards, and current City policies. Any deviation will be grounds for review by the City and may possibly result in revocation of the Use Permit, pursuant to Part 13 of WMC Chapter 14-10. (CDD-P)
5. **Grounds for Review.** The project shall be in compliance with the conditions of approval, all local codes and ordinances, appropriate development standards, and current City policies. Any deviation will be grounds for review by the City and may possibly result in revocation of the Special Use Permit, pursuant to Part 13 of WMC Chapter 14-10, or other code enforcement actions, pursuant to WMC Chapter 14-14. (CDD-P)
6. **Appeal Period/Effective Date.** This Special Use Permit shall not be effective until **14 days** after approval by the decision-making body or following final action on any appeal. (CDD-P)

## **Ongoing Conditions:**

7. **ABC Conditions.** Any and all conditions of the Department of Alcohol and Beverage Control (ABC) are incorporated by reference as conditions of approval for this Use Permit. (CDD-P)
8. **Neighborhood Compatibility Plan.** The applicant shall implement their Neighborhood Compatibility Plan to ensure the liquor store with beer, wine, and distilled spirit sales will not create objectionable conditions that constitute a nuisance and will be compatible with existing and potential uses within the general area. Specific measures include:
  - We pay special attention to underage smoking and drinking. Our employees will be trained to detect illegal sales and purchases of alcohol and tobacco products (LEAD). We card every customer who appears to be under 30 years of age. We look for fake ID's and only accept government issued ids with personal description and photo. We don't allow adults to buy alcohol or tobacco for minors. WE CARD signs will be posted on the front door and sales counter to show the daily minimum age to buy alcohol and tobacco products. Warning signs about the risk of using nicotine and tobacco and drinking alcohol will also be posted.
  - Cash registers will display an age verification warning [message] anytime the cashier scans alcohol or tobacco item and will require approval of the customer age to proceed with the transaction.
  - Signs to prohibit the use and sales of all illegal drugs will be posted outside the store in a visible location.
  - Signs prohibiting noise, loitering, soliciting and open alcohol containers will be posted in visible locations.
9. **Drive-through Service.** Drive-through service of alcohol is prohibited. (CDD-P, WPD)
10. **Exterior Pay Phones.** No exterior pay phones may be placed on the premises. (CDD-P, WPD)
11. **Interior Pay Phones.** Interior pay phones shall not allow incoming calls. (CDD-P, WPD)
12. **Hours of Operation.** Permitted hours of operation for Watsonville Fiesta Liquor are 6:00AM to 10:00PM Sunday through Thursday, and 6:00AM to 11:00PM Friday and Saturday (CDD-P, WPD)
13. **Premise Monitoring.** Business owner shall regularly police the areas under their control, including but not limited to: parking lots, restrooms, alleys, and sidewalks, to prevent the loitering of persons about the premises. (CDD-P, WPD)
14. **Window Obstructions.** Except as may be specifically allowed by the Municipal Code, no portion of the ground floor windows shall be obscured by paint, walls, window tinting, or other masking device. This requirement is intended to facilitate views of the interior from the exterior for public safety and does not prohibit neon

signs, minimal window borders, or other signs or decorations that are consistent with the City's sign regulations and do not obscure views. (CDD-P)

15. **Minors.** The premises shall remain accessible to minors during all hours of operation. (CDD-P)
16. **Malt Beverage Container Sizes.** Malt beverage and fortified wine shall not be sold in containers with a volume exceeding sixteen (16) ounces. (CDD-P)
17. **Malt Beverage Sales.** The sale of individual containers of malt beverage or fortified wine is prohibited. Malt beverage shall mean any malt beverage product, labeled or, marketed as a malt beverage with an alcohol content greater than five (5%) percent by volume is subject to this Code, except those beverages labeled and accepted in the market place as pilsners, lager beer, ales (all styles), porters, stouts and/or micro brewed products. WMC §14-18.532. Fortified wine shall mean any wine to which wine spirits have been added and with an alcohol content in excess of thirteen point five (13.5%) percent and less than twenty-four (24%) percent, except dessert wines commonly referred to and accepted in the marketplace such as vermouth, port, or sherry. WMC §14-18.364.
18. **Trash Receptacles.** Permanent litter and trash receptacles shall be located at convenient locations inside and outside establishments, and operators of such establishments shall remove litter and debris on a daily basis. (CDD-P)
19. **Required Signs.** The following signs may be required to be prominently posted in a readily visible manner in English, Spanish, and the predominant language of the patrons:
  - "California State Law prohibits the sale of alcoholic beverages to persons under twenty-one (21) years of age."
  - A copy of these performance conditions, any applicable ABC or City operating conditions, and any training requirements shall be posted in at least one (1) prominent place within the interior of the establishment where it will be readily visible and legible to the employees and patrons of the establishment.
21. **Employee Age.** Employees shall be at least twenty-one (21) years of age to sell and serve alcohol. (CDD-P, WPD)
22. **Lingering Patrons.** The business shall be required to clear the storefront and the adjacent parking lots in the immediate vicinity of the establishment of any lingering patrons immediately after closing. (CDD-P, WPD)
23. **Conditions of Approval Display.** A copy of the Use Permit Conditions of Approval shall be kept conspicuously on the premises of the business and made available to any member of the public or enforcement officer wishing to review them. (CDD-P)
24. **LEAD Training.** All owners, managers and service staff shall follow responsible beverage service (RBS) practices and procedures. Owner(s), manager(s) and

service staff shall attend ABC's Licensee Education on Alcohol and Drugs (LEAD) training within ninety (90) days from the date of approval of this Use Permit and/or employment at the liquor store, and each five (5) years thereafter. Upon completion of the training, the applicant shall submit a card verifying full attendance of the three and one-half (3.5) hour training to the Community Development Department. Failure to attend training and/or retain records on file shall be reported to the Planning Commission and may be grounds for imposing additional or different use restrictions or revocation of the alcohol sales establishment use permit. (CDD-P, WPD)

25. **Security Cameras Installation.** Security camera monitoring system shall be maintained in good working order and shall not be recorded over within thirty (30) days after initial recording. The system shall support slow motion and high-speed playback with zoom capability. (WPD)
26. **Permit Term.** The Use Permit shall be valid for **20 years** after the effective date of this Use Permit unless there is a change of ownership or other substantial change in mode or character of operation, at which time a new Use Permit shall be required. (CDD-P)
27. **Accessibility.** The project shall conform with accessibility requirements to buildings and facilities by individuals with disabilities under the American Disabilities Act. (CDD-B)

#### **Future Sign Permit:**

28. **Sign Permit.** Any new or proposed changes in the exterior signage for the premises shall require Sign and Building Permits through the Community Development Department. (CDD-P-B)

#### **Indemnity Provision:**

29. **Indemnity Provision.** The applicant shall sign a defense and indemnity contract agreeing to defend, indemnify, and hold harmless the City of Watsonville, its elected and appointed officials, officers, employees, and agents arising out Special Use Permit (App No. 359), including but not limited to any approval or condition of approval of the City of Watsonville Planning Commission or City Council. The City shall promptly notify the applicant of any claim, action, or proceeding concerning this permit and the applicant and City shall cooperate fully in the defense of the matter. The City reserves the right to select counsel in the defense of the matter. (CA)

#### **Key to Department Responsibility**

CDD-B	–	Community Development Department (Building)
CDD-P	–	Community Development Department (Planning)
CDD-E	–	Community Development Department (Engineering)
PW	–	Public Works Department
WFD	–	Watsonville Fire Department
CA	–	City Attorney

**CITY OF WATSONVILLE  
PLANNING COMMISSION**

**EXHIBIT "C"**

**Application No:** 70  
**APNs:** 016-023-02  
**Applicant:** Watsonville Fiesta Liquor  
**Hearing Date:** November 17, 2020

**Applicant:** Watsonville Fiesta Liquor  
**Address:** 602 East Lake Avenue, Watsonville, CA 95076  
**Project:** Special Use Permit  
**Location:** 602 East Lake Avenue, Watsonville, CA 95076  
**Purpose:** Allow the establishment of a liquor store (Type 21) ABC License under new ownership  
**Property Owner:** Anthony Lico, as to an undivided 1/15<sup>th</sup> interest; Kimberly Lico, as to an undivided 1/15th interest; Brandi Lico Solorio, as to an undivided 1/15th interest; Jennifer Lico, as to an undivided 1/15th interest; Richard Lico, as to an undivided 1/15th interest; Angelina De Rosa, as to an undivided 1/3rd interest; and Clementine Jones, as to an undivided 1/3rd interest, all as tenants in common  
**Address:** PO Box 2583, Hollister, CA 95024

A Special Use Permit (Application No. 70) to allow the establishment of an off sale beer, wine, and distilled spirits license under new ownership at a ±2,000 square foot liquor store located at 602 East Lake Avenue, Watsonville (APN 016-023-02), was reviewed by the Planning Commission at a public hearing on November 17, 2020, and was conditionally approved by adoption of Planning Commission Resolution No. \_\_\_\_\_ (PC) together with findings and conditions of approval attached hereto and made a part of this permit.

**CITY OF WATSONVILLE  
Planning Commission**

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Suzi Merriam  
Community Development Director

**City of Watsonville  
MEMORANDUM**

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**DATE:** October 29, 2020

**TO:** Planning Commission

**FROM:** Suzi Merriam, Community Development Director  
Sarah Wikle, Assistant Planner

**SUBJECT:** Public Hearing to consider approval of a Special Use Permit Application (Application No. 359) to establish a Type 23 ABC License under new ownership for an existing microbrewery with a 780 square foot tasting room, located at 65 Hangar Way, Suite D (APN: 015-111-24)

**AGENDA ITEM:** November 17, 2020 **Planning Commission**

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**RECOMMENDATION:**

Staff recommends that the Planning Commission adopt a Resolution approving a Special Use Permit Application to establish a Type 23 ABC License under new ownership at an existing microbrewery with a 780 square foot tasting room for Elkhorn Slough Brewing LLC dba The Slough Brewing Collective, located at 65 Hangar Way, Suite D (APN 015-111-24).

The recommendations are based on the attached findings and conditions of approval.

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**BASIC PROJECT DATA**

**APPLICATION NO.:** Application No. 359

**APN:** 015-111-24

**LOCATION:** 65 Hangar Way, Suite D

**LOT SIZE:** ±0.73 acres

**PROJECT DESCRIPTION:** Special Use Permit Application to establish a Type 23 ABC License under new ownership at an existing microbrewery and to expand an existing tasting room from 180 to 780 square feet, by Elkhorn Slough Brewing, LLC, a limited liability company doing business as The Slough Brewing Collective, located at 65 Hangar Way, Suite D

**GENERAL PLAN:** Industrial (I)

**ZONING:** Industrial Park (IP)

**SURROUNDING GENERAL PLAN/ZONING:** Industrial (I) in the Industrial Park (IP) Zoning District (north, south, and west), Residential Low Density (RLD) in the Single Family Residential – Low Density (R-1) Zoning District (east), Public/Quasi Public (P) in the Institutional (N) Zoning District (northwest).

**EXISTING USE:** Microbrewery with a 180 square foot tasting room

**PROPOSED USE:** Microbrewery with a 780 square foot tasting room

**SURROUNDING USES:** Various industrial uses along Hangar Way, single family residential along Jeanette Way, and medical uses along Nielson Street

**FLOOD ZONE:** Flood Zone X

**CEQA REVIEW:** The project qualifies for a Class 1 Categorical Exemption from the provisions of the California Environmental Quality Act (CEQA), pursuant to Section 15301 of the CEQA Guidelines.

**APPLICANT:** Elkhorn Slough Brewing, LLC dba The Slough Brewing Collective, 65 Hangar Way Suite D, Watsonville, CA 95076

**PROPERTY OWNER:** DRESJ, LLC, 65 Hangar Way, Suite A, Watsonville, CA 95076

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## BACKGROUND

According to Santa Cruz County Assessor's Office records, the building located at 65 Hangar Way was built in 1984. It has housed a variety of industrial related uses since then. The building contains four suites: A, B, C and D. Suites A and B are occupied by Totlcom, an advanced telecommunication and Internet-based service provider. Suite C is occupied by Santa Cruz Cider Company. Suite D, the subject site, contains an existing microbrewery.

On January 7, 2015, the Zoning Administrator approved an Administrative Review Permit to allow for the establishment of a beer manufacturer at 65 Hangar Way, Suite D (APN: 015-111-24).

On February 3, 2015, the Planning Commission of the City of Watsonville adopted Resolution No. 01-15 (PC), approving a Special Use Permit application (PP2015-5) to allow for the establishment of a 2,570 square foot microbrewery (Elkhorn Slough Brewing Company) with a 180 square foot tasting room at 65 Hangar Way, Suite D (APN: 015-111-24).

On April 1, 2015, the City of Watsonville issued Building Permit (BP2015-52) to allow for a tenant improvement to a 2,750 square-foot warehouse space to convert it to a brewery and to upgrade the bathrooms to be ADA compliant at 65 Hangar Way, Suite D (APN: 015-111-24).

On October 14, 2016, the Zoning Administrator approved a Minor Modification (PP2016-150) to allow for Elkhorn Slough Brewing Company to modify the hours of operation for their tasting room from 11:00AM-7:00PM seven days a week to 11:00AM-10:00PM seven days a week at 65 Hangar Way, Suite D (APN: 015-111-24).

The previously approved Special Use Permit PP2015-5 allowed the establishment a microbrewery in a 2,750 square-foot tenant space with a 180 square-foot tasting room. The previous tenant—the Elkhorn Slough Brewing Company—expanded the size of Suite D by moving a partition wall by reducing the size of Suite C, without first obtaining review and approval by the City. The proposed Special Use Permit is to allow Elkhorn Slough Brewing Company

LLC dba Elkhorn Slough Brewing Company to transfer an existing Type 23 ABC License with a tasting room to new ownership, Elkhorn Slough Brewing LLC dba The Slough Brewing Collective.

On July 30, 2020, applicant Elkhorn Slough Brewing, LLC dba The Slough Brewing Collective, on behalf of property owner DRESJ LLC, submitted a Special Use Permit (Application No. 359) to establish a small beer manufacturer (Type 23) ABC License under new ownership for an existing microbrewery with a proposed 780 square foot tasting room at 65 Hangar Way, Suite D (APN 015-111-24).

## **PROCESS**

### Special Use Permit

Pursuant to Section [14-16.503\(c\)](#) of the Watsonville Municipal Code (WMC), a microbrewery with a retail tasting room component is conditionally permitted in the IP Zoning District with issuance of a Special Use Permit. Warehouse sales may be permitted if:

1. The area set aside for such sales shall not exceed 20 percent of floor area of the building,
2. Adequate parking shall be provided,
3. Sales shall be incidental to the primary building use, and
4. The sales shall be of a type not usually found in retail zones, or shall be regional in nature.

The Planning Commission is authorized to approve Special Use Permits in accordance with the procedures set forth in WMC Sections [14-12.509](#) through [14-12.512](#) if it can make the findings required by [14-12.513](#).

The purpose of the Special Use Permit is to ensure the proper integration of uses which, because of their special nature, may be suitable only in certain locations or zoning districts or only provided that such uses are arranged or designed in a particular manner. [WMC § 14-12.500](#). This special review shall be for the purpose of determining that the proposed use is, and will continue to be, compatible with surrounding, existing, or planned uses; and for the further purpose of establishing such special conditions as may be necessary to ensure the harmonious integration and compatibility of uses in the neighborhood and with the surrounding area. [WMC § 14-12.501](#).

### Alcohol Related Uses Application

In accordance with [WMC Section 14-25.011 \(the City's Alcohol Related Uses Ordinance\)](#), an application to allow an alcohol sales establishment must provide the following materials:

- Locational information;
- Business plan;
- Safety and security plan;
- Neighborhood compatibility plan; and
- Community benefits.

## Application Review and Scoring

Once the applicant submits a complete application, City staff (consisting of the Police Chief, Fire Chief, Community Development Director, Finance Director, City Manager or their designees) review the application, and interview applicant(s) within 60 days. [WMC § 14-25.012](#). Successful applications shall receive a score of at least 80 percent of all available points on the rubric. If an application fails, a new application for an alcohol sales permit may be submitted after 90 days of notice of rejected application. The Planning Commission shall consider each application for a Special Use Permit and shall approve or conditionally approve the permit upon making each of the following findings required in [WMC Section 14-12.513](#).

## Operational Standards and Conditions of Approval

The Planning Commission may condition the alcohol related use with minimum operational standards, in accordance with [WMC Sections 14-25.020 through 14-25.022](#).

## Environmental Review

The California Environmental Quality Act (CEQA) requires local and state governments to consider the potential environmental effects of a project before making a decision on it. CEQA's purpose is to disclose any potential impacts of a project and suggest methods to minimize identified impacts. Certain classes of projects, however, have been identified that do not have a significant effect on the environment, and are considered categorically exempt from the requirement for the preparation of environmental documents. [State CEQA Guidelines § 15300](#).

## **STANDARD OF REVIEW & APPEAL PROCESS**

The decision whether to approve this Special Use Permit is adjudicative, sometimes referred to as quasi-judicial. The Commission is called upon to determine whether this project complies with local ordinances.

Whether a particular decision is adjudicative or legislative affects the requirements for findings to support the decision. Legislative decisions involve the adoption of broad policies applicable to many situations (for example, general plan amendments and zoning ordinance changes). Legislative decisions need not be accompanied by findings, unless a State law or City ordinance requires them.

Adjudicative (or "quasi-judicial") decisions, on the other hand, are not policy decisions. Adjudicative/quasi-judicial decisions apply already adopted policies or standards to individual cases, such as a variance or conditional use permit application. Adjudicative/quasi-judicial decisions are based on evidence and must always be supported by findings.<sup>1</sup>

The decision before the Planning Commission—a Special Use Permit—is an adjudicative/quasi-judicial decision and requires findings, either for denial, or as recommended, for approval that is supported by substantial evidence. *Toigo v Town of Ross* (1998) 70 Cal App 4th 309; see also *Petrovich v. City of Sacramento* (2020) 48 Cal App 5th 963

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<sup>1</sup> Quasi-judicial decisions require the decision-making body to take evidence and use its judgment to make factual as well as legal determinations about whether a particular property or project meets the standards established by the land use ordinance.

If the Planning Commission's decision is appealed, the City Council will consider whether the action taken by the Planning Commission was erroneously taken and may sustain, modify or overrule the action. In order for an official action to be overturned by an appeal, the City Council must find that the action taken by the Planning Commission was taken erroneously and was inconsistent with the intent of the Zoning District regulations that regulate the proposed action.

[WMC § 14-10.1106](#)

A lawsuit is required to challenge a Council's decision. A reviewing court will consider whether an adjudicative/quasi-judicial decision by the Council was supported by adequate findings. Courts scrutinize adjudicative/quasi-judicial decisions closely. An action may be overturned if the City (1) exceeded its authority, (2) failed to provide a fair hearing<sup>2</sup>, or (3) made a decision not supported by substantial evidence (also called "a prejudicial abuse of discretion").

Another important difference between legislative and adjudicative/quasi-judicial decisions is the substantial evidence standard: in weighing evidence of what happened at the Council meeting, courts go beyond whether a decision was "reasonable" (the legislative standard). Court's reviewing adjudicative/quasi-judicial decisions look to make sure the decision is supported by substantial evidence. Denied applicants argue the there is no substantial evidence to support the decision. Cities usually assert there is substantial evidence to support the decision and rely on (1) the written words in the staff findings, (2) the statements by those presenting at the hearing, and (3) the words of the Planning Commission or Council.

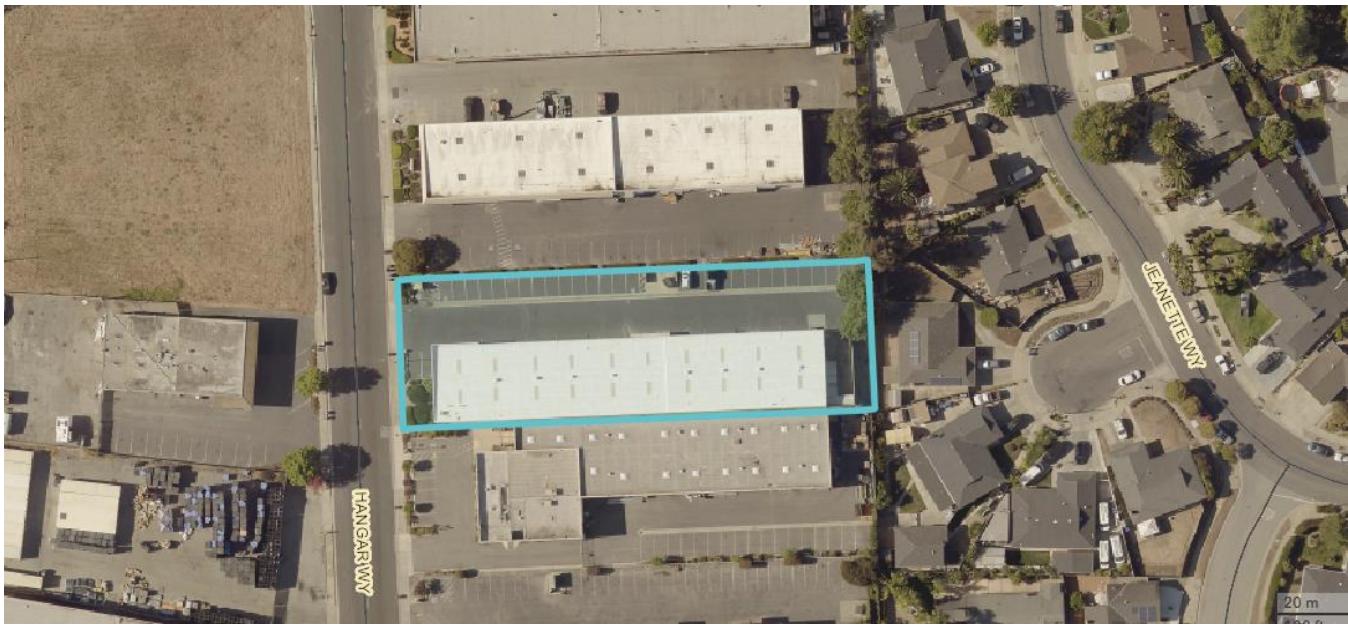
## **DISCUSSION**

### Existing Site

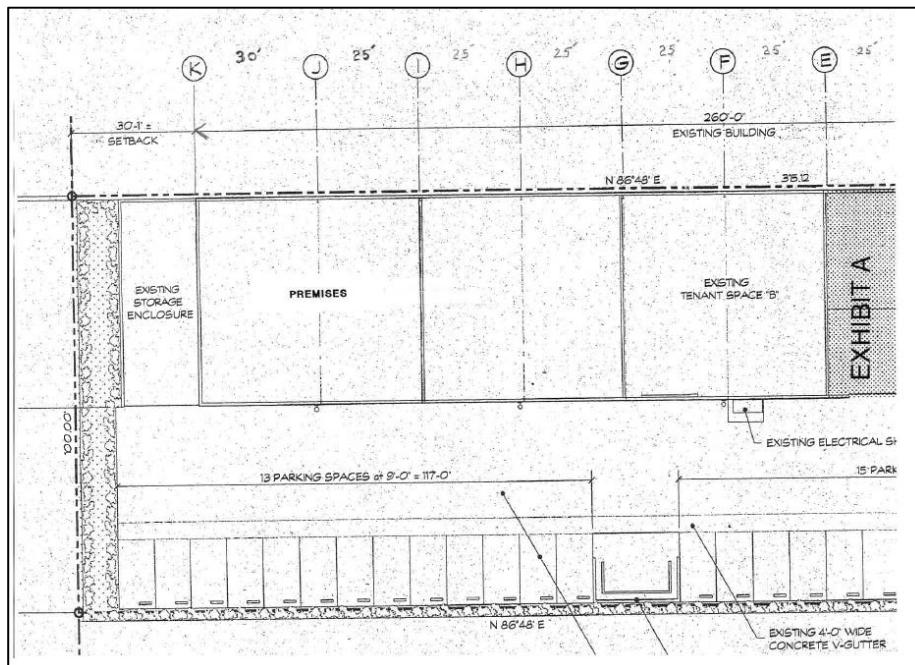
The 0.72± acre subject site is in a light industrial area and developed with an existing industrial building with four tenant spaces, Suites A-D. Businesses in the building include a technology services company in Suite A, a hard cider manufacturer with a tasting room in Suite C, and a microbrewery with a tasting room in Suite D (Elkhorn Slough Brewing LLC). Parking is along the northern property line. Access is granted from a driveway approach on Hangar Way. To the north, west, and south of the site are other light industrial uses. Across Hangar Way at the corner of Nielson Street is a medical office use currently under construction. To the east is single family residential development that is accessed from Jeanette Way. See Figure 1 for an aerial view and Figure 2 for the site plan for The Slough Brewing Collective.

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<sup>2</sup> *Petrovich*, *supra*



**FIGURE 1** Aerial view of the project site and surrounding area  
Source: Santa Cruz County GIS, 2016

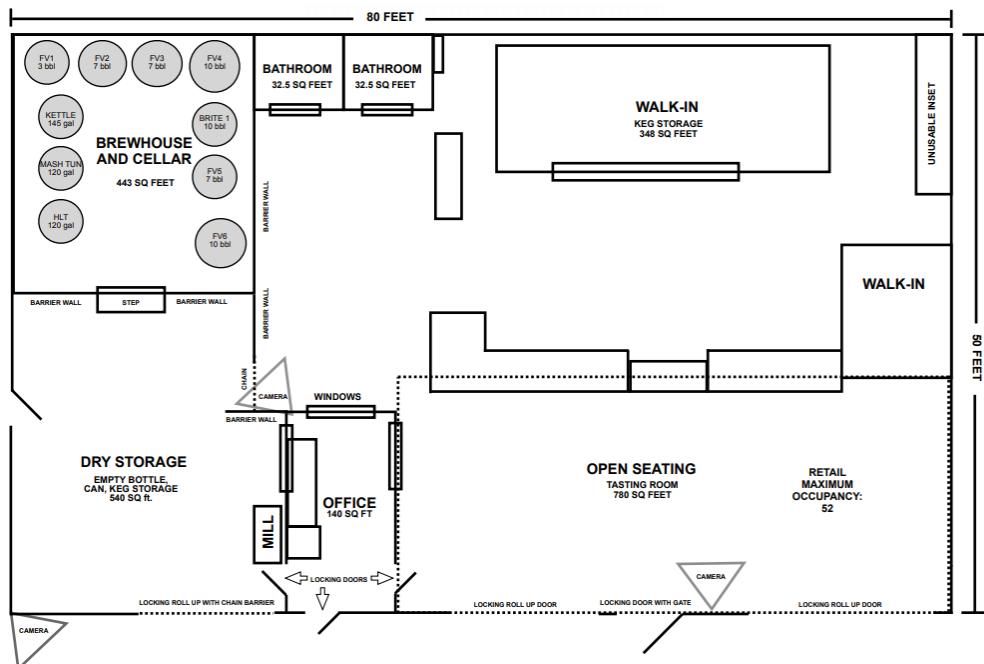


**FIGURE 2** Site Plan for "The Slough Brewing Collective"

Source: Plan Set, received July 30, 2020

### Floor Plan

The brewing operations for The Slough Brewing Collective are proposed to be located to the rear of the tenant space with the tasting room closest to the entrance and roll up door. See Figure 3 for the floor plan.



**FIGURE 3** Proposed Floor Plan for “The Slough Brewing Collective”

Source: Plan Set, received July 30, 2020

As shown on the proposed floor plan, a majority of the 4,000 square-foot tenant space is dedicated to the manufacturing (brewing) of beer. Dry storage of ingredients is to the left of the front entry. Next to the dry storage area is an office. To the rear of the dry storage is the brew house, cellar and two ADA compliant restrooms. Along the rear wall is a large, walk-in storage room. In front of this is the serving area where patrons may order drinks and pick out bottled beer from a walk-in cooler. Retail sales are confined to a 780 square-foot “open seating” area, which represents 19.5 percent of the 4,000 SF tenant space of Suite D.

The previously approved Special Use Permit PP2015-5 allowed the establishment a microbrewery in a 2,750 square-foot tenant space with a 180 square-foot tasting room. The previous tenant—the Elkhorn Slough Brewing Company—expanded the size of Suite D by moving a partition wall without first obtaining review and approval by the City. A condition of approval requires the applicant to obtain a Building Permit to allow the inspection of the relocated wall for conformance with the Building Code and recognize the expanded size of the tenant space from 2,750 to 4,000 square feet. All non-permitted construction shall be legalized within 6 months of project approval. Another condition of approval sets the maximum size of the tasting room for retail sales at 20 percent (or 800 square feet).

#### Parking

[WMC Section 14-17.501\(a\)](#) requires one space for each employee on shift with the maximum number of personnel or 1 space for each 1,000 square feet of gross floor area, whichever is greater. For the retail portion of The Slough Brewing Collective, 1 space per 100 square feet of floor area is required. [WMC § 14-17.801\(i\)](#). The total parking requirement for this use is 12 parking spaces (four for manufacturing, eight for the retail component).

The parking requirement for Santa Cruz Apple Cider Company is five parking spaces. The parking requirement for Toltcom is nine parking spaces pursuant to [WMC Section 14-17.701\(i\)](#).

The total number of required parking spaces is 26 spaces and 28 parking spaces are provided on site.

#### Hours of Operation

The proposed hours of operation for the tasting room at The Slough Brewing Collective are 1:00PM to 9:00PM Tuesday, Wednesday, and Thursday and 12:00PM to 10:00PM on Friday, Saturday and Sunday.

The proposed hours have been reviewed by the Watsonville Police Department and were found to be acceptable. These hours of operation are consistent with the hours of operation for a microbrewery with a tasting room as outlined in the City of Watsonville's Alcohol Related Uses Ordinance.

#### Police Review

The Watsonville Police Department tracks all alcohol licenses in the City and the reported crime associated with these sites. The Police Department also confirms whether alcohol license holders comply with ABC regulations.

Police review did not identify any crimes or criminal activity associated with the existing microbrewery. In addition, as a Type 23<sup>3</sup> ABC License is neither an on-sale nor off-sale license but a manufacturing license with retail privileges, this type of license is not counted towards overall on-sale/off-sale license concentration.

#### Type 23 ABC License

ABC issues various licenses for the sale of alcohol for different types of establishments. A "microbrewery" is a small-scale brewery operation that generally produces approximately 15,000 barrels a year. Its beer products are primarily intended for local and/or regional consumption. Typically, these operations are dedicated to the production of specialty beers, although some do have a restaurant or pub on their manufacturing plant.

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<sup>3</sup> ABC Type 23 - Small Beer Manufacturer (Less than 60,000 barrels per year) The privileges and limitations for this type of license are the same as for other beer manufacturers. The only difference is the license fees. (See also Type 1 – Beer Manufacturer.) This license formerly related only to Steam beer. "Steam" beer is made by fermentation at cellar temperature rather than near freezing as is the case with other beers. It is made using only one type of malt-malted barley. It contains no corn, rice or other cereal grains as regular beers normally do. The method of carbonation is entirely natural and involves a process known as Krausening. This process requires taking beer which has been completely fermented and adding to it beer which is still fermenting. This causes a second fermentation to occur. The Krausening process in beer corresponds closely to the "bulk process" in making some types of sparkling wines. The most common users of this license are operators of micro-breweries and brewpubs. These designations are not to be construed as legal definitions. Their use below is only for descriptive purposes.

"Micro-brewery": A small-scale brewery operation that generally produces approximately 15,000 barrels a year. Its beer products are primarily intended for local and/or regional consumption. Typically, these operations are solely dedicated to the production of specialty beers, although some do have a restaurant or pub on their manufacturing plant.

"Brewpub": Typically, a very small brewery with a restaurant where the beer it produces is sold in draft form exclusively at its own premises. This operation often sells other supplier's bottled beer, including other hand-crafted or micro-brewed beers as well as wine to patrons for consumption on its premises. See "Special Note" below.

Special Note: A brewpub-restaurant (Type 75) license, authorized under Section 23396.3, has a limited brewing privilege and may sometimes be referred to as "brewpub." However, the Type 75 is an on-sale retail license with significant differences/limitations in license privileges from those of a true "beer manufacturer" (either Type 01 or Type 23).

Existing facilities with a small beer manufacturer (Type 23 ABC license) are not subject to the discretionary powers<sup>4</sup> of the Local Governing Body. The proposed use has been conditioned with standard conditions for microbreweries with retail sales to ensure that it will conform with applicable regulations and not have any negative impacts on the neighborhood.

### LEAD Training

A condition of approval requires all service staff, managers and owners attend Licensee Education on Alcohol and Drugs (LEAD) training within ninety (90) days of approval of this Use Permit and/or employment at the restaurant to ensure they understand responsible beverage service practices and procedures regarding the sale and service of alcohol. The applicant is required to submit verification of LEAD training attendance to the Community Development Department.

### Compliance with Alcohol Ordinance

WMC Chapter 14-25 regulates the location and operation of alcohol establishments within the City. This chapter is intended to reduce alcohol-related environmental and social problems by regulating the use, operation, and location of new alcohol establishments selling alcoholic beverages in relation to existing alcohol licensees and their proximity to sensitive uses and facilities customarily to be used by children and families.

In accordance with [WMC Section 14-25.011](#), the applicant provided the following information regarding their Business Plan for The Slough Brewing Collective:

The business is a craft brewery located just half a mile off of the Airport Boulevard exit on Highway 1 in Watsonville. This makes it easily accessible to potential customers from the Monterey, Salinas, Pajaro Valley, and Santa Cruz areas. The brewery is located in an industrial complex with ample parking. The neighbors are a craft cidery, Santa Cruz Cider Company, which helps bring customers to the area who are looking for a varied experience.

The business will focus on high quality beers of a varied selection in order to present itself as a brewery for the people. Our aim is to brew for our customers, and to not alienate anyone in our community by adhering to a strict style dogma. As a principal, we intend to provide lower alcohol beers that allow for a more relaxed, pleasurable experience without the issues that come from an abundance of high alcohol selections.

We will offer higher alcohol selections, but we will require moderation from our customers when ordering these beers. They will be served in smaller portions, and we will limit the number of portions a single customer can buy.

We also intend to use ingredients from our region, and even our immediate community. We plan to highlight these local ingredients and local producers in some of our more premium beers.

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<sup>4</sup> Discretionary powers allow the exercise of judgment, deliberation or decision in approving or denying a particular activity by the decision-making authority. Non-discretionary powers merely allow the determination whether there is conformity with applicable ordinances or regulations (aka ministerial decision).

Also in accordance with [WMC Section 14-25.011](#), the applicant provided the following information in their Neighborhood Compatibility Plan:

Each weekday, starting early in the morning, a member of the brewing staff will arrive at the brewery and begin production. Before anything else, the brewing staff will ensure that all product and production areas were safe and secure overnight. This will entail checking all locks on the entry doors, on the roll up doors, and on the back gate.

Then the managing production staff will check the cameras for any activity overnight. The staff will observe all areas containing our product and look for anything suspicious, such as missing cans, bottles, or kegs. The production staff will then check all ports and valves on production tanks to ensure that they are closed and in the position they were left, and they will double check for leaking. Then they will check and record the status of each tank in production, noting any irregularities.

After the facility is appropriately inspected, the production staff will begin daily brewing and cellaring duties. This will vary on a daily basis, but will generally include milling grain, heating water, transferring liquid with pumps, mixing crushed grain and heated water, boiling liquid, cleaning vessels, packaging beer in kegs, bottles, and cans, testing gravities and pH of product in process, inventory, general cleanliness of the brewery, stocking the taproom walk-in cooler, and cleaning taproom lines every other week.

From 1pm to 9pm on weekdays, and noon to 10pm on weekends, the front door will be unlocked and patrons will be allowed to come inside. The bar will be counter service, meaning patrons will be required to come to the bar to order, which allows bar staff to more easily regulate over-serving, and not serving minors. Staff will take the patron's order, verify their age, and put the order through our POS system, and fill the order from the tap or the retail fridge. When there is no line, staff will walk around the brewery to collect dirty glassware and spot clean. While walking around, the staff will observe that all rules are being followed by patrons, and that no minors have access to alcoholic beverages. The staff will then return to the bar with dirty glassware and place it in the dishwasher for cleaning. After cleaning, the staff will restock the clean glassware."

Additionally, the applicant provided the following information for their Safety and Security Plan:

#### Security Cameras

Our brewery will be outfitted with 4 cameras facing areas that are key to the security of the business, and areas that may be hard to see for bartenders when on duty, such as a view of the outside of the front door and the parking lot. One camera will be placed above the office door and face the main entrance and the parking lot, another angle will face the main seating area, the bar, the inventory fridge, and cash register. A third camera will face the dry storage area of the production side, with a view of the production floor and the back door. The last camera will face the exterior back door. We will have a monitor screen behind the bar that is linked to each camera to help staff monitor all areas while behind the bar.

### **Staff Training**

All employees and owners will be required to go through the Licensee Education on Alcohol and Drugs (LEAD) Program through the California Department of Alcoholic Beverage Control; the purpose of this program is to help employees and employers handle situations in which customers have become agitated due to alcohol consumption and provides staff with de-escalation techniques. The LEAD program also helps staff monitor customer consumption, identify potentially intoxicated customers and prevent over serving.

The Slough Brewing Collective will also implement Homeroom's "Not on the Menu" anti-harassment system; this "Color Code of Conduct" has been hailed as a best practice by the Equal Employment Opportunity Commission (EEOC). The purpose of the system is to ensure that every employee feels safe and supported at work. Not on the Menu is a three-tiered color-coded system that establishes visual and verbal cues to immediately explain the situation being experienced by staff and provides employees and management with actions to take. The system allows staff to identify potentially problematic behaviors and scenarios and prevent them from escalating.

In accordance with [WMC Sections 14-25.021](#) and [14-25.022](#), all operational standards applicable to an off sale general ABC License are incorporated as Conditions of Approval. For more information on the Alcohol Related Uses Application, see Attachment 2.

### **Interview Scoring**

The application was initially reviewed in August 2020 for completeness. After the application was deemed complete, the applicant was interviewed by a selection committee consisting of the Police Chief, Fire Chief, Community Development Director, Finance Director, and City Manager or their designees. The applicant was then interviewed and scored based on four main categories: location (200 points), business plan (350 points), neighborhood compatibility plan (375 points), and a safety and security plan (450 points). There are bonus points that applicants may receive for community benefits (50 points), labor and employment (25 points), and local enterprise/qualifications of principals (75 points). The maximum possible score for an alcohol related use application for a microbrewery with a tasting room is 1,375 points, excluding the bonus points. An applicant must receive a minimum score of points (80%) to be approved.

On September 29, 2020, Ericks Celis, Benjamin Ward, and Jorge Vasquez, applicant (The Slough Brewing Collective), on behalf of property owner representative Sam Bishop, were interviewed by City Staff and received a score of 1,315. With bonus points included the application received a score of 1,455 out of 1,375 points. A summary related to the interview scoring follows each interview category can be found in Attachment 3.

### **Special Use Permit and Alcohol Related Uses Findings**

The Planning Commission shall make the findings required in WMC Sections 14-25.013 and 14-12.513 to approve or conditionally approve the Special Use Permit allowing the operation of an existing brewpub under new ownership. The applicant has demonstrated through their Alcohol Related Uses Application and Alcohol Related Uses Interview conformance with the City of

Watsonville's Alcohol Related Uses Ordinance. As such, the Planning Commission may make required findings to approve the requested Special Use Permit.

### Environmental Review

The proposed project is eligible for a Class 1 Categorical Exemption per Section 15301 of the State CEQA Guidelines as it involves establishing an alcohol license (ABC Type 20) under new ownership and involves no expansion of the existing use. The project will not involve any interior or exterior modifications.

### **CONCLUSION**

As conditioned, the proposal to establish a microbrewery with a tasting room (Type 23 ABC License) under new ownership at 65 Hangar Way, Suite D satisfies the requirements of WMC Chapter 14-12 (Special Use Permit) and WMC Chapter 14-25 (Alcohol Related Uses).

Therefore, Staff therefore recommends that the Planning Commission approve the proposed Special Use Permit.

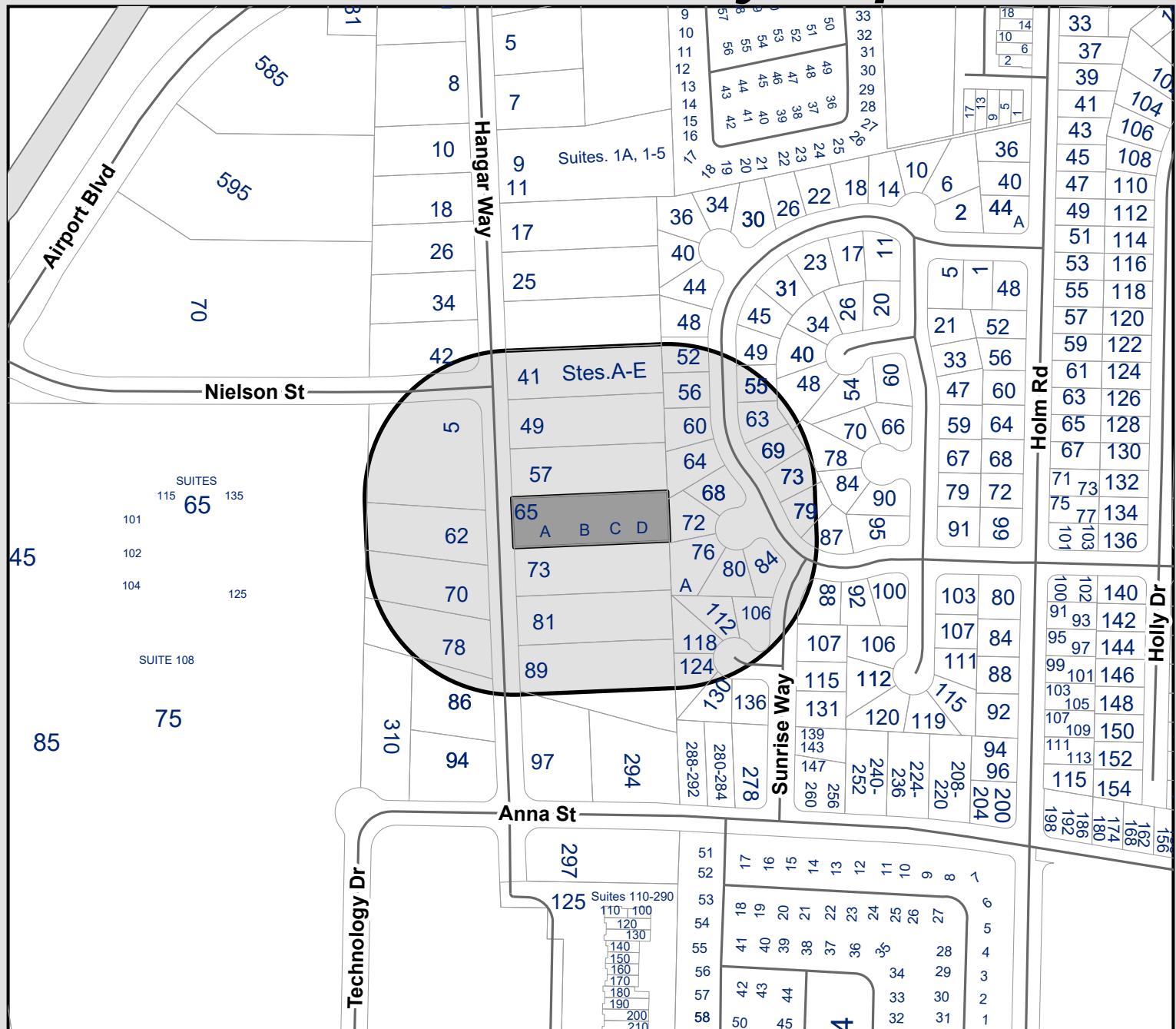
### **ATTACHMENTS**

1. Site and Vicinity Map
2. Alcohol Related Uses Application (received on 7/30/2020, revised 10/26/2020)
3. Alcohol Related Uses Rubric – On Sale (interview conducted on 9/29/2020)
4. Floor Plan (received on 7/30/2020, revised 10/26/2020)
5. Site Plan (received on 7/30/2020)

Electronic copies of the above attachments are available on the city's website at:

<https://www.cityofwatsonville.org/DocumentCenter/Index/157>

# ***Site and Vicinity Map***

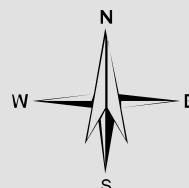


## PROJECT: 359

APPLICANT: Ericks Celis

APN#s: 015-111-24

## LOCATION OF PROJECT: 65 Hangar Way Ste D



Prepared by Watsonville GIS Center 8/10/2020 [20-024]

This Document is a graphic representation only of best available sources.  
The City of Watsonville assumes no responsibility for any errors.

## Attachment 5

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**ELKHORN SLOUGH BREWING LLC**

**DBA THE SLOUGH BREWING COLLECTIVE**

**BUSINESS PLAN**

**JUNE 2020**

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**I. EXECUTIVE SUMMARY**

Elkhorn Slough Brewing LLC dba The Slough Brewing Collective, (hereinafter "The Slough Brewing Collective") is fully formed as a California Limited Liability Company (LLC) located at 65 Hangar Way, Suite D, Watsonville, California 95076, poised to purchase the existing Elkhorn Slough Brewing Company at this same address, and to rebrand and improve the existing business' infrastructure. The Business seeks to take advantage of an opportunity for acquiring and re-introducing this brewery as a new craft brand, which has the potential to be extremely successful in this market.

**a. Mission Statement.**

The Slough Brewing Collective intends to use the experience, work ethic, and community connections of the partners to expand upon the good standing of the original Elkhorn Slough Brewing Company in the Watsonville Community, the Santa Cruz County craft brewing economy, and the greater California Craft Brewing economy. Our intention is, first and foremost, to maintain and improve the taproom as a comfortable, and reliable community space for Watsonville, and, secondarily, to expand upon local and regional wholesale accounts, and increase brewing industry participation. Above all, our goal is to have a positive social impact in our community through the creation of quality beer.

**b. The Opportunity**

Elkhorn Slough Brewing Company—which is Watsonville's first craft brewery, and a fixture of the Watsonville community—has recently been put up for sale due to the declining health of one of the owners, and his unfortunate inability to focus on the business in the way he believes it deserves. The three partners of The Slough Brewing Collective — Jorge Vazquez, current Head Brewer of Elkhorn Slough Brewing Company and co-owner of the local hop supplier, Akiyama Hopyard, Erix Celis, local Watsonville Kindergarten teacher, bartender at ESBC, and active member of the Watsonville community, and Benjamin Ward, experienced local brewer, business manager, and also a former employee of ESBC—feel that we are the ideal candidates to purchase the brewery, and restore it to its prestigious place in the Watsonville community and the greater California craft brewing community.

Our plan is to purchase the brewery from the current owners, and rebrand it as The Slough Brewing Collective, with a focus on providing the tap room with high-quality craft beer, fostering community in our space, and increasing our wholesale and retail presence across the state.

#### **c. Taking Advantage of the Opportunity**

We feel we are uniquely poised to take advantage of this business opportunity because of our long standing relationship with the owners and the business, as well as our varied experience in the Craft Brewing Industry, and our reputation in the local community. Michael Enos and Julie Reinhardt have selected the three of us to take over operations of the business because of these qualities, and our compatible brewing philosophies, and our desire to continue the tradition of Elkhorn Slough Brewing Company as a community space.

#### **d. Business Description.**

The Business is organized as a Limited Liability Company (LLC) formed and authorized under the laws of the State of California, and will be led by Jorge Vazquez, Erics Celis, and Benjamin Ward, who will serve as Owners.

We are three individuals who have a connection to the Watsonville community, and to the brewing community in the greater region of Santa Cruz, Monterey Bay, and San Francisco Bay. The three of us formed a friendship while working for Elkhorn Slough Brewing Company (ESBC). When the current owners of Elkhorn Slough Brewing Company, Michael Enos and Julie Reinhardt, approached us about selling ESBC, we were immediately interested, and have organized into a partnership to purchase, rebrand, and manage the brewery.

Jorge Vazquez is a son of Watsonville. Born and raised here, he has deep roots in the community. Former Head Brewer of Elkhorn Slough Brewing Company, co-owner of Akiyama Hopyard in Royal Oaks, and Watsonville local beer legend, Jorge was the obvious choice to inherit the legacy of Elkhorn Slough Brewing Company. Jorge started as beertender and elbowed his way into the brewhouse with hard work and long hours. Eventually, Jorge was experimenting with his own recipes for hoppy beers and barrel

aged stouts. He brings with him an unprecedented work ethic, and a passion for his town.

Ericks Celis, local kindergarten teacher, bartender, social advocate, and avid homebrewer, is an integral part of The Slough Brewing Collective's management team. His passion for his community, and desire to bring inclusivity and humanity to the beer world is the bedrock for The Slough's approach to our community building. Ericks' role is that of a community organizer, and advocate for the underrepresented, helping us achieve our goal of not just being a brewery, but a social platform and space for growth.

Benjamin Ward brings experience to the management team. Ben has worked for almost every brewery in the county. Starting at Seven Bridges Organic Brewing Supply, helping launch Humble Sea Brewing Company, a brief stint as brewer at Shanty Shack Brewing Company, a break from beer to serve as Quality Assurance Director at a co-packing company that made industrial amounts of cold brew and canned craft sparkling tea, an appearance behind the bar at Elkhorn Slough, then brewer at Brewery Twenty-Five, and finally brewer at Watsonville's own Fruition Brewing. Ben is a beer judge, holds a certificate in Intensive Brewing Science and Engineering, and experience in Professional Writing. Originally from New York, Ben moved to the West Coast on a whim and found his community in Watsonville, and in the brewing world.

The business is a craft brewery located just half a mile off of the Airport Boulevard exit on Highway 1 in Watsonville. This makes it easily accessible to potential customers from the Monterey, Salinas, Pajaro Valley, and Santa Cruz areas. The brewery is located in an industrial complex with ample parking. The neighbors are a craft cidery, Santa Cruz Cider Company, which helps bring customers to the area who are looking for a varied experience. To the same point, there is a winery, Wargin Wines, about one block down the street on Hangar Way. A mile down the road is a beer tap house, Beer Mule, which has brought other beer drinkers to the area from further away.

The business will focus on high quality beers of a varied selection in order to present itself as a brewery for the people. Our aim is to brew for our customers, and to not alienate anyone in our community by adhering to a strict style dogma. As a principal, we intend to provide lower alcohol beers that allow for a more relaxed, pleasurable experience without the issues that come from an abundance of high alcohol selections.

We will offer higher alcohol selections, but we will require moderation from our customers when ordering these beers. They will be served in smaller portions, and we will limit the number of portions a single customer can buy.

We also intend to use ingredients from our region, and even our immediate community. We plan to highlight these local ingredients and local producers in some of our more premium beers.

#### **e. Business Model**

The Slough Brewing Collective will continue the ESBC history of producing high-quality barrel aged wild ales using our own culture of yeast and other locally sourced organic ingredients whenever possible. Whereas this model was a primary focus of Elkhorn Slough Brewing Company, we feel strongly that the general public wants more accessible beers, which are also more economical to produce. We will mainly produce contemporary styles that appeal to a younger generation of beer drinkers, such as Hazy IPAs, and fruited sours, alongside sessionable lagers for the more traditional consumers. Our goal is to create a tap list that is both varied—with influences from each of our individual experiences—and balanced—providing thoughtful, complex beers alongside easy-drinking, thirst-quenching staples—all of which will be created with consciously-sourced ingredients.

Our beer will be handcrafted in the existing 4-barrel (BBL) electric brewhouse in 125 gallon batches. The benefit of starting with a small system is that it allows us to slowly step up our production while maintaining our small, craft brew style with a greatly varied tap list. We also have the advantage of owning three 7 bbl fermenters, and one 10 bbl fermenters, which allow us to produce larger batches of our more popular styles.

Electric brewing systems are an efficient and quiet production method. The beer will be fermented in temperature controlled steel conical fermentation containers, after which, some specialty beers may be transferred to oak barrels to allow for secondary fermentation processes to occur.

The time it takes to produce our beer varies greatly, from three weeks for an IPA to over a year for our specialty barrel-aged sour beers, with the majority of beers having a one month turnaround time.

Most beers will be transferred to kegs for distribution and serving on-draft, in house. Many beers will be made available in 16 ounce cans that will be filled and hand seamed on site. Occasionally, we will use a mobile canning unit to can large runs of our more popular styles. All other beers will be made available to-go in a 32 ounce can known as a "crowler" which is filled and seamed to order. Specialty beers, such as sours, and barrel aged stouts will be available in bottles of varying sizes from 375 ml to 750 ml. Selected beers will be made available in 5 gallon kegs for the customer to enjoy in the home kegerator. All of these services will be made available from Tuesday to Sunday every week. A substantial portion of business will be the wholesale of kegs to retail shops, bars, and restaurants who carry craft beer.

Additionally, revenue will come from branded merchandise that will be made available on the premises. Examples of branded merchandise include t-shirts, sweatshirts, hats, stickers, glassware, to-go containers, sunglasses, stickers, coasters, and many other potential branding opportunities.

The tasting room will be the main source of revenue, because the cost of each pint compared to its price point is more ideal than any other avenue of distribution. The tasting room will provide a relaxed and comfortable environment for patrons to enjoy full pours of our beer. The tasting room will be open Tuesday through Sunday, from 1pm to 9pm on weekdays, and noon to 10pm on weekends.

Our taproom will also be a venue for outreach from various community organizations, music performers and educational services such as workshops that enrich the knowledge of the community. We hope to work with many local organizations to host community enriching events on a regular basis. We also hope to educate the community about the craft beer industry by offering workshops like beer tasting, and basic brewing.

## **f. Product.**

We intend to provide a slew of beers; from low alcohol beers—for easier enjoyment—to mixed culture, sour beers using local microorganisms, to hoppy, and thirst-quenching beers.

Our brewing style focuses on using quality, local ingredients to create the best quality beer that represents our community, and our region. We intend to work with local farmers and highlighting their efforts, to present a seasonal product that celebrates the culture of our town.

We will work to be sustainable and source our ingredients from local, organic suppliers whenever possible. Our philosophy is centered on the idea that craft food and beverage products should be created and distributed locally. This helps create local sustainable economies. We believe that our local environment can be harvested to produce fine fermented products. This quality will set us apart, and our products will have a "house flavor," or "terroir" as they say in the wine world. The Pajaro Valley, where much of our specialty fruits and herbs will come from, is an agriculturally rich region, and we believe that this will impart a sense of place to our products.

We plan to continue brewing many of the Elkhorn Slough Brewing customer favorites, including Gooseblind IPA, Colibri Blonde Ale, Pajaro Gold American Rice Lager, and others-- with improvements to the recipes. We intend to also create many exciting new recipes with Ben Ward's professional experience brewing for other popular breweries that are known for their Hazy IPAs, pale ales, lagers, session sours, barrel aged beers, to name a few styles. Jorge Vazquez's specialty over the years has been heavy, strong stouts, which are popular with beer enthusiasts all over the world. Erix, as a homebrewer, became known for his crowd-pleasing light beers, and traditional styles.

We believe our unique combination of taste, style, experience, and resources will create a product that is not only unique, but extremely popular, and a positive representation of the community we love.

**g. Funding Request.**

The total funding request is for a \$48,000.00 loan for a period of ten years. The funding proceeds will be used as follows:

**\$48,000.00 for Purchase of Existing Business**

This amount, with an injection of \$12,000 from the partners, allows us to purchase Elkhorn Slough Brewing Company, and to transfer its assets to The Slough Brewing Collective at the agreed upon value of \$60,000.

We have been approved for a loan from Santa Cruz County Bank, and have been presented a Commitment Letter with terms that match our needs.

**Additional Funding**

We may choose to seek extra funding on top of the initial funding needed to purchase the business. We estimate that we will need \$40,000 to make changes to the business that are not necessary for opening, but will help increase our productivity and profitability in the future. These changes are of lower urgency, but will help complete the transition of the previous business to The Slough Brewing Collective.

These funds will be allocated as outlined below:

**\$5,000.00 for Licensing Fees and Permits**

This amount will assist us in paying the appropriate initial and annual fees and permits to legally operate as a brewery. This includes ABC permitting, and local business licensing, among others.

**\$5,000.00 for Marketing**

This amount is earmarked for effectively marketing the products in local and regional markets.

**\$7,000 for Employee Retention**

This amount will be used for payment of employees in order to increase their hourly wage and help ensure employee retention.

**\$10,000.00 for Raw Materials**

To ensure the initial and continued production of our beer to fulfill orders, until additional revenue can be allocated to this purpose.

**\$13,000.00 for Improvements**

General improvements to the business will include the purchase of new tap room furniture, new fixtures for the taproom, and public restrooms. This funding will also be used to upgrade brewing and beer serving equipment.

Within the first two years, we intend to upgrade the existing 4 bbl electric system to a 7-10 bbl electric system to increase our efficiency.

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## **II. BUSINESS SUMMARY**

### **a. Description of Company Structure**

The business is a fully formed LLC in the State of California, consisting of three partners: Jorge Vazquez, who is a slight majority shareholder with 34% of the shares, Ericks Celis, who holds 33% of the shares, and Benjamin Ward, who holds 33% of the shares. For all intents and purposes, the LLC operates as an equal partnership, with all major decisions requiring a unanimous vote.

See Appendix 1 - Operating Agreement

### **b. Leadership Team**

We are three individuals, Jorge Vazquez, Ericks Celis, and Benjamin Ward, who have a connection to the Watsonville community, and to the brewing community in the greater Santa Cruz, Monterey Bay, and San Francisco Bay regions. The three of us formed a friendship while working for Elkhorn Slough Brewing Company (ESBC) in

Watsonville. When the current owners of Elkhorn Slough Brewing Company, Michael Enos and Julie Reinhardt, approached us about selling ESBC, we were immediately interested, and have organized into a partnership to purchase, rebrand, and manage the brewery.

Jorge was born and raised in Watsonville. His immigrant parents have always demonstrated to him that hard work pays off. His father owns a world-renowned bicycle painting and carbon fiber repair shop in Watsonville, and his mother is a social services supervisor for the County of Santa Cruz. Jorge graduated with the first graduating class of Pajaro Valley High School in 2008. That same year he started his general education at Cabrillo College, but as his father's business kept growing along with his father's desire to hand down the family business to his sons. Jorge decided to work full-time at his father's business.

While working at his father's shop, Jorge started home brewing with two other friends in 2013, with the intent to start their own brewery. Through experimentation and trial-and-error, they learned a lot about making good beer, as well as making bad beer. In fact, their biggest lesson was that, without the funds and actual work experience in the beer industry, owning a brewery would prove very difficult.

In 2016, Jorge decided to apply at a new brewery opening up in Watsonville called Elkhorn Slough Brewing Company. After relentlessly approaching the owners, Michael Enos and Julie Reinhardt, about work opportunities, Jorge became a beertender at the brewery. Jorge's interest and dedication to the work and his charisma with the patrons finally paid off after a year, when he was promoted to Taproom Manager and Assistant Brewer. As Taproom Manager he scheduled employee work shifts and food vendor pop-ups, as well as purchasing inventory. As Assistant Brewer Jorge started brewing once a week, sanitizing tanks and milling grain. Again, Jorge's hard work paid off, and after only 4 months he was promoted to Head Brewer. At this point in his career Jorge was in charge of everything on the brewery side of the company.

While working at Elkhorn Slough Brewing Company, he became good friends with Sam Akiyama who shared his interest in beer-making and owning a brewery. Sam's family has a large amount of farmland in Royal Oaks, so when he was asked to invest in expansion of their hopyard - Akiyama Hopyard - Jorge immediately jumped on board. In

2018, Sam and Jorge partnered up to grow and sell 3 acres of hops to Santa Cruz, Monterey, Sonoma, and Alameda counties. Jorge sold hops to some of the most prestigious breweries of our region, including The Rare Barrel, Alvarado Street, Yeast of Eden, Elkhorn Slough Brewing Company, Humble Sea Brewing Company, Peter B's Brewing Company, Shanty Shack Brewing Company, Seabright Brewing Company, and many others.

Ericks Celis brings community organizing and a focus on inclusivity to the team. Ericks has been in Santa Cruz County since 2009, first as an undergraduate and later as a graduate student in the Teacher Education Program at UC Santa Cruz, where he earned a Masters in Education. Immediately after, Ericks became a kindergarten teacher at Radcliff Elementary in Watsonville, a position he has held for 6 years, and for which he currently holds tenure.

As a teacher, Ericks developed a variety of transferable skills such as public speaking, time management, translation, and event planning, to name a few. Although, the most invaluable bit of experience gained through teaching was a connection to the community and relationships built with colleagues, families, and students. Ericks hopes to use this understanding to inform The Slough Brewing Collective's progression as a community-oriented space.

Ericks spent the early portion of his tenure as a Union Site Representative for Radcliff Elementary, and organized alongside other representatives and leaders in the Pajaro Valley Federation of Teachers (PVFT). Ericks learned various methods for outreach and exposure to issues affecting the community. Additionally, PVFT allowed Ericks to familiarize himself with Watsonville city government, PVUSD alumni and workers all over the district, both classified and certificated.

Throughout his tenure as a teacher, Ericks took on a variety of jobs in the burgeoning beer scene of Watsonville. In 2017, Ericks began working at Corralitos Brewing Company; his first introduction to the beer industry. At Corralitos Brewing Company, Ericks learned the basics of bartending and rudimentary brewing processes. Later, Ericks moved on to Elkhorn Slough Brewing Company, where he refined his bartending skills and customer service, while also assisting in the brew house, eventually brewing an original recipe in collaboration with head brewer, Jorge Vazquez. Ericks continued his beer education while working as a bartender at Fruition; there he

participated in back of house tastings, consulted with experienced brewers, David Purgason, Tallula Preston, and Benjamin Ward. Ericks' ability to construct recipes, and identify and convey information on various beer styles matured and continued to grow.

While working in the beer industry, Ericks began devoting his personal time and effort to homebrewing; he assembled equipment for a 5 gallon system, eventually expanding to a 10 gallon system. Ericks used the small batch system to brew a variety of beer styles; he quickly became familiar with popular and traditional styles, such as IPA, Pale Ale, Stouts, Saisons, "Farmhouse", Marzen, Schwarzbier, among other ales, lagers and hybrid styles. Ericks participated at the Steinbeck Homebrew Festival in 2019; he submitted three original beer recipes, served his own beer and guided festival-goers in tastings, offering descriptions and information related to brewing. Ericks was later invited to brew a guest beer at Elkhorn Slough Brewing Company which became Hefecito-- a bavarian-style Hefeweizen.

Benjamin Ward brings industry experience to the management team. Originally from Upstate New York, Ben has a Bachelor's Degree in Psychology with a minor in Professional Writing from the State University of New York at Cortland. He moved to Santa Cruz on a whim in 2011 after traveling the country. Ben currently resides in Aptos.

Ben has worked for almost every brewery in the county. Starting at Seven Bridges Organic Brewing Supply, where he worked as the Events Coordinator. Ben helped manage the business' website-- which served as the portal for its online orders, constituting over 75% of the business' revenue-- inventory, marketing, online sales, sales promotions, and community events. Ben worked directly with homebrewers to increase community education regarding craft beer through one-on-one customer interaction, and also through community brewing workshops.

After Seven Bridges, Ben helped launch Humble Sea Brewing Company, a now prominent brewery on the Westside of Santa Cruz. Ben was hired as a brewer when Humble Sea Brewing was mostly just an idea; brewing legally out of a residential property in Ben Lomond. Ben helped them shape their identity, their brewing style, their quality control, and consistency, and helped them scale up to a 10 barrel (310 gallon system). Ben brewed over 300 batches of beer for Humble Sea in the first year alone, all while completing the Intensive Brewing Science and Engineering Certificate with the

American Brewer's Guild. Ben also worked with Humble Sea's brand manager to create the branding style that they are known for today.

After Humble Sea, Ben did a stint as brewer at Shanty Shack Brewing Company, where he was in charge of recipe creation, brewing, fermentation, production scheduling, packaging product, tank maintenance, quality control, as well as working the front of house as a bartender.

Ben left Shanty Shack to work as Quality Assurance Director at a co-packing company called Cold Craft Brewing in an industrial park in Santa Cruz's Seabright neighborhood. The company used industrial beer brewing equipment to make an array of products for various high-profile customers, including chai tea concentrate, large quantities of cold brew from a plethora of local roasters, kombucha, and a canned sparkling tea product for the country's largest tea importer. It was Ben's responsibility to develop best practices for each product, and maintain strict protocols for quality assurance. Ben completed exhaustive training through the Safe Quality Food (SQF) Program, which is a rigorous and highly credible food safety and quality program that is recognized by retailers, brand owners, and food service providers world-wide, and is used to control food safety risks.

Ben also worked as a member of Cold Craft's Research and Development department, heading up such projects as creating custom recipes for their largest clients. Among them were non-alcoholic cocktails for a prominent local coffee shop, and the fabrication of a counter-top cold brew concentrate machine for one of the nation's leading coffee brewing equipment companies. Most of the projects required Ben to create custom pieces of equipment, or adapt existing equipment for unusual purposes.

Ben ultimately wanted to get back into the beer industry, so he began to tend the bar at Elkhorn Slough Brewing Company in Watsonville on the weekends. Ben had been friends with the owners— Michael Enos and Julie Rienhardt— for years, and he was excited to assist them in representing their brand. While working there, Ben helped Michael and Julie improve the business' daily operations, and fine-tune their brewing process.

Ben left the bar at Elkhorn Slough Brewing Company to help his friends at Brewery Twenty Five in San Juan Bautista. Brewery Twenty Five is a small craft brewery in the hills of San Juan Bautista, owned by husband and wife— Sean and Fran Fitzharris. Their brewery is essentially a farmhouse brewery, located on the couple's large, hilltop property. This presented many challenges that are not common in the typical industrial brewhouse, such as stricter managing of solid wastes, conserving water, temperature control, and pest control. Ben helped them problem solve ways to improve the quality of their beers and increase efficiency with limited resources. Ben brewed every batch of Brewery Twenty Five beer for a year.

When Ben's close friends, Tallula Preston, and David Purgason, first imagined starting their brewery, Watsonville's own Fruition Brewing, they asked Ben if he would be their brewer when they were able to open. So, when the time came to realize their dreams, Ben split his time between Brewery Twenty Five and Fruition, ultimately leaving Brewery Twenty Five to help David and Tallula full-time. Ben currently still brews for Fruition Brewing. He brews every batch of beer to David's specifications, maintaining a high-level of quality, as well as performing all other necessary aspects of brewery production on his own.

Beyond his professional career, Ben has used his personal craft beer brand, Effigy, to collaborate with many local breweries to create one-off beers made in their facilities. Effigy's collaborators include Elkhorn Slough Brewing Company, East Cliff Brewing Company, Alpha Acid Brewing Company, Hop Dogma Brewing Company, Brewery Twenty Five, Seabright Brewing Company, and Fruition Brewing. Through his collaborations, Ben also involved many local businesses, such as Watsonville's Wargin Wines, Margins Wines from Aromas, Akiyama Hopyard from Royal Oaks, Manresa Bread's General Manager, Chris Sullivan, and local artists Daniel Fernandez, and Allison Garcia.

Through Effigy, Ben has served beers at local beer festivals and celebrations, including San Juan Bautista's Sip and Celebrate festival in September of 2019. He also organized several events with local businesses and artists, including a tap takeover of his beer collaborations at Vertigo Coffee Roasters in coordination with an art event with local artist, Allison Marie Garcia. He also coordinated a beer pairing dinner with local

pop up Full Steam Dumpling at the Santa Cruz Food Lounge, and his collaborations were featured at a festival called San Francisco Brewfest and Vegan Eats in 2018.

Ben's work has been featured in an article in the Santa Cruz Good Times, as well as a San Francisco beverage publication called ABV Magazine.

Ben is a BJCP certified Beer Judge. He has participated in a judging capacity in several beer competitions, including the National Organic Brewing Competition, which he helped organize, and the 2018 Hop and Barley Festival Homebrewing Competition. He is also a Cicerone Certified Beer Server. Ben has led public discussions about beer tasting and beer brewing at Seven Bridges Cooperative Brewing Supply and at Elkhorn Slough Brewing Company.

Ben's previous experience was in mental health counseling, working with children and adults in a rehabilitative capacity, and in business management, working as General Manager for Companion Bakeshop on the Westside of Santa Cruz.

See Appendix 2 - Manager Resumes

### **c. Employees**

For the initial start up period, the owners will act as the principal staff of the business, in order to reduce costs, and to increase owner involvement in the formative months, and ensure owner accountability.

If additional employees are required, we plan to rehire past Elkhorn Slough Brewing Company employees who have proved themselves responsible. This is advantageous to us, because they are known members of the local community, who are familiar with the customers, the space, the product, and the basic policies of the business. Two employees who we have in mind have proven to be responsible when serving alcohol—willing to cut people off before over serving them, and be vigilant when it comes to not serving alcohol to minors. If rehired, these employees will be retrained, and asked to participate in LEADS certification as well as the Cicerone Beer Server certification program.

We have received verbal confirmation of interest from two previous Elkhorn Slough employees that we would prefer to hire, but if they are unavailable at the time of hire, or if we require additional employees now, or in the future, we intend to focus on hiring locally. Preference will be given to Watsonville locals who are bilingual and familiar with the community. Applicants from Santa Cruz with experience, who have a familiarity with Watsonville, will also be heavily considered.

Above all, we will look for a respect for alcohol, not a novel, casual approach to drinking, and an interest in improving the community, not in damaging the community by promoting overconsumption of alcohol. We also have a strong desire to promote diversity in an otherwise majority dominated industry.

#### **d. Location and Site Description**

##### **Location Description**

We have secured a lease for 65 Hangar Way, Suite D, Watsonville CA 95076, from DREJS LLC, the property owner. The space in question is a 4,000 square foot warehouse, equipped as a fully functional brewery and tap room. This location, just off of Highway 1 on the Airport Boulevard exit, is a convenient location for all traffic heading South from Santa Cruz, and heading North from Monterey.

When Elkhorn Slough Brewing Company began operations in 2015, there were nine craft breweries operating in Santa Cruz and Monterey counties. Since then, the amount of breweries in both counties increased to 27; a large concentration of these breweries can be found in the Santa Cruz metropolitan area and in the City of Monterey. Watsonville's position between these two major tourist destinations, puts us in an advantageous position as a city and a growing hub for beer. The craft brewing culture in the surrounding area has become a major component of the general public's leisure time. The craft brewing community is competitive but incredibly supportive and cooperative at this time. We have received much support, encouragement and advice from many people working in the beer industry, from tap room workers, to brewers, owners and distributors.

The population of Watsonville is predominantly Hispanic/Latino, making up nearly 82% of the residents as of 2018; this has imparted a distinct cultural and racial presence

in Santa Cruz County. The rest of the population consists of White and Asian people, among other various races according to the American Community Survey of 2018. The majority of residents in the area fall within the age range of 20-59, a notable amount of which work in agriculture. In addition to its rich agricultural history, Watsonville also has one of the highest concentrations of sloughs in the country. Its biodiversity due to the sloughs, agricultural background and cultural makeup makes Watsonville a unique city on the central coast.

The specific area of the brewery is zoned industrial, and the warehouse in question is located in the rear of a small business park, just off of Nielson Street near the airport. The space is the rear unit of a short complex. The front-most business is Totlcom, a communications company, which occupies two spaces in the complex. Then there are two more roll-up door spaces that are rented out to a local business as storage.

The business directly neighboring the space in question is Santa Cruz Cider Company, a small, craft cidery which has previously served to pull in more business for the brewery, as they provide traveling patrons with more options if they are with someone who does not, or cannot drink beer.

This cidery and the brewery have been approved by the ABC to operate alongside each other, as long as the point of sale for each business remains separated.

### **Site Description**

The warehouse dimensions are 50'x80'. The brewing and fermenting, the storage of barrels, raw ingredients and in-process product will happen on the left side. The tasting room will be on the right side, with a small office and dividing wall between the two. The warehouse is 4,000 square ft. There are three roll up doors along the front side of the building. There are two doors on the front side. One leads to the tasting room, and one leads to the office. There are no exterior windows.

There is a security camera in front of the building facing the parking lot and front door, and an outdoor security camera facing the back entrance. There is a security camera facing the tasting room, walk-in cooler entrance, register and traffic from the

front door, and one facing the brewing process area and back entrance. There are three main doors into the building. There is one door to the tasting room, which is secured by a deadbolt, and a deadbolt locking cage in front of it. The office door is secured by a deadbolt, and the back door is secured by a deadbolt, with an 10 foot metal fence securing the back area. There are three roll up doors that are secured by sliding locks and wall-mounted chain anchors on the inside. The only windows are interior windows from the office, one facing the tasting room, one facing the tasting room and entrance to the dry storage area, and one facing the dry storage area and brewing process area

### **Lease**

The base monthly rate for this space is \$3240.00. We, as tenants will also pay \$850.00 a month for solar power usage, as well as a \$120.00 a month water surcharge. Our lease is for a five year period, with a five year renewal option, starting April 1, 2020, after which time, our base rent will increase according to the change in CPI.

See Appendix 3 - Location Map

See Appendix 4 - Site Map

See Appendix 5 - Lease Agreement

### **e. Description of Daily Operations**

Each weekday, starting early in the morning, a member of the brewing staff will arrive at the brewery and begin production. Before anything else, the brewing staff will ensure that all product and production areas were safe and secure overnight. This will entail checking all locks on the entry doors, on the roll up doors, and on the back gate. Then the managing production staff will check the cameras for any activity overnight. The staff will observe all areas containing our product and look for anything suspicious, such as missing cans, bottles, or kegs. The production staff will then check all ports and valves on production tanks to ensure that they are closed and in the position they were left, and they will double check for leaking. Then they will check and record the status of each tank in production, noting any irregularities.

After the facility is appropriately inspected, the production staff will begin daily brewing and cellaring duties. This will vary on a daily basis, but will generally include milling grain, heating water, transferring liquid with pumps, mixing crushed grain and heated water, boiling liquid, cleaning vessels, packaging beer in kegs, bottles, and cans, testing gravities and pH of product in process, inventory, general cleanliness of the brewery, stocking the taproom walk-in cooler, and cleaning taproom lines every other week.

On days that the taproom is open, the production staff will aim to have most of these duties completed by the time the tap room opens and begins to fill up. Around noon on weekdays, and 11 am on weekends, a tap room staff member, or a member of management will arrive to set up the taproom. This will consist of arranging the taproom furniture, cleaning surfaces, setting up the cash drawer, opening the taps, and putting up appropriate signage.

From 1pm to 9pm on weekdays, and noon to 10pm on weekends, the front door will be unlocked and patrons will be allowed to come inside. The bar will be counter service, meaning patrons will be required to come to the bar to order, which allows bar staff to more easily regulate over-serving, and not serving minors. Staff will take the patron's order, verify their age, put the order through our POS system, and fill the order from the tap or the retail fridge. When there is no line, staff will walk around the brewery to collect dirty glassware and spot clean. While walking around, the staff will observe that all rules are being followed by patrons, and that no minors have access to alcoholic beverages. The staff will then return to the bar with dirty glassware and place it in the dishwasher for cleaning. After cleaning, the staff will restock the clean glassware.

30 minutes to closing time, the staff will announce "last call" and fill any final orders and close out any open tabs. After this time, no new patrons will be allowed inside the premises, and no new orders will be taken. The staff will then begin to ask all remaining patrons to finish their drinks and vacate the premises. The staff will assess if any patrons appear to be unable to drive and ask them if they have a safe way to get home. If they do not, staff will assist them in calling a friend, a cab, or a car service.

The staff will then begin closing tasks, which include cleaning and plugging all beer taps, closing and locking all doors, cleaning all surfaces, cleaning all glassware,

sweeping, mopping, taking out all trash, and counting the drawer and placing all cash in the safe.

If a food truck is scheduled for the day, staff will coordinate for the food truck to arrive and set up around the time the brewery opens, and they will provide food for approximately four hours of the breweries operating hours. The food truck will park in a designated area that will not interfere with passage of patrons in and out of the main doorway. The food will be sold separately through the vendor, and the vendor will largely be responsible for the clean up of food waste.

If there is an event, such as a group gathering, or un-amplified music. Staff will coordinate with the event representative to have the space designated for the event set up previous to their arrival.

## **f. Production**

The Slough Brewing Collective will produce our beer in 125 gallon batches using quality, and often local ingredients in a 4 barrel electric brewhouse, which was built by Stout Kettles.

The beer is produced in two fundamental stages; hot and cool. The hot stage utilizes the brewhouse to create a malt sugar called wort. The brewhouse consists of three vessels: the Hot liquor tank — which is used for boiling water, the Mash Tun — which is used for mixing grain and hot water and converting the grains to liquid grain sugar, and the Brew Kettle — which is used for boiling the wort with hops and other ingredients.

After the wort is boiled and the hops and other ingredients have been added, the beer is cooled using a heat exchanger, and transferred to a stainless steel, conical, primary fermentation vessel. The water used in the heat exchanger is recaptured and used as water for cleaning equipment, or used in subsequent batches. At this point, yeast is pitched and given controlled parameters of temperature and oxygen to convert the wort to beer.

After a short time for primary fermentation — anywhere from one week to two months— the beers will then be slowly reduced to cold conditioning temperatures, at

which time the yeast and hops will be removed from the tanks and composted by local farmers, and the beer will be slowly carbonated. Some beers will be transferred to oak barrels for secondary fermentation. The secondary fermentation process can last up to one year for certain ales.

More traditional, clearer beers will be transferred from the primary fermentation vessel to a brite tank for conditioning. After a period of conditioning and carbonating, the beer is transferred into kegs, cans, or bottles for distribution.

In all brewing environments, cleaning and sanitation is a priority. All equipment used in the brewing process must be thoroughly sanitized and cleaned after each use. Quality inspection will involve regular sampling and analysis of yeast and beer to ensure no unwanted bacteria or other organisms are present. The brewing equipment will be regularly tested and maintained for functionality and safety. Strict safety policies will be enforced in the brewhouse and all employees will be thoroughly trained on proper safety techniques and usage of all equipment. Non employees will not be permitted in production areas during the brewing process.

Inventory will be stored in a separate area of the brewhouse and records will be kept and maintained on the premises and in a secure, cloud based system.

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

##### **Security Cameras:**

Our brewery will be outfitted with 4 cameras facing areas that are key to the security of the business, and areas that may be hard to see for bartenders when on duty, such as a view of the outside of the front door and the parking lot. One camera will be placed above the office door and face the main entrance and the parking lot, another angle will face the main seating area, the bar, the inventory fridge, and cash register. A third camera will face the dry storage area of the production side, with a view of the production floor and the back door. The last camera will face the exterior back door. We will have a monitor screen behind the bar that is linked to each camera to help staff monitor all areas while behind the bar.

**Locks:**

The warehouse in which The Slough Brewing Collective is located is very secure. Each of the three roll up doors has two built-in locks on each side of the door on the floor, as well as a wall anchor for each chain pulley mechanism. The main entrance of The Slough is a heavy glass door with a built-in deadbolt. As an added means of protection, the glass door is covered by a separate metal gate on the outside of the door, with a standard key lock and deadbolt. The back entrance is protected by a large, 10 foot tall, metal gate with a padlock. The back door inside of this gate locks with two sliding locks.

**Reduced hours:**

At the beginning we will plan to operate with reduced hours as a soft-opening period; this time will be used to identify problems, troubleshoot and make necessary adjustments to our space. After the preliminary assessment period, we plan to keep our hours relatively short, in order to discourage heavy drinking. We believe that closing at 10 pm is a reasonable time to enjoy an evening with friends, family, and community, but not late enough to encourage overconsumption and rowdiness.

**Staff Training:**

All employees and owners will be required to go through the Licensee Education on Alcohol and Drugs (LEAD) Program through the California Department of Alcoholic Beverage Control; the purpose of this program is to help employees and employers handle situations in which customers have become agitated due to alcohol consumption and provides staff with de-escalation techniques. The LEAD program also helps staff monitor customer consumption, identify potentially intoxicated customers and prevent over serving.

The Slough Brewing Collective will also implement Homeroom's "Not on the Menu" anti-harassment system; this "Color Code of Conduct" has been hailed as a best practice by the Equal Employment Opportunity Commission (EEOC). The purpose of the system is to ensure that every employee feels safe and supported at work. Not on the Menu is a three-tiered color coded system that establishes visual and verbal cues to

immediately explain the situation being experienced by staff and provides employees and management with actions to take. The system allows staff to identify potentially problematic behaviors and scenarios and prevent them from escalating.

**Management oversight:**

Managers will be responsible for enforcing the safety and security protocols. In the first year, the owners will act as sole managers in order to ensure investment and proficiency in the daily operations of the business. After the first year, the owners will assess the need for managers for different roles. Even after the first year, all owners will take on the role of Manager when present and at least one Manager will be present in the taproom during hours of operation. Managers will coordinate employee's schedules and breaks at least two weeks prior to each shift. During work hours, Managers will monitor the taproom and support staff with their various duties. Managers will intervene and mediate any conflicts that may arise between staff or customers.

In order to make full use of our "Not on the Menu" program and ensure employees have adequately spaced breaks and support, we will have an owner present during all shifts. Additionally, to make sure staff is on the same page we'll have weekly check-ins via emails and bi-monthly staff meetings.

**Food availability:**

The Slough aims to have a food provider present every day we are open for sales. Due to the four hour limitation for food vendors to be at any given venue, we will make sure our food scheduling overlaps with brewery peak hours. For times when we do not have food vendors, we will coordinate multiple daily delivery ordering windows with local eateries, such as Slice Project Pizza, which has verbally committed to this concept. We will also make sure to keep a stockpile of menus and delivery options from neighboring local establishments. To make sure patrons are aware of their options we will keep a regularly updated calendar for food service on our website and we will post regularly on our social media.

## **Crowd Management/Occupancy**

We will enforce maximum occupancy and will turn people away if necessary; this will be done to prevent overwhelming staff, and allow them to complete their duties that ensure the safety of all patrons, such as monitoring alcohol consumption and address any issues as they arise.

In order to do the most to avoid miscommunication between customers and staff, we will set brewery expectations with clear signage, such as our right to refuse service to anyone, maximum occupancy, and restricted consumption. Realistically, the signage will not prevent all problems, nor will it be read by every customer, but we would like to make sure we have multiple measures in place and concrete language for staff to reference in any situation.

## **h. Neighborhood Compatibility**

### **Noise control:**

Noise can often be an issue in an industrial neighborhood, however, we feel that our business is uniquely quiet when considered as an industrial production facility. Our use of an electric brewhouse allows us to operate much quieter than a direct-fire, or boiler operated brewhouse, which is more popular in the brewing industry.

Our pallet jack will be used to move barrels, storage containers and all other large pieces of equipment in lieu of a forklift, in order to increase safety and reduce noises related to scraping or lifting and placing equipment in other areas. Additionally, the use of our neighbors modern, electric forklift, allows for an unusually quiet production environment.

We will operate at realistic times so as to not impact our residential neighbors. Our manufacturing will be done during traditional business hours-- generally 8 am to 5:30 pm-- while our taproom will open for business in the afternoon and close by 10pm. We will use different finishing times for different parts of our operation – e.g. finish gathering times earlier to minimize crowd size and noise later in the day and allow

customers to leave the premises naturally rather than being ushered out immediately after an event has finished.

Additionally, will make conscious music choices depending on the what part of the day we're in; lively playlists earlier in the day and relaxing or calming playlists later in the evening. We will use a minimal number of speakers indoors in the tap room, and will not place speakers outside.

Structurally, we have access to three bay doors that can be opened or closed to help regulate temperature and reduce noise outside of the taproom. Our back doors leading to the patio can also be opened and closed. The back patio space which borders our residential neighbors includes a large brick wall, and serves as a strong noise-dampener. In-house speakers will be placed strategically indoors to prevent noise from traveling into our neighbors area.

We will use signs to advise patrons and staff to be quiet when leaving premises, ban people from the premises who do not cooperate, arrange for deliveries to be made at reasonable times and carry out regular monitoring checks to ensure noise is being adequately controlled.

**Odor:**

We will continue using sealed waste bins with tight fitting lids, cleaning the bins regularly to prevent lingering odor. Screening waste storage areas from sight and making sure the area can be properly cleaned and has adequate drainage. We will prevent drainage systems odor by ensuring food waste is not put into the drainage system. We will regularly clean our drainage system filters. Solid waste from the brewing process will be removed from the premises by local farmers and used for compost or feed for livestock. No physical waste will remain on premises other than garbage that fits in the garbage bins provided by the City, and we will ensure that waste going into these bins are not odorous.

**Litter:**

We will ensure that a litter bin is placed in all highly trafficked areas, exits and entrances with visible signs encouraging customers to dispose of litter responsibly. Staff

will ensure that all waste that is not disposed of by customers makes it into these designated bins. The bins will be thoroughly cleaned and any waste contained will be consolidated in the city provided garbage bins. Staff will make a daily sweep of the parking lot and non-taproom areas to ensure that litter is not left by customers.

We will reduce packaging to a minimum and recycle bottles, cans and other waste whenever possible. We will set up a litter control plan to assess the scale of the litter problem and carry out litter patrols on a regular basis. We will encourage customers to dispose of litter responsibly using posters inside premises and on bins. Managers will arrange for the area around your premises to be cleared of litter and fouling on a regular basis, and always at the close of business. We will provide clean and accessible toilet facilities for customers to use. Managers will address any issues with customers that foul the area.

#### **Light pollution:**

We will have outdoor lighting to help increase visibility and prevent any potential accidents or injuries. To prevent light from 'spilling' onto other property we will be using low impact ambient lighting and spotlights. Turning off lighting when no longer required and using timed or automatic cut-off switches, or motion sensors for any outdoor lighting.

#### **Avoiding Sales to minors:**

Our policy for all employees and partners will be to demand documentary evidence of customer age and identity prior to a sale whenever there is the slightest doubt of the age of the prospective patron. We will employ our right to refuse service to any person whose age is questionable.

We will have visible signage at our entrance and bar informing our patrons that we have the right to refuse service to anyone and we will not serve people under the age of 21.

We will not allow anyone to purchase more than one drink without the person for whom the drink is intended present, and age verified.

Cameras will be installed that will assist staff to see corners of the brewery that are not visible from the bar, and regular sweeps of the premises will be made to ensure alcoholic beverages are not shared with minors.

All employees and owners will go through training on how to prevent sales to minors and other violations through ABC's LEAD Program.

### **i. Community Benefits**

While breweries are typically a gathering spot for people to enjoy a drink, our intention is to take The Slough Brewing Collective beyond the typical expectations for a brewery. The Slough Brewing Collective is focused on Community, Creativity and Beer, as such we will be an active participant in building our community. We want to be a platform for organizations, groups and individuals to put on events around entertainment, education, and advocacy. Our hope is that we will connect disparate groups through our shared love of beer, and foster an environment of civic engagement.

The Slough Brewing Collective's focus on Community also includes the natural environment. Watsonville, in particular, has a unique environment, home to 10% of the world's sloughs, it has a distinct presence on the central coast. The agricultural history of the city also contributes to the environment; it continues to shape the population and by extension the culture of the city and the local economy. Historically, brewing styles and practices that evolved over time were dependent on what was available during any given time of the year. The Slough Brewing Collective will honor this history by brewing with ingredients that are sourced as locally as possible; working with local farmers and growers. As an environmentally-minded collective, we understand the significance of the environment we live in. We aim to use our platform to draw awareness to Watsonville's special place in the world, and garner as much support from the community to learn and aid the sloughs.

One plan we have to accomplish this goal is to dedicate our anniversary party each year to raising funding for groups that help get local children out into Watsonville's natural preserves.

We plan to hold smaller versions of such fundraisers where a portion of a night's, or a week's proceeds will be donated to a local group. There is a great precedent for

this model of community participation set by other breweries in the industry, and even in the local brewing community.

Another way we intend to benefit our community is by using local artists for labels, tap room artwork, our logo and promotional materials, and other artistic ventures, including First Fridays and artist features. We intend to use local services as often as we can, for things like merchandise printing, equipment maintenance, plumbing, and for the sourcing of ingredients.

#### j. Industry Overview.

The craft beer production industry in the United States currently generates \$29.3 billion in annual sales. Small, independent craft breweries have been shown to contribute positively to local economies and job creation. The graph below contains data collected by the Brewer's Association shows an increase in craft breweries operating culminating in a total of 8,725 breweries in 2019, as well as a job growth of 7%. The graph also indicates a fairly stable annual growth rate in beer production for the last few years.



## Market Research

Prior to The Slough Brewing Collective, Elkhorn Slough Brewing Co. had established itself as a brewery specializing in barrel-aged wild ales and high alcohol by volume beers, which the community was receptive to. Current data from the Brewer's Association "Social Standards Craft Beer Report" shows stable consumer demand for high ABV beers. As The Slough, we will produce beers similar in style to ESBC while exploring other styles, including light beer options. Based on the current local market, and greater trends in beer consumption, we feel our product will be received well by the community.

Our approach to to-go sales has been informed by further data from the Brewer's Association. From 2018 to 2019 we've seen a large shift in consumer preferences from bottles to cans. The increase in 12 oz 15-packs, which tend to be mixed variety packs, also indicates higher sales of seasonal and variety packs.

Growth from 2018 to 2019 by Container and Package Size

	4-Packs	6-Packs	12-Packs	15-Packs	All
16 oz Cans	20.92%	32.42%	138.73%	—	24.09%
12 oz Bottles	-15.45%	-10.61%	-12.60%	-32.38%	-11.38%
12 oz Cans	-4.70%	28.90%	21.78%	66.77%	29.52%
All	<b>13.16%</b>	<b>0.71%</b>	<b>4.15%</b>	<b>66.53%</b>	

The Brewer's Association's "Social Standards Craft Beer Report" analyzed social media data and found that for the last 2 years, consumers have become more mindful of health and wellness, as well as demanding greater variety in beer styles, bolder flavors and light beer options.

In anticipation of this shift, as well as the increase of to-go sales due to the impact of Covid-19, we've invested in canning equipment that allows us the flexibility to package beers in 12, 16 and 32 oz cans. Cooperation with our neighbors, Santa Cruz

Cider Company, has afforded us access to machinery for filling that requires limited contact with the product being packaged. Additionally, our stockpile of 1bbl and 3bbl fermenters leaves us well situated to produce a wider variety of beers, and experiment with bolder flavors and ingredients.

### **Competitive Landscape**

In a short period of time, the beer scene in Santa Cruz County has exploded; including us, there are 17 active breweries currently operating in the area. While all breweries are competitors, Santa Cruz breweries have a history of cooperation and support amongst each other. Ingredients and equipment are regularly shared amongst breweries, brewer's are regularly collaborating with each other on recipes and often support each other with troubleshooting issues affecting their respective brewhouses.

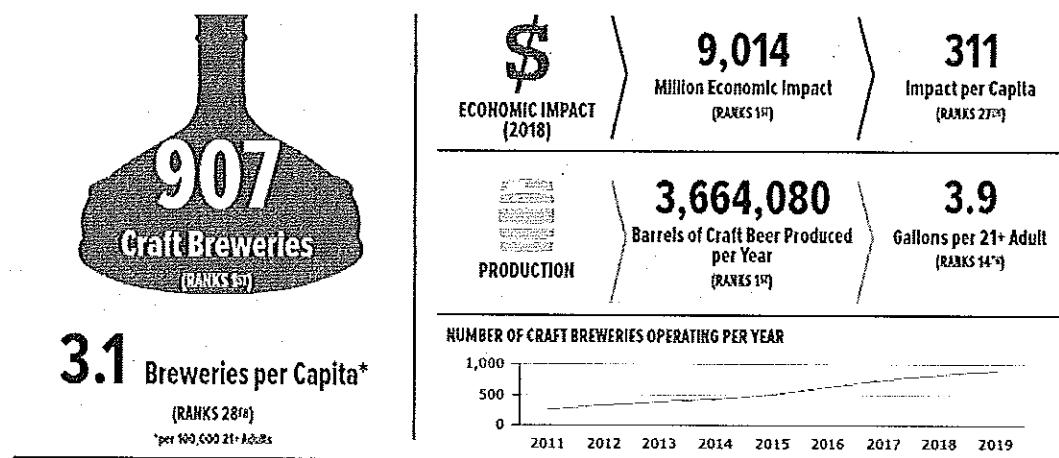
The vast majority of Santa Cruz County brewer's are a part of the Bay Area Brewers Guild. We registered with the Bay Area Brewer's Guild, as well as the California Craft Brewer's Association in June 2020. Both of these organizations help promote collaboration and community among local breweries, as well as providing legal resources and best business practices.

Small companies can compete effectively by the development of specialty products and serving a local or regional market.

Competition among beers is with national, regional, and local brands, and imported brews. Competition also comes from other alcoholic beverages, especially lower-priced wine, and from nonalcoholic drinks.

California currently ranks first in the US with total number of Craft Breweries (907), but 28th in the amount of breweries per 100,000 21+Adults (1.4), by comparison, Vermont, ranks 1st per 100,000 21+Adults (14.2). Despite the total number of Craft Breweries in the state, their presence in California is significantly less than other states relative to its size. The introduction of The Slough Brewing Collective will not be a net gain to the beer industry in Watsonville, or the state, as we will merely be taking the place of an already established brewery.

The following chart shows the current economic impact, and the production statistics of the brewing industry in the country in 2019.



#### **k. Seasonal Factors.**

The Business is influenced greatly by the seasonal factor. This factor has been carefully considered and utilized while making projections and estimates for revenue and sales.

While tap room sales are greatly influenced by seasonality and weather, it only requires a shift in the business model from an in-house model to to-go and off-site sales. We intend to compensate for the decrease in tap room activity by shifting to selling cans that are ready to be picked up and taken home, as well as crowlers, and kegs for home consumption. We already have a functional online store service, which will be more heavily promoted during the slower months.

We will also shift to selling more cans and kegs to wholesalers. We plan to ensure this transition by maintaining good standing with wholesalers throughout the San Francisco Bay Area, the Monterey Bay Area, with Santa Cruz County and its surrounding areas being a priority.

## **I. Position in the Industry.**

We feel we are uniquely poised for success in this industry due to the already established credibility and reputation of Elkhorn Slough Brewing Company combined with our experience, reputation, and motivation as new owners.

Elkhorn Slough Brewing Company has built a reputation for itself as a brand that values both the uniqueness of its product as well as the quality. Michael Enos and Julie Reinhardt have cultivated a culture of doing what is best for their product and for their business. Michael did not compromise when he decided to revolve his brewing model around wild beer, which is a type of beer that is not considered to be exceptionally popular or profitable. However, it was Michael's vision that made Elkhorn Slough stand out in the growing beer community, and therefore cemented its place in the brewing industry.

They also made a name for themselves as a comfortable and inviting place for the community to gather. They proudly hosted groups of all kinds in their taproom for fundraisers, and to raise awareness, or to simply offer their space as a place to gather and celebrate.

We plan to continue both of these traditions that have ensured Elkhorn Slough Brewing's position in the brewing industry, but we will do so with our own touch, and with the clear vision that comes from a new perspective.

We are uniquely able to take advantage of this business opportunity because of our long standing relationship with the owners and the business. Michael Enos and Julie Reinhardt have selected the three of us to take over operations of the business, because of our individual reputations, and experience in the beer industry, our good standing in the Watsonville Community, our brewing philosophies, and our desire to make Elkhorn Slough Brewing Company a community space.

**m. Legal Environment.**

**Local /County Government:**

Planning Department: We applied for our Conditional Use Permit from the City of Watsonville on 7/27/20

Department of Environmental Health: We will meet to discuss our taproom after our Conditional Use Permit is processed.

State Board of Equalization: We have secured our sellers permit # 212637568-00001

Business License: We will discuss our Business with the City of Watsonville after our Conditional Use Permit is processed

**State Government:**

Alcoholic Beverage Control Board: Received our temporary ABC permit on 6/23/2020. Transfer of Elkhorn Slough Brewing Company's permit is in process.

LLC or Corporate Articles of Incorporation: Completed as of 2/14/2020.

**Federal Government:**

IRS Employee ID Number: Received

Alcohol & Tobacco Tax Trade Bureau: Approval and Brewer's Notice received

**III. MARKETING SUMMARY**

**a. Target Markets.**

The main target markets for the business include:

- The direct, local market. This includes beer drinkers in the neighborhood, and the greater Watsonville area.
- The greater Santa Cruz beer drinking market. This includes drinkers of craft beer from the county, who have yet to visit The Slough.
- Tourists who are heading South to Monterey and points beyond, or who are traveling North to Santa Cruz from all points South.
- Wholesale accounts who are looking to expand their local and regional representation.
- San Francisco Bay Area beer enthusiasts who travel for unique beer.

It is estimated that there are 70,000 potential customers within the defined trading area that are estimated to spend an average of \$60.00 each visit. To seek the most profitable market segments in the target markets overall, the Business will focus on the following areas within the target market:

- Social media marketing targeted to local and regional craft beer drinkers.
- Physical marketing in local tourist destinations, and local hot spots.
- Online targeted marketing campaign for tourists planning to visit the area.
- Increased Wholesale accounts, locally, regionally, and statewide, in order to increase brand awareness.
- Increased participation in events, and trade conventions to increase networking.
- Collaborations with industry peers to increase exposure to their markets.

Watsonville has a large Latino/Hispanic population, many of whom are bilingual or primarily Spanish speakers. In order to better reflect our community needs and increase accessibility to our space, we will provide translations on menus and descriptions for styles and events. Our aim is to reduce the barriers of entry for a large part of our population.

**b. Marketing and Sales Strategy.**

The Slough Brewing Collective will be marketed as a revitalized spiritual successor to ESBC. We will increase production and use previously established accounts with ESBC to boost our presence outside of the county. We will maintain a presence at beer festivals and tastings outside of the city. To expand our reach within the city, we will host and partner with local organizations in order to increase our exposure to members of the community who don't normally visit breweries.

Our online efforts will go to revitalizing our social media accounts on Facebook and Instagram, and company website with consistent updates on events, taproom changes, food service and behind the scene news.

We have already converted all of Elkhorn Slough Brewing Company's social media to The Slough Brewing Company, capitalizing on their substantial social media reach by keeping their accounts and changing the name, thereby maintaining their followers and content.

Our website has been created and made fully functional. We will use it as a hub for all of our information, including our brewing style, the history of the old brewery, and the experience of the new owners, as well as current beers on tap, upcoming events, food truck schedule, as well as location and hours.

We will work with a local marketing agency, Mockingbird Studios -- which happens to be two blocks away on Hangar Way-- to market our website and social media presence.

We have worked with a local artist, Allison Marie Garcia, to create a refreshed logo, which we have already incorporated into multiple in-house documents, on our social media, as well as on labels for bottles and cans. The logo is a call back to the egret used as a Elkhorn Slough Brewing Company's logo, but updated to reflect the ownership change, with inspiration from a common symbol of a bird in flight used for the Pajaro Valley. This logo will be incorporated into our signage on the building, and onto merchandise, including t-shirts, hats, stickers, growlers, and coasters.

We plan to increase product sales through five different avenues. Primarily, our beer will be sold by the pint in the brewery. Secondarily, we will increase the number of "in house" packaged beer, such as premium bottles of sour beer, or small cans of more popular beers, like lager or IPA. This will provide taproom drinkers with more choices, while not requiring more beer taps. Thirdly, we will purchase a "crowler" machine, which seals fresh, draft beer in a can that makes beer to go much easier and more appealing. We also plan to increase beer to go sales by providing more options for bottles and cans to go. Fourth, we will increase our wholesale presence with all existing accounts, and we hope to double the number of wholesale accounts within the first two years. Finally, we will make our bottles and cans available in local retail outlets across the county, and the neighboring counties.

See Appendix 6 - Logo Variations

See Appendix 7 - In House Materials

See Appendix 8 - Universal Label Template

#### **c. Competition.**

Currently, there is one other brewery within Watsonville City limits. This brewery, Fruition Brewing, is run by our friends, and we feel that the presence of their brewery only helps increase the interest of craft beer within the city. We have noticed that their taproom clientele does not often overlap with that of Elkhorn Slough Brewing Company, mainly due to the distance between the breweries.

Additionally, Corralitos Brewing Company is outside of Watsonville City limits, and it is generally regarded as a more remote location, and it does not directly compete with ESBC.

There is currently one beer tap house close to The Slough Brewing Collective, The Beer Mule, and another tap house only a few miles away, Ranch Milk. There is also a new pizza and craft beer shop downtown, Slice Project Pizza. We see the presence of these businesses as a good sign for the local interest in craft beer,

In the last decade, Santa Cruz county has seen a surge in the presence of breweries. As a successor of ESBC, The Slough Brewing Collective will be carrying on

the legacy of ESBBC into a new era of socially-conscious, ethical brewers and consumers. Unlike newer breweries, we have an infrastructure in place that we can build from, as well as a loyal following of patrons and organizations. Additionally, our connection to the community has been established many years prior to this venture.

#### **IV. STRATEGY AND IMPLEMENTATION SUMMARY**

##### **a. Company Goals and Objectives.**

The Business plans the following tactics as part of sales promotion:

- Advertising through press releases to industry publications and local newspapers.
- Internet marketing
- Direct sales
- Wholesale distribution to local taprooms within the county, and distribution to previous accounts in the greater bay area.
- Posting signage and flyers about the new business on bulletin boards in stores and public places.

In addition, the Business will also engage in the following marketing campaigns:

- Social media promotions
- Advertisements in local publications
- Increased merchandise sales
- Increasing wholesale accounts

##### **b. Strategy and Promotion**

We will pursue a multi-faceted approach to selling and distributing our beer to reach the widest possible market within the confines of our small batch craft brews. For visibility and reach, we will establish a presence in various tap rooms in the county and the larger Bay Area by distributing to our previous wholesale accounts under Elkhorn

Slough Brewing Company. Locally, we will distribute to newer tap rooms and venues that previously did not serve beer from ESBC.

Our new canning resources will allow us to package and label beer for distribution to grocery stores, bottle shops and tap houses that have to-go options. Additionally, we'll be able to increase the products we can offer to-go in our own taproom; previously we had been limited to growler and bottle sales, but our sales and, by extension, our ability to advertise through product distribution, has increased due to the versatility of our packaging in 12, 16 and 32 oz containers.

We will also continue to use social media to promote our product, but also use it as a platform for issues pertaining to social justice, the community, and the beer industry. Our intention is to use our taproom as a space for various organizations, groups and individuals to amplify their presence and messages, and in so doing, affirm ourselves as an inclusive space. We would advertise this service in our social media and by reaching out to organizations we are familiar with. Elkhorn Slough Brewing Company has previously used a Facebook and Instagram account, we would continue to use these types of accounts, while making use of our own website. The website would be used as our online store, calendar of events, current offerings and will be home to our ongoing blog. The blog will consist of our own writings on social issues and the beer industry.

We will also continue to participate in state and national competitions to promote our beer to a wider audience and continue to market test new recipes and styles.

### **c. Distribution Channels**

Initially, we will self-distribute our beer in kegs to Monterey, Santa Cruz and Bay Area craft beer taprooms. We will continue to service Michael and Julie's accounts for wholesale, making weekly deliveries to certain markets depending on scheduling and demand in those areas. Other accounts will pick up beer directly from the brewery based on their pick up routes. Our plan is to increase Elkhorn Slough's previous presence in these accounts, as it previously held more of a niche tap handle position, based on Michael's desire to sell mostly wild beers to wholesalers. We will also add

many additional wholesale accounts both locally and in the region, based on our personal connections. These new accounts include, but are not limited to Slice Project Pizza, The Farmhouse, and Ranch Milk in Watsonville, Mentone, Copal, Bad Animal, Seascape Resort, and others in Santa Cruz.

Once there is ample inventory, we will distribute cans and bottles to wholesale markets in the region as well. We plan to have a presence in New Leaf Markets, Staff of Life, AJ's Market in Santa Cruz, and others.

See Appendix 9 for Elkhorn Slough Distribution List

**d. Exit Strategy.** The Company anticipates exiting its operations through one of the following ways:

1. Sale of Equity - If one partner chooses to leave the partnership, they may do so by selling their share of the equity to the existing partners, or to a third party who is mutually agreed upon by all partners.
2. Strategic Sale/Merger with other similar enterprises - If all partners are in agreement, the partnership may agree to sell to a similar, larger business, such as a larger brewery or conglomerate of breweries. The purchase price must be sufficient to cover any outstanding debts.
3. Management Buyout - if all partners are in agreement, they may choose to transfer the management of the business to another management team by way of a business purchase, the amount of which must be sufficient to cover any outstanding debts.
4. Liquidate Assets - If all partners are in agreement, the partnership may be folded and assets will be sold off in order to pay off any outstanding debts.

## **V. FINANCIAL PLAN**

### **a. Existing Business Financials**

Elkhorn Slough Brewing Company has generally operated at a profit over its three year business span, though in the last year, it operated at a slight loss (- \$343.39 in 2018), which may be considered a break even. The reason for this is the declining health of the owner, Michael Enos, and his gradual inability to focus on the business. Michael admits that certain parts of the business were neglected, resulting in a gradual decline in sales.

This can be observed in Elkhorn Slough Brewing's financial records. You can see a gradual downward trend in their offsite, or to-go sales, as the necessary equipment to provide off site sales, like growlers, crowlers, a crowler machine, cans, or bottles, were neglected in later years.

Similarly, there is a drop off in a push for wholesale accounts, distribution, and sales to any other third parties that generally lead to increased exposure. Consequently, you can see a drop off in sales in-house, as the business went through a lull in outreach.

Even with this slight downturn in sales, we believe Elkhorn Slough Brewing's performance has been positive overall, and we are confident that we can improve the areas that have been neglected in the past few years will result in very strong numbers in the coming years.

See Appendix 10 - Elkhorn Slough Schedule C

See Appendix 11 - Elkhorn Slough Profit and Loss

See Appendix 12 - Elkhorn Slough Balance Sheet

### **b. Business Sale Terms**

The Buyers, Elkhorn Slough Brewing LLC DBA The Slough Brewing Collective, agree to the purchase of all inventory-- including stock in trade, merchandise, raw materials, work in progress, finished goods-- all furniture, fixtures, equipment, trade,

goodwill, tangible and intangible assets from the Seller, Elkhorn Slough Brewing Company LLC, under the conditions set forth in the Purchase Agreement.

The price of the business and its assets, as agreed between the two parties, is \$60,000, divided between the categories of equipment, inventory, taproom furnishings, trade, goodwill, and intangible assets as specified in the Purchase Agreement.

The payment for this purchase will come in the form of a one time \$12,000 non-refundable payment made in good faith by the Buyers to the Sellers, as a deposit. The additional \$48,000 will come from a loan detailed in a later section, made payable to the Sellers for the complete purchase of the business.

The Seller agrees to all other conditions as outlined in the Purchase Agreement.

See Appendix 13 - for Business Purchase Agreement

#### **c. Assets**

The purchase of the business comes with ownership of the assets described in the Purchase Agreement and the Equipment list.

Namely, the business assets include all taproom furnishings, taproom equipment, inventory -- which includes finished and unfinished product and ingredients, as well as all tangible and intangible assets owned by the business. The taproom equipment includes an L-shaped bar, bar stools, barrel tables, a 10x20x10 walk-in cooler with sliding door, a 10x10x8 walk-in cooler with swinging door, 12 Intertap brand flow-control beer faucets with custom handles, a drip tray, and 10 Micromatic brand regulators and beer couplers.

The brewing equipment that is to be transferred to new ownership as assets to the business include one custom grain mill, the 4 bbl brewhouse (hot liquor tank, mash tun, and kettle, all with a custom, programmable control panel), three Stout brand 6 bbl fermenters with top manways and glycol jackets, a Stout brand 3 bbl fermenter with glycol jackets, an Apex brand 10 bbl fermenter with side manway and glycol jackets, a custom made 8 bbl single-wall fermenter, and a Stout brand 7 bbl brite tank with side

manway and glycol fittings. This also includes a Prochiller Heat exchanger, and Prochiller brand Chill and Flo glycol chiller. This purchase also includes two different  $\frac{1}{2}$  horsepower CPE Systems portable centrifugal pumps, and three peristaltic pumps.. This equipment includes all fittings, connections, valves, gauges, gaskets, tubing, piping, and other necessary equipment to function.

In addition, the purchase includes packaging equipment, including eighty-eight  $\frac{1}{4}$  bbl Sanke D kegs, one-hundred and sixty-two  $\frac{1}{6}$  bbl Sanke D kegs, fifteen 53 gallon spirit barrels, thirty-five 60 gallon wine barrels, one 15 gallon yeast brink.

All of these assets are estimated to be valued at over \$100,000.00

See Appendix 14 - Asset List

#### **d. Owner Contributions**

Each owner will contribute at least \$6,667.00 as funding to purchase the business after being supplemented with the approved \$48,0000 loan from Santa Cruz County Bank. The remaining contribution will be used to fund the first round of permitting and fees. Any additional funds will be applied towards business improvements and the purchase of raw materials.

In addition to monetary contributions, each owner will provide an equal investment in sweat equity. It is estimated that each owner will contribute approximately 30 hours a week in labor. Ericks Celis will mainly contribute labor towards office administration, front of house management, beertending, and Assistant Brewer duties. Jorge Vazquez will contribute his time as brewer, will help manage inventory and the front of house, and he will fill in as a beertender. Ben Ward will act as Head Brewer, assist with administrative duties, and fill in as a beertender.

#### **e. Loan**

We have received a Commitment letter from Santa Cruz County Bank for a loan in the amount of \$48,000 for the purchase of the business from the previous owners, in conjunction with an owner injection of \$12,000 for a total of \$60,000.

The loan, as committed by Santa Cruz County Bank, is repayable over 10 years at an initial payment of \$558.00 monthly and is fully amortized over the term. The interest rate is the Prime Rate as published in the Wall Street Journal plus a spread of 2.75% adjusting quarterly.

See Appendix 15 for Loan Commitment Letter

#### **f. Projections**

The Funding Request in this Business Plan outlines the major start-up costs associated with this business. Other costs include repair and maintenance, sales and production expenses. Regular monthly expenses are estimated at \$14,000.00 for paying the employee salaries and other regular business expenses. The Business is expected to generate \$280,000.00 in the first year, and gross profit is expected to be \$20,000.00.

We believe that we can demonstrate an overall improvement in sales through multiple channels. We believe that we can increase wholesale distribution by 20% through connections to wholesalers in the San Francisco Bay Area, local businesses in Santa Cruz County, and through the creation of an entirely new revenue stream opened up by canning in smaller format: cans. Cans will be sold to local grocery stores and beer resellers throughout Santa Cruz, Monterey, and San Francisco Areas. We will also increase sales to-go through the tap room by 80% over Elkhorn Slough's 2018 and 2019 numbers, simply by offering cans and crowlers, in addition to growlers-- all of which were not available for much of the past year and a half.

We believe that multiple factors will help us see an increase in sales of roughly 30% in taproom sales, our most profitable revenue source, in the coming year. Increasing wholesale and to-go sales will create advertising and word-of-mouth for the business, and bring more exposure and more people to the business. This, in turn, creates a feedback loop, and renews interest in our product to other wholesalers and customers passing through.

The following projections were created by the El Pajaro CDC based on these principles:

Elkhorn Slough Brewing Co LLC Income Statement (USD \$ thousands)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Full Year
Direct Sales	25,099.3	25,140.6	25,272.5	25,405.2	25,533.8	25,572.7	25,697.5	25,943.0	26,079.2	26,216.1	26,353.7	26,492.1	308,930.3
Distribution/Wholesale To Go Sales	7,194.4	7,523.7	7,583.2	7,602.9	7,642.8	7,633.0	7,723.3	7,763.0	7,804.8	7,845.6	7,898.8	7,928.2	92,452.2
Returns, Refunds, Discounts													
<b>Total Net Revenue</b>	<b>32,493.7</b>	<b>32,694.3</b>	<b>32,835.8</b>	<b>33,098.1</b>	<b>33,181.4</b>	<b>33,355.6</b>	<b>33,530.8</b>	<b>33,709.8</b>	<b>33,893.7</b>	<b>34,051.6</b>	<b>34,249.5</b>	<b>34,420.2</b>	<b>401,332.5</b>
<b>Cost of Goods Sold</b>	<b>8,823.7</b>	<b>8,853.5</b>	<b>8,895.5</b>	<b>8,931.7</b>	<b>8,985.1</b>	<b>7,004.7</b>	<b>7,041.5</b>	<b>7,078.4</b>	<b>7,115.6</b>	<b>7,152.9</b>	<b>7,190.5</b>	<b>7,228.2</b>	<b>84,230.3</b>
<b>Gross Profit</b>	<b>25,670.0</b>	<b>25,804.3</b>	<b>25,840.2</b>	<b>26,078.4</b>	<b>26,213.3</b>	<b>28,351.8</b>	<b>28,489.3</b>	<b>28,628.4</b>	<b>28,768.2</b>	<b>28,908.7</b>	<b>27,039.0</b>	<b>27,192.0</b>	<b>317,092.2</b>
<b>Expenses</b>													
Advertising & Promotion	255.1	255.1	257.1	258.0	259.0	260.0	260.9	261.9	262.9	263.9	264.9	265.9	3,125.6
Depreciation & Amortization	3,476.3	3,489.4	3,512.5	3,515.6	3,528.8	3,542.0	3,553.3	3,563.6	3,582.0	3,596.4	3,623.9	3,622.5	42,587.2
Insurance	783.8	765.7	769.7	762.9	795.6	793.6	801.6	804.6	807.6	810.6	815.7	816.7	9,661.9
Maintenance	355.2	356.7	333.1	339.6	391.0	392.5	394.0	395.4	395.9	398.4	399.9	401.4	4,719.1
Other Supplies	1,071.9	1,075.9	1,090.0	1,094.0	1,093.1	1,092.2	1,093.3	1,100.4	1,103.5	1,106.6	1,112.6	1,117.0	13,131.7
Rent	3,933.4	3,933.4	4,013.4	4,028.4	4,043.5	4,053.7	4,073.9	4,089.2	4,104.5	4,119.9	4,135.4	4,150.9	48,799.0
Salaries, Benefits & Wages	8,603.6	8,633.4	8,653.3	8,683.2	8,703.3	8,733.5	8,753.7	8,784.1	8,809.5	8,835.0	8,860.7	8,886.4	89,959.6
Utilities	1,159.7	1,164.1	1,163.4	1,172.3	1,177.2	1,181.4	1,185.1	1,190.5	1,193.0	1,199.5	1,204.0	1,208.5	14,297.4
Travel and meals	177.4	178.1	178.8	179.4	180.1	180.8	181.5	182.2	182.8	183.5	184.2	184.9	2,173.8
Telephone and Internet services	345.0	346.3	347.8	348.9	350.2	351.5	352.8	354.2	355.5	356.8	358.2	359.5	4,226.5
Taxes and Licenses	1,387.7	1,372.9	1,374.9	1,359.2	1,288.2	1,283.4	1,273.8	1,339.1	1,404.0	1,409.3	1,414.6	1,419.9	14,252.2
Machinery and Equipment Rental	574.6	576.8	578.9	581.1	583.3	585.5	587.6	589.9	592.1	594.3	596.5	598.7	7,039.2
Car and Truck Expenses	1,143.9	1,149.2	1,152.5	1,158.3	1,161.2	1,165.3	1,169.9	1,174.3	1,178.7	1,183.1	1,187.6	1,192.0	14,013.9
Professional Services	256.4	257.1	258.3	259.3	260.3	261.2	262.2	263.2	264.2	265.2	266.2	267.2	3,110.9
Office Supplies	279.5	280.5	281.6	282.6	283.7	284.8	285.8	286.9	288.0	289.1	290.1	291.2	3,423.8
<b>Total Expenses</b>	<b>21,553.7</b>	<b>21,959.7</b>	<b>22,053.1</b>	<b>22,115.7</b>	<b>22,198.6</b>	<b>22,261.9</b>	<b>22,365.4</b>	<b>22,449.3</b>	<b>22,533.5</b>	<b>22,618.0</b>	<b>22,702.8</b>	<b>22,787.9</b>	<b>267,955.5</b>
<b>Earnings Before Interest &amp; Taxes</b>	<b>3,931.3</b>	<b>3,954.4</b>	<b>3,937.2</b>	<b>3,960.7</b>	<b>4,014.7</b>	<b>4,069.1</b>	<b>4,123.9</b>	<b>4,179.1</b>	<b>4,234.7</b>	<b>4,290.7</b>	<b>4,347.2</b>	<b>4,404.1</b>	<b>49,165.6</b>
<b>Interest Expense</b>	<b>220.0</b>	<b>217.9</b>	<b>215.7</b>	<b>213.5</b>	<b>211.3</b>	<b>209.1</b>	<b>209.9</b>	<b>204.7</b>	<b>202.6</b>	<b>200.3</b>	<b>199.0</b>	<b>176.8</b>	<b>2,476.7</b>
<b>Earnings Before Taxes</b>	<b>3,531.3</b>	<b>3,638.2</b>	<b>3,691.5</b>	<b>3,747.2</b>	<b>3,803.4</b>	<b>3,860.0</b>	<b>3,916.9</b>	<b>3,974.4</b>	<b>4,032.2</b>	<b>4,090.5</b>	<b>4,149.2</b>	<b>4,228.3</b>	<b>48,710.9</b>
<b>Income Taxes</b>	<b>644.6</b>	<b>654.5</b>	<b>664.5</b>	<b>674.5</b>	<b>684.6</b>	<b>694.8</b>	<b>705.1</b>	<b>715.4</b>	<b>725.8</b>	<b>735.3</b>	<b>746.8</b>	<b>761.1</b>	<b>8,610.0</b>
<b>Net Earnings</b>	<b>2,936.6</b>	<b>2,931.7</b>	<b>3,027.0</b>	<b>3,072.7</b>	<b>3,118.8</b>	<b>3,165.2</b>	<b>3,211.9</b>	<b>3,259.0</b>	<b>3,306.4</b>	<b>3,354.2</b>	<b>3,402.3</b>	<b>3,467.2</b>	<b>34,393.0</b>

## VI. COVID-19 Addendum

The beer landscape has drastically changed in the last few months. Due to pandemic closures, changes in spending habits and priorities, and other economic variables, breweries have had to adjust levels of production, packaging and sales structure. Our current position has allowed us to observe the changes happening in the beer industry and given us time to properly prepare for opening in a conscientious way..

Since the closures, sales for off-site consumption have grown, presumably as a response to stay at home orders, self-quarantining, and general changes in practices due to fear of Covid-19. The Sales Method Chart below shows a rise in to-go sales, as well as an increase in sales of cans over bottles according to the 2020 Projected Sales Graph; this coupled with the market research presented earlier means breweries will need to plan for increased to-go sales, even as businesses reopen. Our investment into our own can seaming machine, with attachments for 12, 16 and 32 oz cans leaves us in a good position for meeting to-go demands, as we will be able to package beer in small batches, assessing need as it ebbs and flows. Will also use a mobile canning business, which can efficiently package large batches, and multiple products in a short time, like

the Latinx owned Yes We Can. Additionally, we will begin packaging the leftover inventory of wild and sour beers from Elkhorn Slough to offer premium bottles to go. A combination of all these resources will help us expand into wholesale accounts as well.

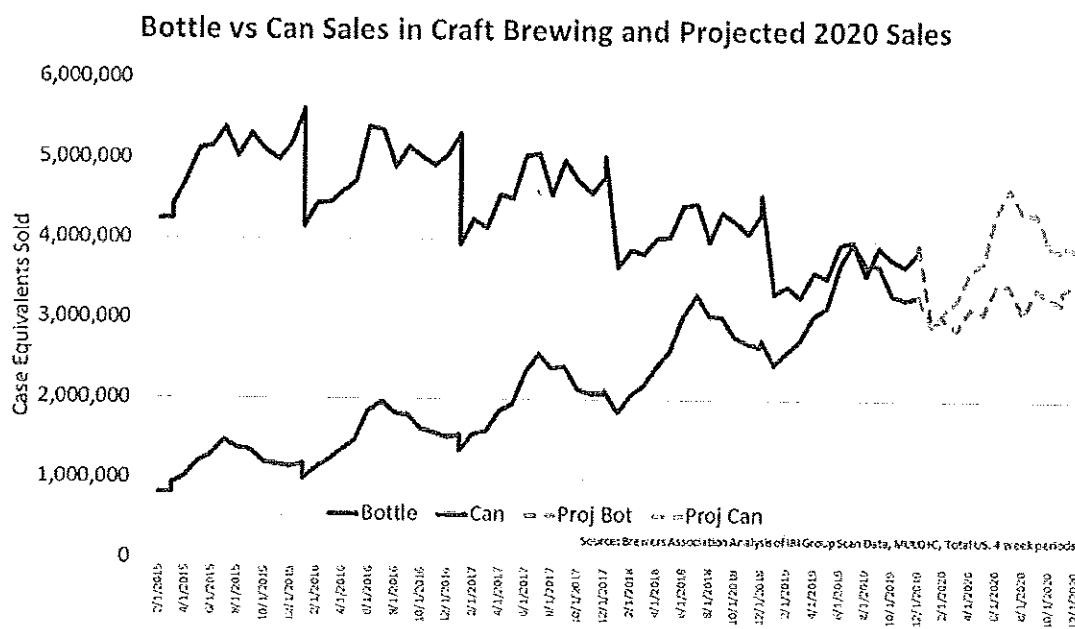
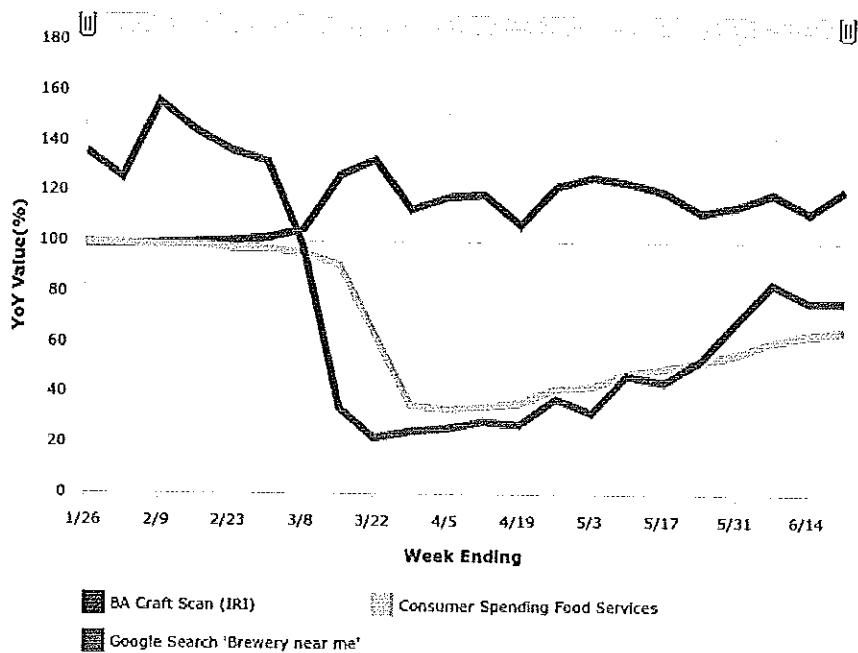
Fortunately for us, we saw the to-go and wholesale revenue streams as Elkhorn Slough's weakest sales points from the very beginning, so we had already built these expansions into our plans for the first few months. Unfortunately, the rest of the business will be limited for the time being.

The Consumer Spending and Consumer Interest Chart shows that some consumers have begun feeling more comfortable reentering the world, bringing a slow return to sales. As the industry heads towards reopening, we will begin with to-go sales of our products and merchandise. One of our Bay Door openings will be used as a space for picking up pre-order sales. Another space will be partitioned off for same-day sales. The spacing between both areas will comply with social distancing protocols, ensuring that there is at least six feet between customers.

We will also offer online ordering through our website, which is already built out to accommodate this need, and we will offer limited deliveries to a home address, as long as the beer is ordered and received by an adult over the age of 21. Many breweries already offer this service, including Watsonville's own Fruition Brewing.

As time goes on, and when the pandemic seems to be more under control, we will slowly begin to allow outdoor drinking, with limited occupancy and strict guidelines. We will stay up to date on all CDC, ABC, Federal, State, and local guidelines in order to keep our customers, and our staff safe from the threat of COVID-19.

Sales Method	Before	Currently	Change
To Go	86.2%	94.4%	8.2%
Via Delivery (Delivered by Brewery)	2.9%	33.4%	30.5%
Via Delivery (Delivered by Third Party)	3.5%	7.2%	3.8%
Delivery (Total)	5.8%	37.5%	31.8%
Direct to Consumer (Shipping)	7.6%	12.4%	4.8%
Distribution (Self or Partner)	77.1%	65.6%	-11.5%



## **VII. Appendices**

**LIMITED LIABILITY COMPANY OPERATING AGREEMENT  
OF  
Elkhorn Slough Brewing LLC**

This Multi-member LLC Operating Agreement represents Elkhorn Slough Brewing LLC that was formed in the State of California on January 31 2020, hereinafter known as the "Company".

There are a total of Three (3) Members in the Company known as:

Jorge Vazquez, of 730 Acre Street, Watsonville, California, 95076 and has 34% percent ownership-interest in the Company;

Ericks Celis, of 4350 Diamond Street, #2, Capitola, California, 95010 and has 33% percent ownership-interest in the Company;

Benjamin Ward, of 3367 Cunnison Lane , Soquel, California, 95073 and has 33% ownership-interest in the Company;

hereinafter known as the "Member(s)".

WHEREAS the Member(s) desire to create a limited liability company under the laws of the State of California and set forth the terms herein of the Company's operation and the relationship between Member(s).

THEREFORE, in consideration of the mutual covenants set forth herein and other valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Member(s) and the Company agree as follows:

**1. Name and Principal Place of Business**

The name of the Company is Elkhorn Slough Brewing LLC with a principal place of business at 65 Hangar Way, Suite D, Watsonville, California, 95076. The mailing address shall be the same address as the principal office location.

**2. Registered Agent**

The name of the Registered Agent is Benjamin Ward with a registered office located at 3367 Cunnison Lane, Soquel, California, 95073 for the service of process as of March 20 2020. This may change at any time by the Company filing an amendment with the Secretary of State, or respective office, in the State of California.

**3. Formation**

The Company was formed on January 31 2020, when the Member(s) filed the Articles of Organization with the office of the Secretary of State pursuant to the statutes governing limited liability companies in the State of California (the "Statutes").

**4. Purpose**

The purpose of the Company is to engage in and conduct any and all lawful businesses, activities or functions, and to carry on any other lawful activities in connection with or incidental to the foregoing, as the Member(s) in their discretion shall determine.

#### 5. Term

The term of the Company shall be perpetual, commencing on the filing of the Articles of Organization of the Company, and continuing until terminated under the provisions set forth herein.

#### 6. Member(s) Capital Contributions

Contributions to the Company shall be made by following: three (3) members:

Jorge Vazquez shall be contributing \$6,000;

Ericks Celis shall be contributing \$6,000;

Benjamin Ward shall be contributing \$6,000;

Hereinafter known as the "Contributor(s)".

The Contributor(s) shall have no right to withdraw or reduce their contributions to the capital of the Company until the Company has been terminated unless otherwise set forth herein. The Contributor(s) shall have no right to demand and receive any distribution from the Company in any form other than cash and Member(s) shall not be entitled to interest on their capital contributions to the Company.

The liability of the Contributor(s) for the losses, debts, liabilities and obligations of the Company shall be limited to the amount of the capital contribution plus any distributions paid to such Contributor(s) individually, such as the Contributor's share of any undistributed assets of the Company; and (only to the extent as might be required by applicable law) any amounts previously distributed to such Contributor(s) by the Company.

#### 7. Distributions

For purposes of this Agreement "net profits" and "net losses" mean the profits or losses of the Company resulting from the conduct of the Company's business, after all expenses, including depreciation allowance, incurred in connection with the conduct of its business for which such expenses have been accounted.

The term "Cash Receipts" shall mean all Cash Receipts of the Company from whatever source derived, including without limitation capital contributions made by the Member(s); the proceeds of any sale, exchange, condemnation or other disposition of all or any part of the assets of the Company; the proceeds of any loan to the Company; the proceeds of any mortgage or refinancing of any mortgage on all or any part of the assets of the Company; the proceeds of any insurance policy for fire or other casualty damage payable to the Company; and the proceeds from the liquidation of assets of the Company following termination.

The term "Capital Transactions" shall mean any of the following: the sale of all or any part of the assets of the Company; the refinancing of mortgages or other liabilities of the Company; the receipt of insurance proceeds; and any other receipts or proceeds are attributable to capital.

The "Capital Account" for each Member shall mean the account created and maintained for the Member(s) in accordance with Section 704(b) of the Internal Revenue Code and Treasury Regulation Section 1.704-1(b)(2)(iv).

The term "Members' Percentage Interests" shall mean the percentages set forth with the name of each Member.

During each annual period the net profits and net losses of the Company (other than from Capital Transactions), and each item of income, gain, loss, deduction or credit entering into the computation thereof, shall be credited or charged, as the case may be, to the capital accounts of each Member in proportion to the Members' Percentage Interests. The net profits of the Company from Capital Transactions shall be allocated in the following order of priority: (a) to offset any negative balance in the capital accounts of the Member(s) in proportion to the amounts of the negative balance in their respective capital accounts, until all negative balances in the capital accounts have been eliminated; then (b) to the Members in proportion to the Members' Percentage Interests. The net losses of the Company from Capital Transactions shall be allocated in the following order of priority: (a) to the extent that the balance in the capital accounts of any Member(s) are in excess of their original contributions, to such Members in proportion to the excess balances until all such excess balances have been reduced to zero; then (b) to the Member(s) in proportion to the Members' Percentage Interests.

The Cash Receipts of the Company shall be applied in the following order of priority: (a) to the payment of interest or amortization on any mortgages on the assets of the Company, amounts due on debts and liabilities of the Company other than those due to any Member(s), costs of the construction of the improvements to the assets of the Company and operating expenses of the Company; (b) to the payment of interest and establishment of cash reserves determined by the Member(s) to be necessary or appropriate, including without limitation, reserves for the operation of the Company's business, construction, repairs, replacements, taxes and contingencies; and (d) to the repayment of any loans made to the Company by any Member(s). Thereafter, the Cash Receipts of the Company shall be distributed among the Members as hereafter provided.

Except as otherwise provided in this Agreement or otherwise required by law, distributions of Cash Receipts of the Company, other than from Capital Transactions, shall be allocated among the Member(s) in proportion to the Members' Percentage Interests.

Except as otherwise provided in this Agreement or otherwise required by law, distributions of Cash Receipts from Capital Transactions shall be allocated in the following order of priority: (a) to the Member(s) in proportion to their respective capital accounts until each Member has received cash distributions equal to any positive balance in their capital account; then (b) to the Member(s) in proportion to the Members' Percentage Interests.

It is the intention of the Member(s) that the allocations under this Agreement shall be deemed to have "substantial economic effect" within the meaning of Section 704 of the Internal Revenue Code and Treas. Reg. Section 1.704-1. Should the provisions of this Agreement be inconsistent with or in conflict with Section 704 of the Code or the Regulations thereunder, then Section 704 of the Code and the Regulations shall be deemed to override the contrary provisions thereof. If Section 704 or the Regulations at any time require that limited liability company operating agreements contain provisions which are not expressly set forth herein, such provisions shall be incorporated into this Agreement by reference and shall be deemed a part of this Agreement to the same extent as though they had been expressly set forth herein.

#### 8. Books, Records and Tax Returns

The Member(s), or their designees, shall maintain complete and accurate records and books of the Company's transactions in accordance with generally accepted accounting principles.

The Company shall furnish each Member, within seventy-five (75) days after the end of each fiscal year, an annual report of the Company including a balance sheet, a profit and loss statement a capital account statement; and the amount of such Member's share of the Company's income, gain, losses, deductions and other relevant items for federal income tax purposes.

The Member(s) intends that the Company shall be taxed as a Partnership in accordance with the provisions of the Internal Revenue Code. The Company shall prepare all Federal, State and local income tax and information returns for the Company, and shall cause such tax and information returns to be timely filed. Within seventy-five (75) days after the end of each fiscal year, the Company shall forward to each person who was a Member during the preceding fiscal year a true copy of the Company's information return filed with the Internal Revenue Service for the preceding fiscal year.

All elections required or permitted to be made by the Company under the Internal Revenue Code, and the designation of a tax matters partner pursuant to Section 6231(a)(7) of the Internal Revenue Code for all purposes permitted or required by the Code, shall be made by the Company by the affirmative vote or consent of Member(s) holding a majority of the Members' Percentage Interests.

Upon request, the Company shall furnish to each Member, a current list of the names and addresses of all of the Member(s) of the Company, and any other persons or entities having any financial interest in the Company.

#### 9. Bank Accounts

All funds of the Company shall be deposited in the Company's name in a bank account or accounts as chosen by the Member(s). Withdrawals from any bank accounts shall be made only in the regular course of business of the Company and shall be made upon such signature or signatures as the Member(s) from time to time may designate.

#### 10. Management of the Company

The business and affairs of the Company shall be conducted and managed by the Member(s) in accordance with this Agreement and the laws of the State of California.

Except as expressly provided elsewhere in this Agreement, all decisions respecting the management, operation and control of the business and affairs of the Company and all determinations made in accordance with this Agreement shall be made by a vote of the Members unanimously.

Notwithstanding any other provision of this Agreement, the Members shall not, without the prior authorization of the Members unanimously in favor to sell, exchange, lease, assign or otherwise transfer all or substantially all of the assets of the Company; sell, exchange, lease (other than space leases in the ordinary course of business), assign or transfer the Company's assets; mortgage, pledge or encumber the Company's assets other than is expressly authorized by this Agreement; prepay, refinance, modify, extend or consolidate any existing mortgages or encumbrances; borrow money on behalf of the Company; lend any Company funds or other assets to any person; establish any reserves for working capital repairs, replacements, improvements or any other purpose; confess a Judgment against the Company; settle, compromise or release, discharge or pay any claim, demand or debt, including claims for insurance; approve a merger or consolidation of the Company with or

into any other limited liability company, corporation, partnership or other entity; or change the nature or character of the business of the Company.

The Members shall receive such sums for compensation as Members of the Company as may be determined from time to time by the affirmative vote or consent of Members holding a majority of the Members' Percentage Interests.

#### 11. Meetings of Members

The annual meeting of the Members shall be held on the 1st of January (day/month) at the principal office of the Company or at such other time and place as the Members determine, for the purpose of transacting such business as may lawfully come before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day.

The Members may by resolution prescribe the time and place for the holding of regular meetings and may provide that the adoption of such resolution shall constitute notice of such regular meetings.

Special meetings of the Members, for any purpose or purposes, may be called by any Members (or such other number of Members as the Members from time to time may specify).

Written or electronic notice stating the place, date, and time of the meeting, the means of electronic video screen communication or transmission, if any, and describing the purposes for which the meeting is called, shall be delivered not fewer than ten (10) days and not more than sixty (60) days before the date of the meeting to each Member, by or at the direction of the Manager or the Member(s) calling the meeting, as the case may be.

At any meeting of the Members, the presence of Members holding a majority of the Members' Percentage Interests, as determined from the books of the Company, represented in person or by proxy, shall constitute a quorum for the conduct of the general business of the Company. However, if any particular action by the Company shall require the vote or consent of some other number or percentage of Members pursuant to this Agreement, a quorum for the purpose of taking such action shall require such other number or percentage of Members. If a quorum is not present, the meeting may be adjourned from time to time without further notice, and if a quorum is present at the adjourned meeting any business may be transacted which might have been transacted at the meeting as originally notified. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less a quorum.

At all meetings of the Members, a Member may vote by proxy executed in writing by the Member or by a duly authorized attorney-in-fact of the Member. Such proxy shall be filed with the Company before or at the time of the meeting.

A Member of the Company who is present at a meeting of the Members at which action on any matter is taken shall be presumed to have assented to the action taken, unless the dissent of such Member shall be entered in the minutes of the meeting or unless such Member shall file a written dissent to such action with the person acting as the secretary of the meeting before the meeting's adjournment. Such right to dissent shall not apply to a Member who voted in favor of such action.

Unless otherwise provided by law, any action required to be taken at a meeting of the Members, or any other action which may be taken at a meeting of the Members, may be taken without a meeting

if a consent in writing, setting forth the action so taken, shall be signed by all of the Members entitled to vote with respect to the subject.

Members of the Company may participate in any meeting of the Members by means of conference telephone or similar communication if all persons participating in such meeting can hear one another for the entire discussion of the matters to be voted upon. Participation in a meeting pursuant to this paragraph shall constitute presence in person at such meeting.

#### 12. Assignment of Interests

Except as otherwise provided in this Agreement, no Member or other person holding interest in the Company may assign, pledge, hypothecate, transfer or otherwise dispose of all or any part of their interest in the Company, including without limitation, the capital, profits or distributions of the Company without the unanimous vote of the Members in each instance.

A Member may assign all or any part of such Member's interest in the allocations and distributions of the Company to any of the following (collectively the "permitted assignees"): any person, corporation, partnership or other entity as to which the Company has permitted to the assignment of such interest in the allocations and distributions of the Company in accordance with Section 14 of this Agreement. An assignment to a permitted assignee shall only entitle the permitted assignee to the allocations and distributions to which the assigned interest is entitled unless such permitted assignee applies for admission to the Company and is admitted to the Company as a Member in accordance with this Agreement.

The Members agree that a Member may voluntarily withdraw from the Company only with the approval, vote, or consent consisting of a unanimous vote of the Members. Unless the withdrawing member's ownership interest was sold it shall be transferred to the remaining Member(s) in the Company at the same ownership interest percentage ratio that exists at the time of withdrawal. After being removed from the Company the withdrawing Member shall be unequivocally released from any legal or financial liability that is related to the Company unless otherwise agreed upon.

An assignment, pledge, hypothecation, transfer or other disposition of all or any part of the interest of a Member in the Company or other person holding any interest in the Company in violation of the provisions hereof shall be null and void for all purposes.

No assignment, transfer or other disposition of all or any part of the interest of any Member permitted under this Agreement shall be binding upon the Company unless and until a duly executed and acknowledged counterpart of such assignment or instrument of transfer, in form and substance satisfactory to the Company, has been delivered to the Company.

No assignment or other disposition of any interest of any Member may be made if such assignment or disposition, alone or when combined with other transactions, would result in the termination of the Company within the meaning of Section 708 of the Internal Revenue Code or under any other relevant section of the Code or any successor statute. No assignment or other disposition of any interest of any Member may be made without an opinion of counsel satisfactory to the Company that such assignment or disposition is subject to an effective registration under, or exempt from the registration requirements of, the applicable Federal and State securities laws. No interest in the Company may be assigned or given to any person below the age of 21 years or to a person who has been adjudged to be insane or incompetent.

Anything herein contained to the contrary, the Company shall be entitled to treat the record holder of the interest of a Member as the absolute owner thereof, and shall incur no liability by reason of distributions made in good faith to such record holder, unless and until there has been delivered to

the Company the assignment or other instrument of transfer and such other evidence as may be reasonably required by the Company to establish to the satisfaction of the Company that an interest has been assigned or transferred in accordance with this Agreement.

#### 13. Right of First Refusal

If a Member desires to sell, transfer or otherwise dispose of all or any part of their interest in the Company, such Member (the "Selling Member") shall first offer to sell and convey such interest to the other Members of the Company before selling, transferring or otherwise disposing of such interest to any other person, corporation or other entity. Such offer shall be in writing, shall be given to every other Member, and shall set forth the interest to be sold, the purchase price to be paid, the date on which the closing is to take place (which date shall be not less than thirty nor more than sixty (60) days after the delivery of the offer), the location at which the closing is to take place, and all other material terms and conditions of the sale, transfer or other disposition.

Within fifteen (15) days after the delivery of said offer, the other Members shall deliver to the Selling Member a written notice either accepting or rejecting the offer. Failure to deliver said notice within said fifteen (15) days conclusively shall be deemed a rejection of the offer. Any or all of the other Members may elect to accept the offer, and if more than one of the other Members elects to accept the offer, the interest being sold and the purchase price, therefore, shall be allocated among the Members so accepting the offer in proportion to their Members' Percentage Interests, unless they otherwise agree in writing.

If any or all of the other Members elect to accept the offer, then the closing of title shall be held in accordance with the offer and the Selling Member shall deliver to the other Members who have accepted the offer an assignment of the interest being sold by the Selling Member, and said other Members shall pay the purchase price prescribed in the offer.

If no other Member accepts the offer, or if the Members who have accepted such offer default in their obligations to purchase the interest, then the Selling Member, within one-hundred and twenty (120) days after the delivery of the offer, may sell such interest to any other person or entity at a purchase price which is not less than the purchase price prescribed in the offer and upon the terms and conditions which are substantially the same as the terms and conditions set forth in the offer, provided all other applicable requirements of this Agreement are complied with. An assignment of such interest to a person or entity who is not a Member of the Company shall only entitle such person or entity to the allocations and distributions to which the assigned interest is entitled, unless such person or entity applies for admission to the Company and is admitted to the Company as a Member in accordance with this Agreement.

If the Selling Member does not sell such interest within said one-hundred and twenty (120) days, then the Selling Member may not thereafter sell such interest without again offering such interest to the other Members in accordance with this Agreement.

#### 14. Admission of New Members

The Company may admit new Members (or transferees of any interests of existing Members) into by the purchase of another Member's ownership interest and a vote for adding the new Member consisting of the unanimous vote of the Members in each instance.

As a condition to the admission of a new Member, such Member shall execute and acknowledge such instruments, in form and substance satisfactory to the Company, as the Company may deem necessary or desirable to effectuate such admission and to confirm the agreement of such Member

to be bound by all of the terms, covenants and conditions of this Agreement, as the same may have been amended. Such new Member shall pay all reasonable expenses in connection with such admission, including without limitation, reasonable attorneys' fees and the cost of the preparation, filing or publication of any amendment to this Agreement or the Articles of Organization, which the Company may deem necessary or desirable in connection with such admission.

No new Member shall be entitled to any retroactive allocation of income, losses, or expense deductions of the Company. The Company may make pro rata allocations of income, losses or expense deductions to a new Member for that portion of the tax year in which the Member was admitted in accordance with Section 706(d) of the Internal Revenue Code and regulations thereunder.

In no event shall a new Member be admitted to the Company if such admission would be in violation of applicable Federal or State securities laws or would adversely affect the treatment of the Company as a partnership for income tax purposes.

#### 15. Sale of Company

The sale of the Company, either partially or in its entirety, shall only be approved by a unanimous vote of the Members. Any purchase agreement that is presented to the Company shall be reviewed by up to fifteen (15) days by the Members and put up to a vote within a seven (7) day period thereafter. At the option of any Member, the vote may be delayed by up to thirty (30) days to review the details of the purchase.

If an agreement to sell the Company is approved by the Members, then all sale proceeds shall first be paid to the debt of the Company unless the Buyer is accepting some or all of the debt as part of the purchase. All remaining proceeds shall be dispersed in relation to each Member's percent ownership-interest in the Company.

#### 16. Withdrawal Events

In the event of the death, retirement, withdrawal, expulsion, or dissolution of a Member, or an event of bankruptcy or insolvency, as hereinafter defined, with respect to a Member, or the occurrence of any other event which terminates the continued membership of a Member in the Company pursuant to the Statutes (each of the foregoing being hereinafter referred to as a "Withdrawal Event"), the Company shall terminate sixty (60) days after notice to the Members of such withdrawal Event unless the business of the Company is continued as hereinafter provided.

Notwithstanding a Withdrawal Event with respect to a Member, the Company shall not terminate, irrespective of applicable law, if within aforesaid sixty-day period the remaining Members, by the unanimous vote or consent of the Members (other than the Member who caused the Withdrawal Event), shall elect to continue the business of the Company.

In the event of a Withdrawal Event with respect to a Member, any successor in interest to such Member (including without limitation any executor, administrator, heir, committee, guardian, or other representative or successor) shall not become entitled to any rights or interests of such Member in the Company, other than the allocations and distributions to which such Member is entitled, unless such successor in interest is admitted as a Member in accordance with this Agreement.

An "event of bankruptcy or insolvency" with respect to a Member shall occur if such Member: (1) applies for or consents to the appointment of a receiver, trustee or liquidator of all or a substantial

part of their assets; or (2) makes a general assignment for the benefit of creditors; or (3) is adjudicated a bankrupt or an insolvent; or (4) files a voluntary petition in bankruptcy or a petition or an answer seeking an arrangement with creditors or to take advantage of any bankruptcy, insolvency, readjustment of debt or similar law or statute, or an answer admitting the material allegations of a petition filed against them in any bankruptcy, insolvency, readjustment of debt or similar proceedings; or (5) takes any action for the purpose of effecting any of the foregoing; or (6) an order, judgment or decree shall be entered, with or without the application, approval or consent of such Member, by any court of competent jurisdiction, approving a petition for or appointing a receiver or trustee of all or a substantial part of the assets of such Member, and such order, judgment or decree shall be entered, with or without the application, approval or consent of such Member, by any court of competent jurisdiction, approving a petition for or appointing a receiver or trustee of all or a substantial part of the assets of such Member, and such order, judgment or decree shall continue unstated and in effect for thirty (30) days.

#### 17. Dissolution and Liquidation

The Company shall terminate upon the occurrence of any of the following : (i) the election by the Members to dissolve the Company made by the Members unanimously; (ii) the occurrence of a Withdrawal Event with respect to a Member and the failure of the remaining Members to elect to continue the business of the Company as provided for in this Agreement above; or (iii) any other event which pursuant to this Agreement, as the same may hereafter be amended, shall cause a termination of the Company.

The liquidation of the Company shall be conducted and supervised by a person designated for such purposes by the affirmative vote or consent of Members holding a majority of the Members' Percentage Interests (the "Liquidating Agent"). The Liquidating Agent hereby is authorized and empowered to execute any and all documents and to take any and all actions necessary or desirable to effectuate the dissolution and liquidation of the Company in accordance with this Agreement.

Promptly after the termination of the Company, the Liquidating Agent shall cause to be prepared and furnished to the Members a statement setting forth the assets and liabilities of the Company as of the date of termination. The Liquidating Agent, to the extent practicable, shall liquidate the assets of the Company as promptly as possible, but in an orderly and businesslike manner so as not to involve undue sacrifice.

The proceeds of sale and all other assets of the Company shall be applied and distributed in the following order of priority: (1) to the payment of the expenses of liquidation and the debts and liabilities of the Company, other than debts and liabilities to Members; (2) to the payment of debts and liabilities to Members; (3) to the setting up of any reserves which the Liquidating Agent may deem necessary or desirable for any contingent or unforeseen liabilities or obligations of the Company, which reserves shall be paid over to licensed attorney to hold in escrow for a period of two years for the purpose of payment of any liabilities and obligations, at the expiration of which period the balance of such reserves shall be distributed as provided; (4) to the Members in proportion to their respective capital accounts until each Member has received cash distributions equal to any positive balance in their capital account, in accordance with the rules and requirements of Treas. Reg. Section 1.704-1(b)(2)(ii)(b); and (5) to the Members in proportion to the Members' Percentage Interests.

The liquidation shall be complete within the period required by Treas. Reg. Section 1.704-1(b)(2)(ii)(b).

Upon compliance with the distribution plan, the Members shall no longer be Members, and the Company shall execute, acknowledge and cause to be filed any documents or instruments as may be necessary or appropriate to evidence the dissolution and termination of the Company pursuant to the Statutes.

#### 18. Representation of Members

Each of the Members represents, warrants and agrees that the Member is acquiring the interest in the Company for the Member's own account for investment purposes only and not with a view to the sale or distribution thereof; the Member, if an individual, is of legal age; if the Member is an organization, such organization is duly organized, validly existing and in good standing under the laws of its State of organization and that it has full power and authority to execute this Agreement and perform its obligations hereunder; the execution and performance of this Agreement by the Member does not conflict with, and will not result in any breach of, any law or any order, writ, injunction or decree of any court or governmental authority against or which binds the Member, or of any agreement or instrument to which the Member is a party; and the Member shall not dispose of such interest or any part thereof in any manner which would constitute a violation of the Securities Act of 1933, the Rules and Regulations of the Securities and Exchange Commission, or any applicable laws, rules or regulations of any State or other governmental authorities, as the same may be amended.

#### 19. Certificates Evidencing Membership

Every membership interest in the Company shall be evidenced by a Certificate of Membership issued by the Company. Each Certificate of Membership shall set forth the name of the Member holding the membership interest and the Member's Percentage Interest held by the Member, and shall bear the following legend:

"The membership interest represented by this certificate is subject to, and may not be transferred except in accordance with, the provisions of the Operating Agreement of Elkhorn Slough Brewing LLC dated effective as of March 20 2020, as the same from time to time may be amended, a copy of which is on file at the principal office of the Company."

#### 20. Notices

All notices, demands, requests or other communications which any of the parties to this Agreement may desire or be required to give hereunder shall be in writing and shall be deemed to have been properly given if sent by courier or by registered or certified mail, return receipt requested, with postage prepaid, addressed as follows: (a) if to the Company, at the principal place of business of the Company designated by the Company; and (b) if to any Member, to the address of said Member first above written, or to such other address as may be designated by said Member by notice to the Company and the other Members pursuant to this Agreement.

#### 21. Arbitration

Any dispute, controversy or claim arising out of or in connection with this Agreement or any breach or alleged breach hereof shall, upon the request of any party involved, be submitted to, and settled by, arbitration in the city in which the principal place of business of the Company is then located, pursuant to the commercial arbitration rules then in effect of the American Arbitration Association (or at any other time or place or under any other form of arbitration mutually acceptable to the parties involved). Any award rendered shall be final and conclusive upon the parties and a judgment thereon may be entered in a court of competent jurisdiction. The expenses of the arbitration shall be

borne equally by the parties to the arbitration, provided that each party shall pay for and bear the cost of its own experts, evidence and attorneys' fees, except that in the discretion of the arbitrator any award may include the attorney's fees of a party if the arbitrator expressly determines that the party against whom such award is entered has caused the dispute, controversy or claim to be submitted to arbitration as a dilatory tactic or in bad faith.

#### 22. Amendments

This Agreement may not be altered, amended, changed, supplemented, waived or modified in any respect or particular unless the same shall be in writing and agreed to by the affirmative vote or consent of Members holding a majority of the Members' Percentage Interests. No amendment may be made to Articles that apply to the financial interest of the Members, except by the vote or consent of all of the Members. No amendment of any provision of this Agreement relating to the voting requirements of the Members on any specific subject shall be made without the affirmative vote or consent of at least the number or percentage of Members required to vote on such subject.

#### 23. Miscellaneous

This Agreement and the rights and liabilities of the parties hereunder shall be governed by and determined in accordance with the laws of the State of California. If any provision of this Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this Agreement, which shall remain in full force and effect.

The captions in this Agreement are for convenience only and are not to be considered in construing this Agreement. All pronouns shall be deemed to be the masculine, feminine, neuter, singular or plural as the identity of the person or persons may require. References to a person or persons shall include partnerships, corporations, limited liability companies, unincorporated associations, trusts, estates and other types of entities.

This Agreement, and any amendments hereto, may be executed in counterparts all of which taken together shall constitute one agreement.

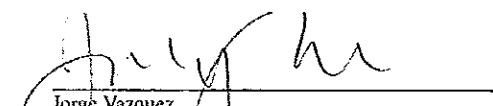
This Agreement sets forth the entire agreement of the parties hereto with respect to the subject matter hereof. It is the intention of the Member(s) that this Agreement shall be the sole agreement of the parties, and, except to the extent a provision of this Agreement provides for the incorporation of federal income tax rules or is expressly prohibited or ineffective under the Statutes, this Agreement shall govern even when inconsistent with, or different from, the provisions of any applicable law or rule. To the extent any provision of this Agreement is prohibited or otherwise ineffective under the Statutes, such provision shall be considered to be ineffective to the smallest degree possible in order to make this Agreement effective under the Statutes.

Subject to the limitations on transferability set forth above, this Agreement shall be binding upon and inure to the benefit of the parties hereto and to their respective heirs, executors, administrators, successors and assigns.

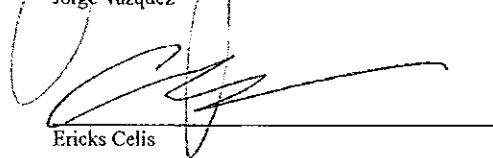
No provision of this Agreement is intended to be for the benefit of or enforceable by any third party.

**IN WITNESS WHEREOF**, the Member(s) have executed this Agreement on March 20 2020.

The Member(s) of Elkhorn Slough Brewing LLC



Jorge Vazquez



Ericks Celis



Benjamin Ward

## APPENDIX 2

## MANAGER RESUMES

### Jorge Vazquez

730 Acre Street, Watsonville CA 95076

Cell: 831-247-9393 Email: [jl.vazq831@gmail.com](mailto:jl.vazq831@gmail.com)

Pajaro Valley High School - Class of 2008

#### EXPERIENCE

##### Elkhorn Slough Brewing Company

Bartender

Watsonville, CA  
November 2016

- Familiarized self with the brewery's language and brewing style.
- Educated customers about Elkhorn Slough's unique brand.
- Maintained the taproom's cleanliness
- Attended several events, representing Elkhorn Slough as a brand in front of industry peers and the business's target demographic.
- Used Spanish speaking skills to accommodate Spanish

Taproom Manager

April 2018

- Maintained inventory of taproom supplies
- Maintained taproom keg supply
- Trained new employees, and informed current employees of best practices for keeping and serving beer.
- Coordinated food vendors
- Set taproom schedule for staff
- Serviced retail keg sales

Assistant Brewer

April 2018

- Executed the head brewer's recipes and carried out the operating procedures set by the head brewer. This includes preparing ingredients, cleaning kegs, and maintaining the brewhouse, as well as the entire brewing process.
- Cleaned and sanitized all brewing vessels
- Educated the staff on all upcoming beers

Head Brewer

October 2018 - Present

- Created new recipes, and made improvements to older recipes
- Maintained inventory of brewing ingredients by coordinating orders with vendors
- Coordinated sales to wholesale accounts
- Maintained the quality of all beers

##### Akiyama Hopyard

Watsonville, CA  
2018 - Present

Owner/ Cultivator

- Worked on the ground floor of a budding agricultural business
- Planted multiple acres of crops on a heritage farm in Royal Oaks
- Worked with co-owner to select and cultivate the best hops for the region, and industry trends
- Connected our product to leading local breweries, such as The Rare Barrel, Fruition Brewing, Yeast of Eden, Shanty Shack Brewing Company, Elkhorn Slough, Humble Sea Brewing Company, and others.

##### Carbon Solutions

Manager

2009 - 2017

- Maintained and updated inventory of all products
- Coordinating shipping and delivery
- Customer service and interaction

##### Midnight Gazebo

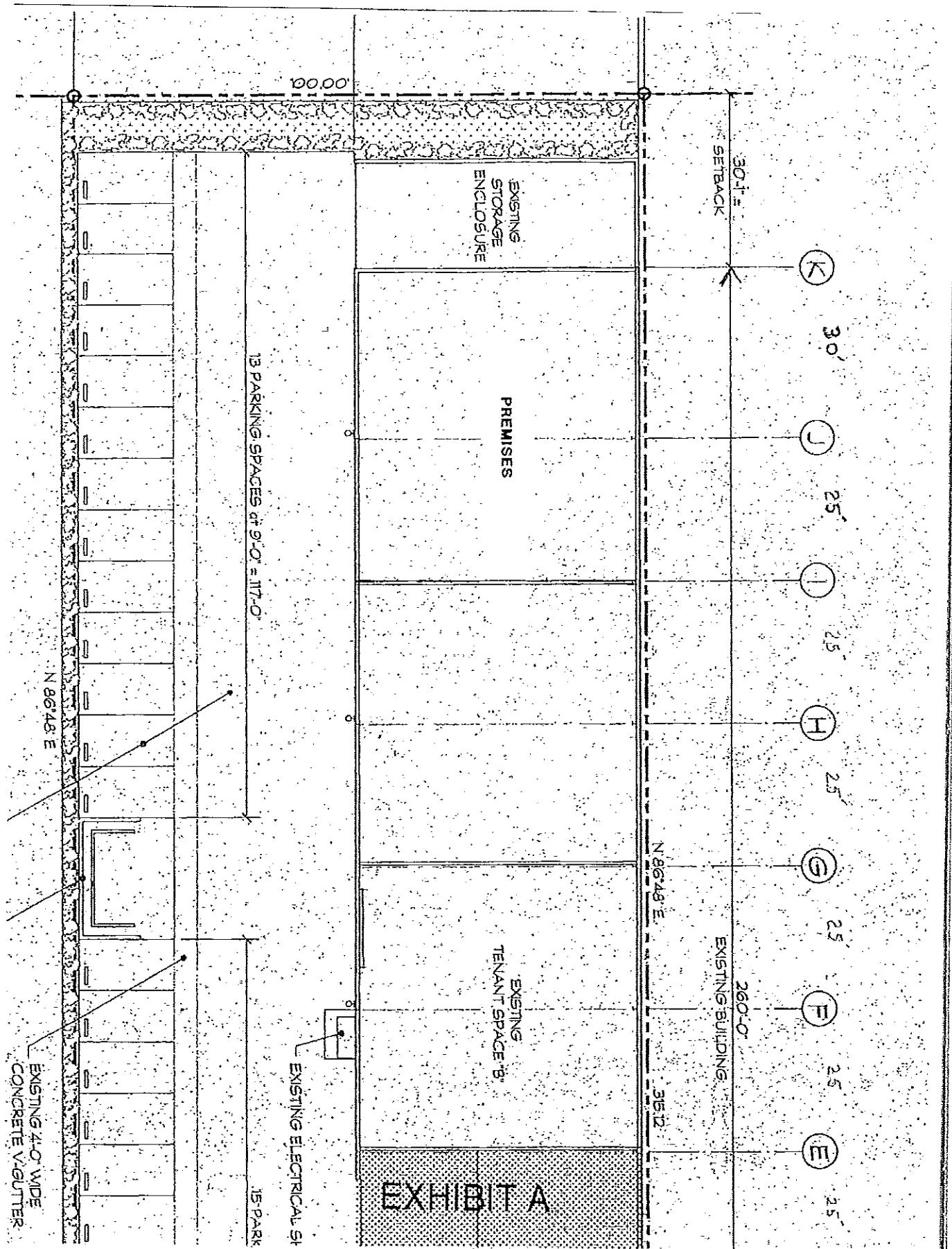
Homebrewer

2014 - Present

- Years of recipe design, troubleshooting, and problem solving
- People's Choice award at Hop n' Barley Festival 2014

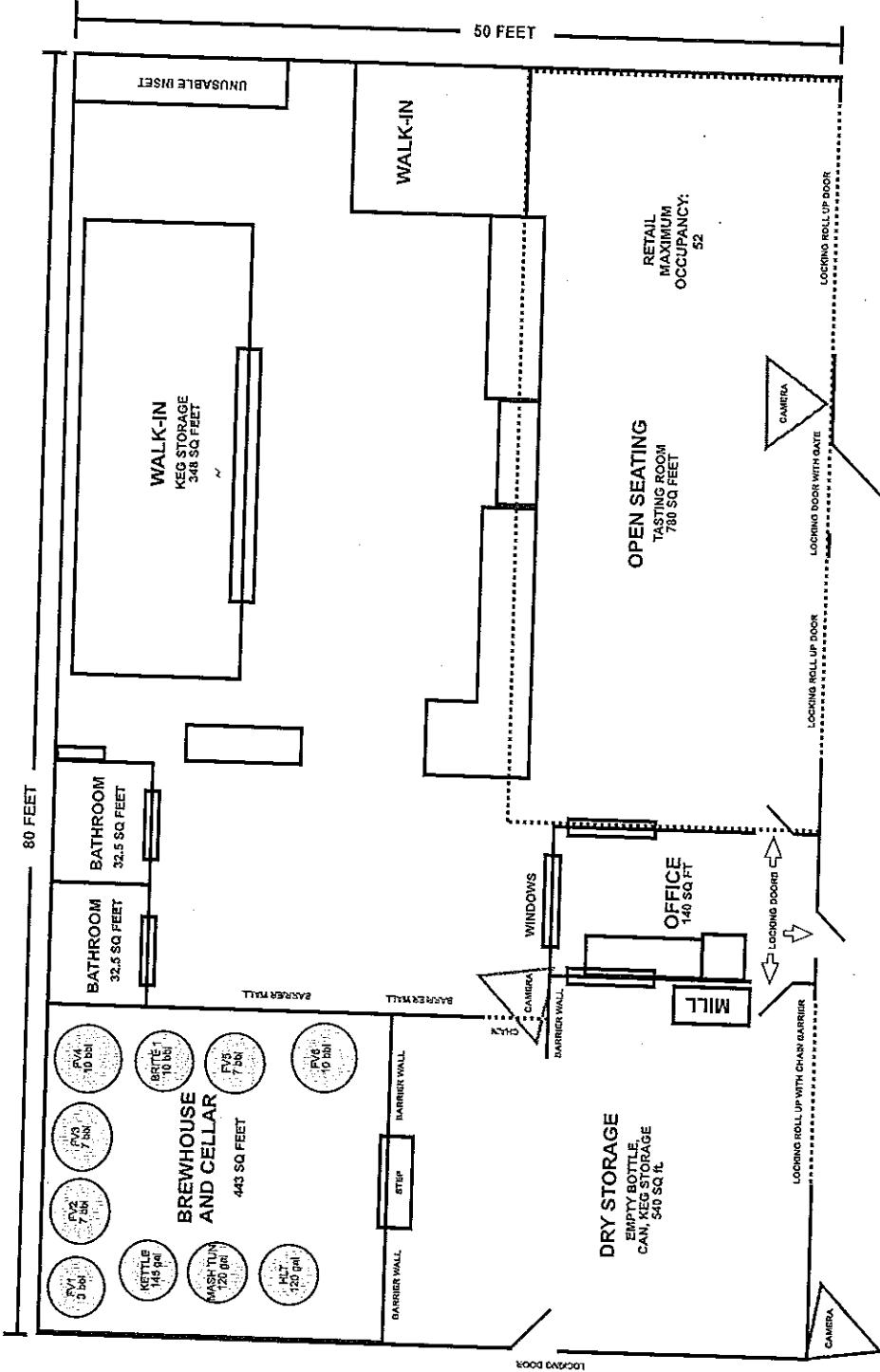
## APPENDIX 3

## LOCATION MAP



# THE SLOUGH

BREWING COLLECTIVE



ELKHORN SLOUGH BREWING LLC  
DBA: THE SLOUGH BREWING COLLECTIVE  
65 HANGER WAY  
SUITE D  
WATSONVILLE CA 95076

## Ericks Celis

4350 Diamond St. #2 Capitola, CA 95010

Cell: 818.324.2775 Email: erixcelis91@gmail.com

### EDUCATION

#### **University of California, Santa Cruz**

Master of Arts in Education

B.A. Psychology

**Graduated:** Summer 2014

### EXPERIENCE

#### **Fruition Brewing- Bartender**

Summer 2019 - Present

- Learned of issues related to opening and managing a brewery
- Utilized Spanish-Speaking skills to build a welcoming environment for patrons
- Verbally translated menu into Spanish to make more brewery more accessible

#### **Elkhorn Slough Brewing Co.- Bartender**

Summer 2018 - Present

- Represented brewery at various community events and benefits
- Assisted brewers some brew days and familiarized myself with brewhouse equipment
- Collaborated with brewer to create an original recipe

#### **El Nino Brewing Project- Brewer**

Summer 2018 - Present

- Organized various homebrewers to found El Nino Brewing
- Crafted original recipes and delegated roles for brew days
- Competed in the 2019 Steinbeck Home Brew Festival
- Designed a recipe to teach home brewers at Bottoms Up Home Brew Shop

#### **Corralitos Brewing Co.- Bartender**

August 2017 - January 2018

- Maintained a welcoming environment for new and old patrons
- Facilitated learning among patrons via discussions of brewing styles and processes
- Ensured beers on tap were acceptable to serve
- Learned and adhered to ABC laws

#### **Kindergarten Teacher- Radcliff Elementary, Watsonville, CA**

Fall 2014-Present

- Organized campus-wide events alongside teaching staff
- Received training in conflict management, organizing, time management, data collection and applications
- Developed school-wide Positive Behavior program and standardized language for use in and out of the classroom

### SKILLS

- Certificated in Kingian Nonviolent Communication Fall 2018
  - Knowledge and skills to pursue peaceful strategies for solving personal, professional and community problems.
- Spanish Speaker

# BEN WARD

experienced brewer with management experience and deep connections in the community

<b>COMPANION BAKESHOP</b> - Santa Cruz, CA	2013-2016
Farmers Market Manager, General Manager - Responsible for scheduling staff, ordering supplies, invoicing, budgeting, basic accounting, banking, and even drafting legal documents and building proposals for future expansion projects. Created and managed the business' website and social media. Managed POS system and networks.	
<b>SEVEN BRIDGES COOPERATIVE BREWING SUPPLY</b> - Santa Cruz, CA	2015-2017
Events Coordinator - Managed the business' marketing, social media, online store, and newsletter. This position required a detailed knowledge of brewing, all of its major and minor components, as well as a general knowledge of many other artisan hobbies, including winemaking, cider making, coffee roasting and cheese making.	
<b>HUMBLE SEA BREWING COMPANY</b> - Santa Cruz, CA	2016-2018
Brewer - Assisted Head Brewer in establishing Humble Sea's brewing style, philosophy, standard operating procedures during the business' formative years. Along with the Assistant Brewer, I brewed over 250 barrels in one year on our one barrel pilot system. I assisted our Branding Manager in naming most of our beers and creating beer descriptions and other content for social media and their website, and overall assisting in the formation of their brand.	
<b>SHANTY SHACK BREWING COMPANY</b> - Santa Cruz, CA	2018
Brewer, Bartender - Performed all brewing duties, such as milling grain, transferring beers, cleaning and maintenance of vessels, kegging, conditioning, bottling, and recipe consultation. Provided professional, informed customer service to the taproom patrons.	
<b>COLD CRAFT BREWING</b> - Santa Cruz, CA	2018-2019
Quality Assurance Director - A co-packing facility for cold brewed coffee, canned tea, kombucha, chai, and specialty drinks. Responsible for monitoring the quality of all products, developing best practices for each product. Developed a HACCP Plan for food safety. Responsible for ordering new equipment and coordinating contractors for installation. Coordinated with vendors and clients such as Verve Coffee Roasters to deliver their ideal packaged product. Oversaw the canning of products for large clients like Rishi Tea. Set SOPs and standards for production. Worked on the R&D team to develop new, quality products. Scheduling, budgeting, production planning, and staff education.	
<b>ELKHORN SLOUGH BREWING COMPANY</b> - Watsonville, CA	2018-2019
Bartender - Worked the front of house, providing educated customer service to patrons in the tap room. Worked with the owners and the production team to troubleshoot several beers and develop their practices for brewing, packing and serving beer. Helped coordinate and execute several large events in the taproom.	
<b>BREWERY TWENTY-FIVE</b> - San Juan Bautista, CA	2018
Brewer - Acted as the sole brewer for this rustic, seven barrel brewery in the Hollister Hills. Developed and brewed several new beers, as well as improved the brewery's core beers. Performed all brewery tasks from milling, to brewing, cleaning, conditioning, keg washing, and managing inventory. Practiced brewing with limited resources and improvised handmade solutions to everyday problems. Communicated the ideals of the brand to new clients, and helped educate the tap room staff.	
<b>FRUITION BREWING</b> - Watsonville, CA	2019-Present
Brewer, Bartender - Assisted in the formation of the brewhouse and the assembly of new equipment. Helped establish the recipes for several core beers, as well as developing new beers weekly. Currently acting as sole brewer, performing all brewery tasks, including inventory management. Provide informed customer service to patrons in the taproom on the weekends. Help coordinate sales to wholesale clients.	
<b>EFFIGY BREWING</b> - Santa Cruz, CA	2015-Present
My personal brewing brand. Not a fully licensed brewery, but a passion project. Used as a vehicle to collaborate with my friends in the industry, and as a tool to establish new connections to professional brewers, and wholesale vendors. I have collaborated with Elkhorn Slough Brewing, Seabright Brewing, East Cliff Brewing, Hop Dogma Brewing, Alpha Acid Brewing, and several others. I have coordinated the sourcing of ingredients, the production, the packaging, marketing, and sale of these beers. I have also managed my own brand, creating the website, merchandise, and social media presence. I have also used the brand to host several beer education workshops for the public. I organize a couple large-scale, yearly events with approximately 100 attendees.	
• <b>STATE UNIVERSITY OF NEW YORK AT CORTLAND</b> - B.A. Psychology, Certificate in Professional Writing	
• <b>AMERICAN BREWER'S ASSOCIATION</b> - Intensive Brewing Science And Engineering Certificate	
• <b>CICERONE CERTIFIED BEER SERVER</b>	
•Proficient in Microsoft Office, Apple Productivity Suite, web design and creation, business social media management	

## COMMERCIAL LEASE AGREEMENT

This Lease Agreement made the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between **DREJS LLC** of 123 Old Club House Road, Soquel, CA 95073, hereinafter referred to as "Lessor", and **Elkhorn Slough Brewing LLC (dba The Slough Brewing Collective)**, of 65 Hangar Way, Suite D, Watsonville, California 95076, hereinafter referred to as "Lessee", collectively referred to herein as the "Parties", agree as follows:

1. **DESCRIPTION OF LEASED PREMISES:** The Lessor agrees to lease to the Lessee the multi-use space located at 65 Hangar Way, Suite D, and enclosed storage area, Watsonville, State of California 95076.

Hereinafter known as the "Premises".

2. **USE OF LEASED PREMISES:** The Lessor is leasing the Premises to the Lessee and the Lessee is hereby agreeing to lease the Premises for the following use and purpose:

Brewery

Any change in use or purpose the Premises other than as described above shall be upon prior written consent of Lessor only.

3. **TERM OF LEASE:** The term of this Lease shall be for a period of five year(s) and zero month(s) commencing on the 1st day of April, 2020 and expiring at Midnight on the 31st day of March, 2025 ("Initial Term").

4. **BASE RENT:** The net monthly payment shall be Three Thousand two hundred and forty dollars (\$3,240.00), payable monthly with the first payment due upon the commencement of the Lease and each monthly installment payable thereafter on the first day of each month. Said net monthly payment is hereafter referred to as the "Base Rent". Rent for any period during the term hereon, which is for less than 1 month shall be a pro-rata portion of the monthly rent.

5. **OPTION TO RENEW:** (Check One)

- Lessee may not renew the Lease.

- Lessee may have the right to renew the Lease with a total of one renewal period(s) being five year(s) zero month(s) which may be exercised by giving written notice to Lessor no less than 60 days prior to the expiration of the Lease or renewal period.

Rent for each option period shall: (Check One)

- Not increase.

- Increase as calculated by multiplying the Base Rent by the annual change in the Consumer Price Index (CPI) published by the Bureau of Labor Statistics by the most recent publication to the option period start date.

- Increase by \_\_\_\_ %

- Increase by \_\_\_\_\_ dollars (\$\_\_\_\_\_)

6. **EXPENSES:** [Check and Initial whether this Lease is Gross, or Modified Gross

- GROSS. Tenant's Initials \_\_\_\_\_ Landlord's Initials \_\_\_\_\_

It is the intention of the Parties that this Lease be considered a "Gross Lease" and as such, the Base Rent is the entirety of the monthly rent. Therefore, the Lessee is not obligated to pay any additional expenses which includes utilities, real estate taxes, insurance (other than on the Lessee's personal property), charges or expenses of any nature whatsoever in connection with the ownership and operation of the Premises. The Lessor shall be obligated to maintain the general exterior structure of the Premises, in addition, shall maintain all major systems such as the heating, plumbing, and electrical. The parking area shall be maintained by the Lessor including the removal of any snow or environmental hazards as well as the grounds and lands surrounding the Premises. The Lessor shall maintain at their expense casualty insurance for the Premises against loss by fire which may or may not include any extended coverage. The Lessee will provide and maintain personal liability and property damage insurance as a lessee, at least to the limits of One Million Dollars (\$1,000,000.00), that will designate the Lessor as an "also named insured", and shall provide the Lessor with a copy of such insurance certification or policy prior to the effective date of this Lease.

MODIFIED GROSS. Tenant's Initials \_\_\_\_\_ Landlord's Initials \_\_\_\_\_

It is the intention of the Parties that this Lease shall be considered a "Modified Gross Lease".

In addition to the Base Rent, the Lessee shall be obligated to pay the following monthly expenses subject to change based upon usage and/or rate changes by PGE or City of Watsonville.

- Water surcharge - \$120.00 per month.
- Electric (solar) surcharge - \$850.00 per month

- Waste Containers in excess of two standard size.

7. **Insurance.** Lessee shall maintain, at all times during the Term of this Lease, comprehensive general liability insurance in an insurance company licensed to do business in the State in which the Premises are located and that is satisfactory to Lessor, properly protecting and indemnifying Lessor with single limit coverage of not less than one million dollars (\$1,000,000) for injury to or death of persons and one million dollars (\$1,000,000) for property damage. During the Term of this Lease, Lessee shall furnish the Lessor with certificate(s) of insurance, in a form acceptable to Lessor, covering such insurance so maintained by Lessee and naming Lessor and Lessor's mortgagees, if any, as additional insured.

8. **SECURITY DEPOSIT:** In addition to the above, a deposit in the amount of four thousand two hundred and ten dollars (\$4,210.00), shall be due and payable in advance or at the signing of this Lease, hereinafter referred to as the "Security Deposit", and shall be held by the Lessor as security for the faithful performance of the terms and conditions of the Lease. The Security Deposit may not be used to pay the last month's rent unless written permission is granted by the Lessor.

9. **LEASEHOLD IMPROVEMENTS:** The Lessee agrees that no leasehold improvements, alterations or changes of any nature, (except for those listed on any attached addenda) shall be made to the leasehold premises or the exterior of the building without first obtaining the consent of the Lessor in writing, which consent shall not be unreasonably withheld, and thereafter, any and all leasehold improvements made to the Premises which become affixed or attached to the leasehold Premises shall remain the property of the Lessor at the expiration or termination of this Lease Agreement. Furthermore, any leasehold improvements shall be made only in accordance with applicable federal, state or local codes, ordinances or regulations, having due regard for the type of construction of the building housing the subject leasehold Premises. If the Lessee makes any improvements to the Premises the Lessee shall be responsible for payment.

Nothing in the Lease shall be construed to authorize the Lessee or any other person acting for the Lessee to encumber the rents of the Premises or the interest of the Lessee in the Premises or any person under and through whom the Lessee has acquired its interest in the Premises with a mechanic's lien or any other type of encumbrance. Under no circumstance shall the Lessee be construed to be the agent, employee or representative of Lessor. In the event a lien is placed against the Premises, through actions of the Lessee, Lessee will promptly pay the same or bond against the same and take steps immediately to have such lien removed. If the Lessee fails to have the Lien removed, the Lessor shall take steps to remove the lien and the Lessee shall pay Lessor for all expenses related to the Lien and removal thereof and shall be in default of this Lease.

**10. LICENSES AND PERMITS:** A copy of any and all local, state or federal permits acquired by the Lessee which are required for the use of the Premises shall be kept on site at all times and shall be readily accessible and produced to the Lessor and/or their agents or any local, state, or federal officials upon demand.

**11. OBLIGATIONS OF LESSEE:** The Lessee shall be primarily responsible whenever needed for the maintenance and general pickup of the entranceway leading into the Premises, so that this is kept in a neat, safe and presentable condition. The Lessee shall also be responsible for all minor repairs and maintenance of the leasehold Premises, particularly those items which need immediate attention and which the Lessees, or their employees, can do and perform on their own, including but not limited to, the replacement of light bulbs, as well as the normal repair and cleaning of windows, cleaning and clearing of toilets, etc., and the Lessee shall properly maintain the Premises in a good, safe, and clean condition. The Lessee shall properly and promptly remove all rubbish and hazardous wastes and see that the same are properly disposed of according to all local, state or federal laws, rules regulations or ordinances.

In the event the structure of the Premises is damaged as a result of any neglect or negligence of Lessee, their employees, agents, business invitees, or any independent contractors serving the Lessee or in any way as a result of Lessee's use and occupancy of the Premises, then the Lessee shall be primarily responsible for seeing that the proper claims are placed with the Lessee's insurance company, or the damaging party's insurance company, and shall furthermore be responsible for seeing that the building is safeguarded with respect to said damage and that all proper notices with respect to said damage, are made in a timely fashion, including notice to the Lessor, and the party or parties causing said damage. Any damage that is not covered by an insurance company will be the liability of the Lessee.

The Lessee shall, during the term of this Lease, and in the renewal thereof, at its sole expense, keep the interior of the Premises in as good a condition and repair as it is at the date of this Lease, reasonable wear and use excepted. This obligation would include the obligation to replace any plate glass damaged as a result of the neglect or acts of Lessee or her guests or invitees. Furthermore, the Lessee shall not knowingly commit nor permit to be committed any act or thing contrary to the rules and regulations prescribed from time to time by any federal, state or local authorities and shall expressly not be allowed to keep or maintain any hazardous waste materials or contaminates on the Premises. Lessee shall also be responsible for the cost, if any, which would be incurred to bring her contemplated operation and business activity into compliance with any law or regulation of a federal, state or local authority.

**12. SUBLET/ASSIGNMENT:** The Lessee may not transfer or assign this Lease, or any right or interest hereunder or sublet said leased Premises or any

part thereof without first obtaining the prior written consent and approval of the Lessor.

**13. DAMAGE TO LEASED PREMISES:** In the event the building housing the Premises shall be destroyed or damaged as a result of any fire or other casualty which is not the result of the intentional acts or neglect of Lessee and which precludes or adversely affects the Lessee's occupancy of the Premises, then in every such cause, the rent herein set forth shall be abated or adjusted according to the extent to which the leased Premises have been rendered unfit for use and occupation by the Lessee and until the demised Premises have been put in a condition at the expense of the Lessor, at least to the extent of the value and as nearly as possible to the condition of the Premises existing immediately prior to such damage. It is understood, however, in the event of total or substantial destruction to the Premises that in no event shall the Lessor's obligation to restore, replace or rebuild exceed an amount equal to the sum of the insurance proceeds available for reconstruction with respect to said damage.

**14. DEFAULT AND POSSESSION:** In the event that the Lessee shall fail to pay said rent, and expenses as set forth herein, or any part thereof, when the same are due and payable, or shall otherwise be in default of any other terms of said Lease for a period of more than 15 days, after receiving notice of said default, then the parties hereto expressly agree and covenant that the Lessor may declare the Lease terminated and may immediately re-enter said Premises and take possession of the same together with any of Lessee's personal property, equipment or fixtures left on the Premises which items may be held by the Lessor as security for the Lessee's eventual payment and/or satisfaction of rental defaults or other defaults of Lessee under the Lease. It is further agreed, that if the Lessee is in default, that the Lessor shall be entitled to take any and all action to protect its interest in the personal property and equipment, to prevent the unauthorized removal of said property or equipment which threatened action would be deemed to constitute irreparable harm and injury to the Lessor in violation of its security interest in said items of personal property. Furthermore, in the event of default, the Lessor may expressly undertake all reasonable preparations and efforts to release the Premises including, but not limited to, the removal of all inventory, equipment or leasehold improvements of the Lessee's, at the Lessee's expense, without the need to first procure an order of any court to do so, although obligated in the interim to undertake reasonable steps and procedures to safeguard the value of Lessee's property, including the storage of the same, under reasonable terms and conditions at Lessee's expense, and, in addition, it is understood that the Lessor may sue the Lessee for any damages or past rents due and owing and may undertake all and additional legal remedies then available.

In the event any legal action has to be instituted to enforce any terms or provisions under this Lease, then the prevailing party in said action shall be entitled to recover a reasonable attorney's fee in addition to all costs of said action.

Rent which is in default for more than 10 days after due date shall accrue a payment penalty of one of the following:

Late fee of fifty dollars (\$50.00) per day until the amount is paid in full.

In this regard, all delinquent rental payments made shall be applied first toward interest due and the remaining toward delinquent rental payments.

**15. INDEMNIFICATION:** The Lessee hereby covenants and agrees to indemnify, defend and hold the Lessor harmless from any and all claims or liabilities which may arise from any cause whatsoever as a result of Lessee's use and occupancy of the Premises, and further shall indemnify the Lessor for any losses which the Lessor may suffer in connection with the Lessee's use and occupancy or care, custody and control of the Premises. The Lessee also hereby covenants and agrees to indemnify and hold harmless the Lessor from any and all claims or liabilities which may arise from any latent defects in the subject Premises that the Lessor is not aware of at the signing of the lease or at any time during the lease term.

**16. BANKRUPTCY - INSOLVENCY:** The Lessee agrees that in the event all or a substantial portion of the Lessee's assets are placed in the hands of a receiver or a Trustee, and such status continues for a period of 30 days, or should the Lessee make an assignment for the benefit of creditors or be adjudicated bankrupt; or should the Lessee institute any proceedings under the bankruptcy act or any amendment thereto, then such Lease or interest in and to the leased Premises shall not become an asset in any such proceedings and, in such event, and in addition to any and all other remedies of the Lessor hereunder or by law provided, it shall be lawful for the Lessor to declare the term hereof ended and to re-enter the leased land and take possession thereof and all improvements thereon and to remove all persons therefrom and the Lessee shall have no further claim thereon.

**17. SUBORDINATION AND ATTORNEYMENT:** Upon request of the Lessor, Lessee will subordinate its rights hereunder to the lien of any mortgage now or hereafter in force against the property or any portion thereof, and to all advances made or hereafter to be made upon the security thereof, and to any ground or underlying lease of the property provided, however, that in such case the holder of such mortgage, or the Lessor under such Lease shall agree that this Lease shall not be divested or in any way affected by foreclosure, or other default proceedings under said mortgage, obligation secured thereby, or Lease, so long as the Lessee shall not be in default under the terms of this Lease. Lessee agrees that this Lease shall remain in full force and effect notwithstanding any such default proceedings under said mortgage or obligation secured thereby. Lessee shall, in the event of the sale or assignment of Lessor's interest in the building of which the Premises form a part, or in the event of any proceedings brought for the foreclosure of, or in the event of exercise of the power of sale under any mortgage made by Lessor covering the Premises, attorn to the purchaser and recognize such purchaser as Lessor under this Lease.

**18. MISCELLANEOUS TERMS:**

- I. **Usage by Lessee:** Lessee shall comply with all rules, regulations and laws of any governmental authority with respect to use and occupancy. Lessee shall not conduct or permit to be conducted upon the Premises any business or permit any act which is contrary to or in violation of any law, rules or regulations and requirements that may be imposed by any authority or any insurance company with which the Premises is insured, nor will the Lessee allow the Premises to be used in any way which will invalidate or be in conflict with any insurance policies applicable to the building. In no event shall explosives or extra hazardous materials be taken onto or retained on the Premises. Furthermore, Lessee shall not install or use any equipment that will cause undue interference with the peaceable and quiet enjoyment of the Premises by other tenants of the building.
- II. **Signs:** Lessee shall not place on any exterior door, wall or window of the Premises any sign or advertising matter without Lessor's prior written consent. Thereafter, Lessee agrees to maintain such sign or advertising matter as first approved by Lessor in good condition and repair. Furthermore, Lessee shall conform to any uniform reasonable sign plan or policy that the Lessor may introduce with respect to the building. Upon vacating the Premises, Lessee agrees to remove all signs and to repair all damages caused or resulting from such removal.
- III. **Condition of Premises/Inspection by Lessee:** The Lessee has had the opportunity to inspect the Premises and acknowledges with its signature on this lease that the Premises are in good condition and comply in all respects with the requirements of this Lease. Furthermore, the Lessor makes no representation or warranty with respect to the condition of the Premises or its fitness or availability for any particular use, and the Lessor shall not be liable for any latent or patent defect therein. Furthermore, the Lessee represents that Lessee has inspected the Premises and is leasing and will take possession of the Premises with all current fixtures present in their "as is" condition as of the date hereof.
- IV. **Right of Entry:** Subject to laws pertaining to restricted entry of breweries, and with prior notification, it is agreed and understood that the Lessor and its agents shall have the complete and unencumbered right of entry to the Premises at any time or times for purposes of inspecting or showing the Premises and for the purpose of making any necessary repairs to the building or equipment as may be required of the Lessor under the terms of this Lease or as may be deemed necessary with respect to the inspection, maintenance or repair of the building.

19. **ESTOPPEL CERTIFICATE:** Lessee at any time and from time to time, upon at least ten (10) days prior notice by Lessor, shall execute, acknowledge and deliver to Lessor, and/or to any other person, firm or corporation specified by

Lessor, a statement certifying that the Lease is unmodified and in full force and effect, or if the Lease has been modified, then that the same is in full force and effect except as modified and stating the modifications, stating the dates to which the fixed rent and additional rent have been paid, and stating whether or not there exists any default by Lessor under this Lease and, if so, specifying each such default.

20. **HOLDOVER:** Should Lessee remain in possession of the Premises after the cancellation, expiration or sooner termination of the Lease, or any renewal thereof, without the execution of a new Lease or addendum, such holding over in the absence of a written agreement to the contrary shall be deemed, if Lessor so elects, to have created and be construed to be a tenancy from month to month, terminable upon thirty (30) days' notice by either party.

21. **WAIVER:** Waiver by Lessor of a default under this Lease shall not constitute a waiver of a subsequent default of any nature.

22. **GOVERNING LAW:** This Lease shall be governed by the laws of the State of California.

23. **NOTICES:** Payments and notices shall be addressed to the following:

Lessor -- DREJS LLC, 123 Old Club House Road, Soquel, CA 95073

Lessee – Elkhorn Slough Brewing LLC, 65 Hangar Way, Suite D, Watsonville, CA 95076.

24. **AMENDMENT:** No amendment of this Lease shall be effective unless reduced to writing and subscribed by the parties with all the formality of the original.

25. **BINDING EFFECT:** This Lease and any amendments thereto shall be binding upon the Lessor and each and every Partner constituting the Lessees' and/or their respective successors, heirs, assigns, executors and administrators.

IN WITNESS WHEREOF, the parties hereto set their hands and seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**Lessee's Signature**

**Printed Name**

Benjamin Ward, Managing Partner  
3367 Cunnison Lane Soquel CA 95073 - 917-319-9706

\_\_\_\_\_  
Jorge Vazquez, Partner  
730 Acre Street, Watsonville CA 95076 - 831-247-9393

\_\_\_\_\_  
Ericks Celis, Partner  
4350 Diamond St. #2, Capitola, CA 95010 818-324-2775

**Lessor's Signature**

**Printed Name**

\_\_\_\_\_  
Sam Bishop, DREJS Managing Partner

## ACKNOWLEDGMENT OF NOTARY PUBLIC

STATE OF \_\_\_\_\_

\_\_\_\_ County, ss.

On this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me  
appeared \_\_\_\_\_, as **LESSOR** of this Commercial Lease  
Agreement who proved to me through government issued photo identification to  
be the above-named person, in my presence executed foregoing instrument and  
acknowledged that they executed the same as their free act and deed.

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

## ACKNOWLEDGMENT OF NOTARY PUBLIC

STATE OF \_\_\_\_\_

\_\_\_\_ County, ss.

On this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me  
appeared \_\_\_\_\_, as **LESSEE** of this Commercial Lease  
Agreement who proved to me through government issued photo identification to  
be the above-named person, in my presence executed foregoing instrument and  
acknowledged that they executed the same as their free act and deed.

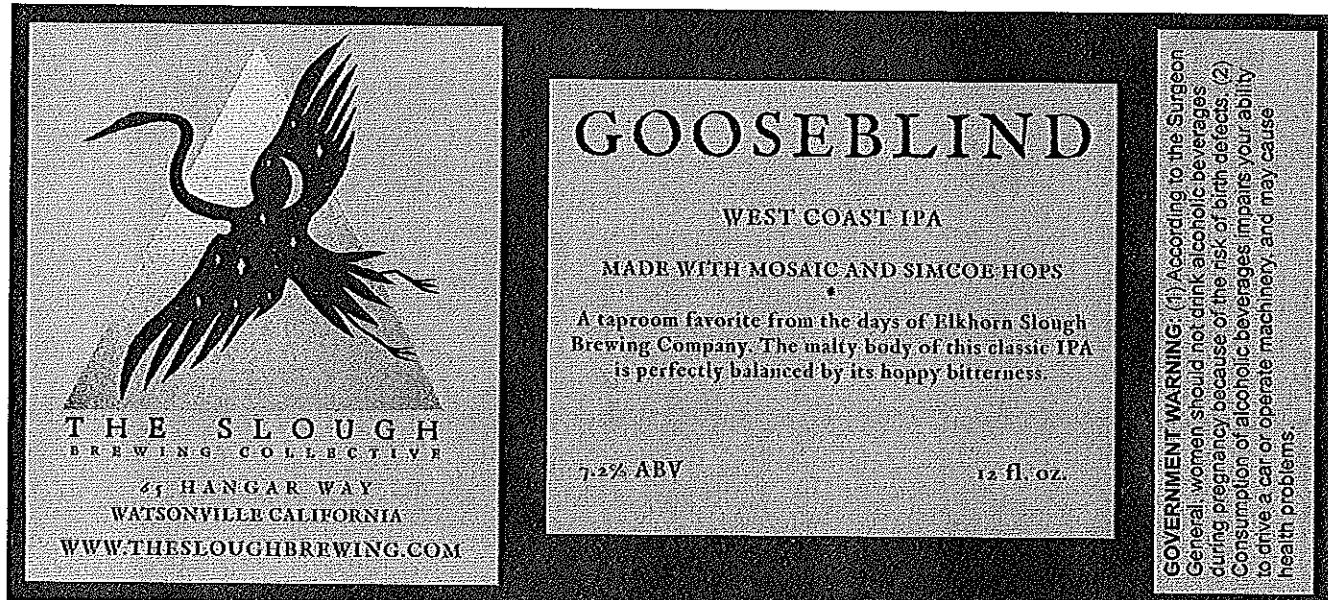
\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_





MONDAY: 4-9	TUESDAY-WEDNESDAY: CLOSED	THURSDAY-SUNDAY: 12-9
		
<b>THE SLOUGH</b> BREWING COLLECTIVE		
<b>TAP LIST</b>		
<b>PICK A SLOUGH OF SIX DIFFERENT 4 OZ POURS FOR \$12</b>		
<b>PAJARO GOLD</b> 5.5% ABV -PALE LAGER- Admiral Pils malt. Hopped with locally grown Akiyama Nugget hops. \$3 / 4 oz \$6 / 16 oz \$12 / Crowler	<b>TOP DRAWER</b> 6.9% ABV -PALE ALE- Admiral Pils & flaked oats. Dry hopped with Cashmere and BRU-7. \$3 / 4 oz \$7 / 16 oz \$13 / Crowler	
<b>COLIBRI</b> 5.8% ABV -WHEAT BEER- Admirals Pils, malted wheat, organic grapefruit zest, & coriander. \$3 / 4 oz \$6 / 16 oz \$12 / Crowler	<b>LEAF HOUSE</b> 7.2% ABV -HAZY IPA- Admiral pilsner malt & dry hopped with CTZ. \$3 / 4 oz \$7 / 16 oz \$13 / Crowler	
<b>FRESH HELLES</b> 4.9% ABV -HELLES LAGER- Admiral grains. Fermented with lactobacillus & yeast in stainless. \$3 / 4 oz \$6 / 16 oz \$12 / Crowler	<b>GOOSEBLIND</b> 7.0% ABV -IPA- Admiral Pils malt and organic flaked grains. Dry hopped with Amarillo and Wakatu. \$3 / 4 oz \$7 / 16 oz \$13 / Crowler	
<b>ANIMA MUNDI</b> 6.5% ABV -WILD SOUR- Admiral grains, using local Akiyama hops, and locally sourced mixed culture. \$3 / 4 oz \$6 / 16 oz No Crowlers	<b>GRANDMA'S BREAKFAST</b> 5.8% ABV -PORTER- brewed with California-grown base malts & English-grown chocolate malt. \$3 / 4 oz \$7 / 16 oz \$14 / Crowler	
<b>GIVEN TO TIME</b> 4.9% ABV -WILD SOUR- with a mixed culture of lactobacillus & yeast in stainless, conditioned in oak wine barrels. \$3 / 4 oz \$6 / 16 oz \$18 / 750ml	<b>MOOT POINT</b> 8.2% ABV -DIPA- collaboration with Bruition Brewing. Admiral Malting and oats. Dry hopped with Nelson. \$3 / 4 oz \$7 / 16 oz \$14 / Crowler	
<b>LITTLE WHIRL (Tiki Version)</b> 5.7% ABV -GOSE- mixed culture of lactobacillus & yeast in stainless, w/ mango, peach, and pink guava. \$3 / 4 oz \$7 / 16 oz \$13 / Crowler	<b>DECENNIIUM</b> 12% ABV -STRONG ALE- brewed with CA & English malt. Conditioned in Four Roses Bourbon barrels. \$3 / 4 oz \$6 / 8 oz No Crowlers	
WIFI: THESLOUGH PASSWORD: BEERISPEOPLE <a href="http://WWW.THESLOUGHBREWING.COM">WWW.THESLOUGHBREWING.COM</a>		



## APPENDIX 9

## ELKHORN SLOUGH DISTRIBUTION LIST

## Company - All Companies List

Filter	Value	Matching City	Matching State	Matching Zip Code	
Generated On	05/11/2009 09:25 AM				
<b>Type : Customer</b>					
Name	Customer Number	Mailing Address	Mailing City	Mailing State	Mailing Zip Code
99 Bottles		1101 Mission Ave.	Santa Cruz	CA	95060
Ab Arsenal		971 Laurel Street	San Carlos	CA	94070
Alvarado Street Brewery		425 ALVARADO St	Mercer	CA	93940
Amalgamate					
Apella St. B&B		8095 Apella St.	Aptos	CA	95003
Assembly		1103 Pacific Ave.	Santa Cruz	CA	95062
BearClaw					
Bear Thirty Bistro Shop & Pour House		2024 S Main	Santa Cruz	CA	95073
Boulder Creek Brewery Outpost					
Bumper, Apolis		7841 Soquel Drive	Aptos	CA	95003
Cafe Cruz		2821 14th Ave.	Capitola	CA	95013
Capitol California		3920 Faraway Dr.	Santa Cruz	CA	95073
Chardley					
City Beer					
City of Watsonville (C)					
Elks at the Airport					
Farmers Union Pour House		217 Main Street	Santa Cruz	CA	95061
Final Draft					
Flora Santa Cruz Garden					
Forager Trading Roots & Roots		420 S 1st St.	San Jose	CA	95112
Good Karma		37 S. 1st St.	San Jose	CA	95113
Half Brimstone		7502 14th Street	Santa Cruz	CA	95063
Heidi Kueger Foundation					
Holy Water					
Hurricane Sea		310 S 4th Street	Santa Cruz	CA	95060
ISO Beers					
Jack's Tap					
Jarvis					
Lupulus Craft Beer House					
McBess					
Original Crafty		66 S 1st St.	San Jose	CA	95113
Out of the Barrel - Cypress					
Out of the Barrel - Folsom					
Pajaro Valley Community Alliance					
Pavé and the Path					
Pour No Billa		600 Oak Ave.	Santa Cruz	CA	95060
Pour Taproom		1110 Cooper Street	Santa Cruz	CA	95060
Porch Market		1 Great Valley Rd	Fremont	CA	95019
Santa Cruz Beach Boardwalk					
Santa Cruz County Fairgrounds Foundation					
Santa Cruz Farm Bureau					
Santa Cruz Waves					
SCPAWP					
Santa Cruz Garden		859 W 9th St.	W. Visalia	CA	93291
Spaldens		11711 Hutton Ranch Rd	Santa Clara	CA	95050
Taproom		65 Hanger Way #C	Watson, Ca	CA	95076
The Canner House					
The Craft Stop		229 E Front St.	Merced	CA	95302
The Food Lounge					
The Hatched					
The Ritz					
The Rosewood Mountain Farm					
The Running Shop and Books		16977 Santa Fe Ave.	Morgan Hill	CA	95037
Trulock's Cafe		3 Del Pino Rd.	Central Valley	CA	93924
Upstart Brewing Co.					

## APPENDIX 10

## ELKHORN SCHEDULE C

<b>SCHEDULE C</b> (Form 1040)	<b>Profit or Loss From Business</b> (Sole Proprietorship)	OMB No. 1545-0074 <b>2018</b> Attachment Sequence No. 09																																																																
Department of the Treasury Internal Revenue Service (99) ► Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information. ► Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.																																																																		
Name of proprietor <b>Julie Y Rienhardt</b> <b>A</b> Principal business or profession, including product or service (see instructions) <b>Beverage Manufacturi</b> <b>C</b> Business name, if no separate business name, leave blank. <b>Elkhorn Slough Brewing Company LLC</b> <b>E</b> Business address (including suite or room no.) ► <b>65 Hangar Way D</b> City, town or post office, state, and ZIP code <b>Watsonville CA 95076</b> <b>F</b> Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ► <b>G</b> Did you 'materially participate' in the operation of this business during 2018? If 'No,' see instructions for limit on losses. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <b>H</b> If you started or acquired this business during 2018, check here. ► <input type="checkbox"/> <b>I</b> Did you make any payments in 2018 that would require you to file Form(s) 1099? (see instructions). <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <b>J</b> If 'Yes,' did you or will you file required Forms 1099? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No																																																																		
<b>Part I Income</b> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the 'Statutory employee' box on that form was checked.....</td> <td style="width: 20%; text-align: right;">► <input type="checkbox"/></td> </tr> <tr> <td>2 Returns and allowances.....</td> <td style="text-align: right;">1</td> </tr> <tr> <td>3 Subtract line 2 from line 1.....</td> <td style="text-align: right;">2</td> </tr> <tr> <td>4 Cost of goods sold (from line 42).....</td> <td style="text-align: right;">3</td> </tr> <tr> <td>5 Gross profit. Subtract line 4 from line 3.....</td> <td style="text-align: right;">4</td> </tr> <tr> <td>6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions).....</td> <td style="text-align: right;">5</td> </tr> <tr> <td>7 Gross income. Add lines 5 and 6.....</td> <td style="text-align: right;">6</td> </tr> <tr> <td></td> <td style="text-align: right;">7</td> </tr> </table>			1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the 'Statutory employee' box on that form was checked.....	► <input type="checkbox"/>	2 Returns and allowances.....	1	3 Subtract line 2 from line 1.....	2	4 Cost of goods sold (from line 42).....	3	5 Gross profit. Subtract line 4 from line 3.....	4	6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions).....	5	7 Gross income. Add lines 5 and 6.....	6		7																																																
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Add lines 8 through 27a.....</td> <td style="text-align: right;">28</td> </tr> <tr> <td>29 Tentative profit or (loss). Subtract line 28 from line 7.....</td> <td style="text-align: right;">29</td> </tr> <tr> <td>30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____ Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30.....</td> <td style="text-align: right;">30</td> </tr> <tr> <td>31 Net profit or (loss). Subtract line 30 from line 29.</td> <td style="text-align: right;">31</td> </tr> <tr> <td>• If a profit, enter on both Schedule 1 (Form 1040), line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). 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Your loss may be limited.</td> <td style="text-align: right;">32b</td> </tr> </table>			8 Advertising.....	8	9 Car and truck expenses (see instructions).....	9	10 Commissions and fees.....	10	11 Contract labor (see instructions).....	11	12 Depletion.....	12	13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions).....	13	14 Employee benefit programs (other than on line 19).....	14	15 Insurance (other than health).....	15	16 Interest (see instr.): a Mortgage (paid to banks, etc.).....	16a	b Other.....	16b	17 Legal and professional services.....	17	18 Office expense (see instructions).....	18	19 Pension and profit-sharing plans.....	19	20 Rent or lease (see instructions): a Vehicles, machinery, and equipment.....	20a	b Other business property.....	20b	21 Repairs and maintenance.....	21	22 Supplies (not included in Part III).....	22	23 Taxes and licenses.....	23	24 Travel and meals: a Travel.....	24a	b Deductible meals (see instructions).....	24b	25 Utilities.....	25	26 Wages (less employment credits).....	26	27a Other expenses (from line 48).....	27a	b Reserved for future use.....	27b	28 Total expenses before expenses for business use of home. 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BAA For Paperwork Reduction Act Notice, see the separate instructions.

FD-20112L 09/24/18

Schedule C (Form 1040) 2018

Schedule C (Form 1040) 2018 Julie Y Rienhardt

\*\*\*-\*\*\*-\*\*\*

Page 2

**Part III Cost of Goods Sold (see instructions)**

33	Method(s) used to value closing inventory: a <input checked="" type="checkbox"/> Cost b <input type="checkbox"/> Lower of cost or market c <input type="checkbox"/> Other (attach explanation)		
34	Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If 'Yes,' attach explanation.....	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation.....	35	28,941.
36	Purchases less cost of items withdrawn for personal use.....	36	65,348.
37	Cost of labor. Do not include any amounts paid to yourself.....	37	
38	Materials and supplies.....	38	
39	Other costs.....	39	
40	Add lines 35 through 39.....	40	94,289.
41	Inventory at end of year.....	41	51,681.
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4.....	42	42,608.

**Part IV** **Information on Your Vehicle.** Complete this part only if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) ► \_\_\_\_\_

44 Of the total number of miles you drove your vehicle during 2018, enter the number of miles you used your vehicle for:

a Business \_\_\_\_\_ b Commuting (see instructions) \_\_\_\_\_ c Other \_\_\_\_\_

45 Was your vehicle available for personal use during off-duty hours? .....  Yes  No

46 Do you (or your spouse) have another vehicle available for personal use? .....  Yes  No

47a Do you have evidence to support your deduction? .....  Yes  No

b If 'Yes,' is the evidence written? .....  Yes  No

**Part V** Other Expenses. List below business expenses not included on lines 8-26 or line 30.

See Statement 1

48 Total other expenses. Enter here and on line 27a. .... 48 21,098.

Schedule C (Form 1040) 2018

## Elkhorn Slough Brewing Co.

## PROFIT AND LOSS

January - December 2016

	TOTAL
Income	
Miscellaneous Income	0.25
Refunds-Allowances	0.00
Sales	629.70
Beer - Kegged	15,600.00
<b>Total Sales</b>	<b>16,229.70</b>
Sales of Product Income	4,050.00
Square Income	48,043.33
Tip Income	2,936.96
<b>Total Income</b>	<b>\$71,260.24</b>
Cost of Goods Sold	
Cost of Goods Sold	-9,898.71
Beer - Kegged	2,331.92
Beer - Work In Progress Loss	992.19
Inventory Adjustment	-466.98
Taproom Transfer	4,629.96
<b>Total Cost of Goods Sold</b>	<b>-2,411.62</b>
Subcontractors - COS	24,078.71
Supplies & Materials - COGS	30,281.94
<b>Total Cost of Goods Sold</b>	<b>\$51,949.03</b>
GROSS PROFIT	<b>\$19,311.21</b>
Expenses	
Advertising	626.57
Amortization	7,018.00
Bank Charges	167.80
Disposal Fees	61.00
Donation	100.00
Equipment under 2.5k	18,154.00
Freight & Delivery	380.73
Insurance	449.00
Insurance - Liability	1,611.04
Insurance - Workers Comp	449.00
Interest Expense	7,345.18
Job Materials	1,602.98
Lease Equipment	4,856.69
Legal & Professional Fees	3,807.75
Meals and Entertainment	863.63
Office Expenses	830.17
Payroll Expenses	
Taxes	163.92
Wages	1,209.81
<b>Total Payroll Expenses</b>	<b>1,373.73</b>
Promotional	3,877.34

	TOTAL
Rent or Lease	23,320.00
Repair & Maintenance	1,102.05
Research & Testing	138.55
Shipping and delivery expense	1,091.27
Software	1,078.91
Square Fees	1,076.54
Supplies	7,876.92
Taxes & Licenses	3,255.40
Travel	8.00
Travel Meals	7.53
Uncategorized Expense	0.00
<b>Total Expenses</b>	<b>\$92,529.78</b>
<b>NET OPERATING INCOME</b>	<b>\$ -73,218.57</b>
Other Income	
Interest Earned	0.02
<b>Total Other Income</b>	<b>\$0.02</b>
Other Expenses	
Depreciation Expense	95,112.00
Miscellaneous	0.00
Penalties & Settlements	122.75
<b>Total Other Expenses</b>	<b>\$95,234.75</b>
<b>NET OTHER INCOME</b>	<b>\$ -95,234.73</b>
<b>NET INCOME</b>	<b>\$ -168,453.30</b>

## Elkhorn Slough Brewing Co.

## PROFIT AND LOSS

January - December 2017

	TOTAL
Income	
Billable Expense Income	250.00
Miscellaneous Income	0.00
Sales	266.16
Beer - Kegged	30,585.00
Beer - Packaged	1,100.00
Total Sales	<b>31,951.16</b>
Sales of Product Income	1,215.00
Square Income	199,356.89
Uncategorized Income	2,728.18
<b>Total Income</b>	<b>\$235,501.23</b>
Cost of Goods Sold	
Cost of Goods Sold	486.23
Beer - Kegged	4,816.00
Beer - Packaged	8.46
Beer - Work In Progress Loss	4,502.89
Inventory Adjustment	-3,330.36
Taproom Transfer	19,130.09
<b>Total Cost of Goods Sold</b>	<b>25,613.31</b>
Subcontractors - COS	3,825.00
Supplies & Materials - COGS	15,020.69
<b>Total Cost of Goods Sold</b>	<b>\$44,459.00</b>
GROSS PROFIT	<b>\$191,042.23</b>
Expenses	
Advertising	1,910.92
Amortization	2,356.00
Bank Charges	9,656.87
Donation	2,825.00
Dues & Subscriptions	259.35
Equipment under 2.5k	9,739.43
Industry/Conference	318.00
Insurance - Liability	2,985.72
Insurance - Workers Comp	2,647.00
Interest Expense	6,127.62
Lease Equipment	6,897.09
Lease Equipment	0.00
Legal & Professional Fees	1,100.00
Meals and Entertainment	1,332.02
Office Expenses	2,296.70
Other General and Admin Expenses	329.85
Payroll Expenses	
Taxes	9,271.38
Wages	77,729.49

	TOTAL
<b>Total Payroll Expenses</b>	<b>87,000.87</b>
Promotional	5,006.00
Rent or Lease	40,220.00
Repair & Maintenance	7,698.21
Research & Testing	58.25
Shipping and delivery expense	87.78
Software	2,221.00
Square Fees	16.76
Supplies	13,750.11
Taxes & Licenses	5,407.20
Telephone Expense	158.99
Travel	430.60
Travel Meals	208.43
Uncategorized Expense	0.00
Utilities	2,847.72
<b>Total Expenses</b>	<b>\$215,893.49</b>
<b>NET OPERATING INCOME</b>	<b>\$ -24,851.26</b>
Other Expenses	
Depreciation Expense	13,652.00
Miscellaneous	917.34
<b>Total Other Expenses</b>	<b>\$14,569.34</b>
<b>NET OTHER INCOME</b>	<b>\$ -14,569.34</b>
<b>NET INCOME</b>	<b>\$ -39,420.60</b>

## Elkhorn Slough Brewing Co.

## PROFIT AND LOSS

January - December 2018

	TOTAL
Income	
Miscellaneous Income	974.81
Refunds-Allowances	47.13
Sales	100.00
Beer - Kegged	15,427.00
Beer - Packaged	20.00
<b>Total Sales</b>	<b>15,547.00</b>
Sales of Product Income	2,376.80
Square Income	307,473.99
Uncategorized Income	129.00
<b>Total Income</b>	<b>\$326,548.73</b>
Cost of Goods Sold	
Cost of Goods Sold	232.84
Beer - Kegged	2,204.66
Beer - Packaged	0.31
Beer - Work In Progress Loss	5,901.98
Inventory Adjustment	-4.54
Taproom Transfer	27,451.38
<b>Total Cost of Goods Sold</b>	<b>35,786.63</b>
Cost of Goods Sold-1	568.60
Supplies & Materials - COGS	5,857.73
<b>Total Cost of Goods Sold</b>	<b>\$42,212.96</b>
<b>GROSS PROFIT</b>	<b>\$284,335.77</b>
Expenses	
Advertising	1,489.00
Bank Charges	1,832.12
Donation	1,850.00
Dues & Subscriptions	604.35
Equipment under 2.5k	6,562.77
Industry/Conference	1,478.57
Insurance - Liability	3,207.44
Insurance - Workers Comp	6,625.00
Interest Expense	5,794.09
Lease Equipment	6,726.72
Legal & Professional Fees	3,069.00
Meals and Entertainment	3,090.85
Miscellaneous FRAUD	135.78
Office Expenses	2,631.45
Other General and Admin Expenses	640.29
Payroll Expenses	
Taxes	12,685.25
Wages	88,526.59
<b>Total Payroll Expenses</b>	<b>101,211.84</b>

	TOTAL
Promotional	1,565.16
Rent or Lease	45,524.87
Repair & Maintenance	2,117.55
Research & Testing	15.60
Shipping and delivery expense	110.00
Software	2,727.00
Square Fees	5,177.25
Supplies	11,686.54
Taxes & Licenses	4,927.51
Travel	1,061.99
Travel Meals	273.88
Uncategorized Expense	105.50
Utilities	13,881.63
<b>Total Expenses</b>	<b>\$236,123.75</b>
<b>NET OPERATING INCOME</b>	<b>\$48,212.02</b>
Other Expenses	
Miscellaneous	729.13
Reconciliation Discrepancies	-7.39
<b>Total Other Expenses</b>	<b>\$721.74</b>
<b>NET OTHER INCOME</b>	<b>\$ -721.74</b>
<b>NET INCOME</b>	<b>\$47,490.28</b>

## APPENDIX 11

## ELKHORN PROFIT AND LOSS

## Elkhorn Slough Brewing Co.

## PROFIT AND LOSS

January - December 2019

	TOTAL
Income	
Miscellaneous Income	98.74
Sales	
Beer - Kegged	23,910.00
Total Sales	<b>23,910.00</b>
Square Income	231,720.67
Uncategorized Income	1,192.45
Total Income	<b>\$256,921.86</b>
Cost of Goods Sold	
Cost of Goods Sold	
Beer - Kegged	4,901.75
Beer - Work In Progress Loss	6,089.50
Inventory Adjustment	-3,075.01
Taproom Transfer	24,272.65
Total Cost of Goods Sold	<b>32,188.89</b>
Supplies & Materials - COGS	5,129.06
Total Cost of Goods Sold	<b>\$37,317.95</b>
GROSS PROFIT	<b>\$219,603.91</b>
Expenses	
Advertising	480.00
Bank Charges	386.05
Disposal Fees	200.00
Donation	5,850.00
Dues & Subscriptions	35.00
Equipment under 2.5k	722.61
Ford Hybrid	13,263.50
Industry/Conference	166.56
Insurance - Liability	5,062.64
Interest Expense	4,822.31
Lease Equipment	7,077.98
Legal & Professional Fees	1,190.00
Meals and Entertainment	2,129.43
Miscellaneous FRAUD	98.74
Office Expenses	2,167.09
Other General and Admin Expenses	851.51
Payroll Expenses	
Taxes	10,343.98
Wages	84,776.67
Total Payroll Expenses	<b>95,120.65</b>
Promotional	119.75
Rent or Lease	42,075.00
Repair & Maintenance	3,674.15
Software	2,416.00

	TOTAL
Square Fees	4,430.99
Supplies	7,404.40
Taxes & Licenses	5,283.50
Travel	3,188.17
Travel Meals	225.41
Utilities	11,416.77
<b>Total Expenses</b>	<b>\$219,858.21</b>
<b>NET OPERATING INCOME</b>	<b>\$ -254.30</b>
Other Expenses	
Miscellaneous	89.09
<b>Total Other Expenses</b>	<b>\$89.09</b>
<b>NET OTHER INCOME</b>	<b>\$ -89.09</b>
<b>NET INCOME</b>	<b>\$ -343.39</b>

## APPENDIX 12

## ELKHORN BALANCE SHEET

## Elkhorn Slough Brewing Co.

## BALANCE SHEET

All Dates

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
Business Advantage Chk (2374)	682.83
Cash Drawer	2,940.07
Private pay	0.00
SCCCU Checking	0.00
SCCCU Savings	5.01
Square Card	0.00
<b>Total Bank Accounts</b>	<b>\$3,627.91</b>
Accounts Receivable	
Accounts Receivable	2,430.00
<b>Total Accounts Receivable</b>	<b>\$2,430.00</b>
Other Current Assets	
Inventory Asset	4,103.07
Beer - Kegged	12,403.56
Beer - Packaged	1,233.77
Beer - Work In Progress	9,863.95
Ingredients	17,120.59
Merchandise	26,775.42
Packaging	-250.46
<b>Total Inventory Asset</b>	<b>71,249.90</b>
Inventory Asset-1	191.40
Prepaid Expenses	0.00
Prepaid Taxes	800.00
Uncategorized Asset	-100.00
Undeposited Funds	481.50
<b>Total Other Current Assets</b>	<b>\$72,622.80</b>
<b>Total Current Assets</b>	<b>\$78,680.71</b>
Fixed Assets	
2010 Toyota Truck	9,668.00
Accumulated Depreciation	-108,764.00
Brewing/Fermenting Equipment	106,297.41
Furniture & Fixtures	2,441.43
Leasehold Improvements	105,170.64
<b>Total Fixed Assets</b>	<b>\$114,813.48</b>
Other Assets	
Accumulated Amortization	-4,374.00
Loan Origination Fees	2,300.85
Security Deposits	1,925.00
Start Up Costs	30,486.20
Consumables	0.00
<b>Total Start Up Costs</b>	<b>30,486.20</b>

## APPENDIX 12

## ELKHORN BALANCE SHEET

	TOTAL
Trademark	2,000.00
<b>Total Other Assets</b>	<b>\$32,338.05</b>
<b>TOTAL ASSETS</b>	<b>\$225,832.24</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	1,242.99
<b>Total Accounts Payable</b>	<b>\$1,242.99</b>
Credit Cards	
BofA Credit Card	9,664.89
ESBC Credit Card	-1,700.00
<b>Total Credit Cards</b>	<b>\$7,964.89</b>
Other Current Liabilities	
Accrued AP	0.00
BOE Payable	351.39
Contract Brewing	5,000.00
Direct Deposit Payable	0.00
Keg Deposit	0.00
N/P SCCCU	45,650.12
Payroll Liabilities	
CA PIT / SDI	-4,283.64
CA SUI / ETT	118.93
Child Support	4,582.03
Federal Taxes (941/944)	750.36
Federal Unemployment (940)	20.38
<b>Total Payroll Liabilities</b>	<b>1,188.06</b>
Sales Tax Payable	-30,410.04
Square Gift Card	209.83
Square Tips	0.00
Unassigned Tax Agency for Apps Payable	0.00
<b>Total Other Current Liabilities</b>	<b>\$21,989.36</b>
<b>Total Current Liabilities</b>	<b>\$31,197.24</b>
Long-Term Liabilities	
N/P SCCCU #2	4,104.76
<b>Total Long-Term Liabilities</b>	<b>\$4,104.76</b>
<b>Total Liabilities</b>	<b>\$35,302.00</b>
Equity	
Owner's Equity	235.00
Owner Investment	364,121.40
Owner's Draw	-65.45
<b>Total Owner's Equity</b>	<b>364,290.95</b>
Retained Earnings	-2,297.49
Net Income	-171,463.22
<b>Total Equity</b>	<b>\$190,530.24</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$225,832.24</b>

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## BUSINESS PURCHASE AGREEMENT

This Business Purchase Agreement (this "Agreement") is made and entered into on March 30, 2020, by and between Michael Enos, and Julie Rienhardt of Elkhorn Slough Brewing Co LLC, having its principal office of business at 25 Waugh Road, Royal Oaks, California 95076 ("Seller"), on the one hand, and Benjamin Ward, Ericks Celis, and Jorge Vazquez of Elkhorn Slough Brewing LLC dba The Slough Brewing Collective, having its principal office of business at 65 Hangar Way, Suite D, Watsonville, California 95076 ("Buyer"), on the other hand. Seller and Buyer are collectively referred to herein as the "Parties", and are sometimes referred to individually as a "Party".

### RECITALS:

WHEREAS, Seller is the owner of a Elkhorn Slough Brewing Company, located at 65 Hangar Way, Suite D, Watsonville, California 95076 (collectively, the "Business");

WHEREAS, Seller desires to sell the Business to Buyer, and Buyer desires to purchase the Business from Seller.

NOW, THEREFORE, for and in consideration of the mutual covenants and benefits derived and to be derived from this Agreement by each Party, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer hereby agree as follows:

### A. Subject Matter

#### 1. Description of Business

The Business includes the following properties:

The Inventory, which includes the stock in trade and merchandise, raw materials, work in progress and finished goods to be sold and purchased under this Agreement

All the furniture, fixtures, equipment, and other tangible assets

All the trade, goodwill, and other intangible assets

#### Agreement to Sell

Subject to and in accordance with the terms and conditions of this Agreement, Buyer agrees to purchase the Business from Seller, and Seller agrees to sell the Business to Buyer. Seller represents and warrants to Buyer that it has (and Buyer will have) good and marketable title to the Business, free and clear of all liens and encumbrances.

#### 2. Purchase Price and Method of Payment

Buyer shall pay and Seller shall accept the purchase price for the Business as follows:

#### Consideration

As total consideration for the purchase and sale of the Business (including its tangible and intangible assets as described above), and Buyer's assumption of the assumed obligations and all other liabilities provided for in this

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Agreement, the Buyer shall pay to the Seller the sum of \$60,000.00, and such total consideration to be referred to in this Agreement as the "Purchase Price."

#### Payment

The sum of \$60,000.00 shall be delivered to Seller upon Buyer's execution of this Agreement. Subject to the following conditions, the Buyer shall make final payment of the remaining unpaid amount of the Purchase Price at closing. Buyer agrees to pay the entire amount at closing. Concurrent with the execution of this Agreement, Buyer has deposited with the Seller or Seller's Escrow Agent the sum of \$60,000.00, (hereinafter referred to as "Earnest Money") as earnest money and a partial payment of the consideration under the Contract. In the event that the purchase and sale shall be consummated pursuant to the terms of said contract, Seller or Seller's Escrow Agent shall, at such closing, deliver to Seller the Earnest Money, and Buyer shall be given credit toward the purchase price for the payment of the Earnest Money. In the event that the closing does not occur, Buyer's deposited earnest money should be returned to Buyer. Unless the Buyer does not make a good faith effort to obtain financing, the Buyer shall be returned their earnest money if closing does not occur.

#### Allocation

The Purchase Price shall be allocated for tax purposes as follows:

<u>Asset Purchased</u>	<u>Fair Market Value</u>
Brewery equipment	\$30,000.00
Inventory	\$10,000.00
Taproom equipment and furnishings	\$10,000.00
Trade, goodwill, and intangible assets	\$10,000.00

#### Fair Market Value

Buyer and Seller each acknowledge that the amount of Purchase Price allocated to the Business properties represents the fair market value of the properties. Buyer and Seller each agree to report the sale of the business for income tax purposes according to the allocations set forth herein.

### 3. Closing

#### Time and Place of Closing

Closing is the date and time at which parties agree to finalize this transaction. The closing date is designated as April 30, 2020, provided there are no unforeseen delays. Time is of the essence and in no event shall closing be later than 90 calendar days after designated closing date, unless an extension is agreed upon in writing between the Buyer and the Seller.

At Closing, Seller shall deliver to the Buyer a final, executed Bill of Sale transferring to Buyer all of the assets of the Business sold hereunder, free and clear of any and all liens, encumbrances, security interests, debts or taxes of any nature whatsoever. The Seller shall also produce an Affidavit of Title indicating the Seller's authority to sell and transfer the Business and its assets. Finally, the Seller shall execute and deliver an assignment of the assumed name of the Business to the Buyer and any other documents necessary to finalize this Agreement.

#### B. Representations and Warranties of Seller

Seller makes the following representation and warranties as of the date hereof and as of the date of Closing, except when otherwise indicated.

#### Organization and Standing

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The Business is duly organized, validly existing, in good standing under the laws of the State of California and is qualified to carry on its business in the State of California, and has the corporate power and authority to carry on its business as it is now being conducted.

#### **Authority Relative to this Agreement**

Except as otherwise stated herein, the Seller has full power and authority to execute this Agreement and carry out the transactions contemplated by it. No further action is necessary by the Seller to make this Agreement valid and binding upon Seller and enforceable against it in accordance with the terms hereof, or to carry out the actions contemplated hereby. The execution, delivery, and performance of this Agreement by the Seller will not constitute:

- (i) a breach or a violation of the Corporation's Certificate of Incorporation, by-laws, or of any law, agreement, indenture, deed of trust, mortgage, loan agreement or other instrument to which it is a party, or by which it is bound;
- (ii) a violation of any order, judgment or decree to which it is a party or by which its assets or properties is bound or affected; or
- (iii) result in the creation of any lien, charge or encumbrance upon its assets or properties except as stated herein.

#### **Authorization and Enforceability**

This Agreement constitutes Seller's legal, valid and binding obligation, enforceable in accordance with its terms, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and conveyance and other laws for the protection of creditors, as well as to general principles of equity, regardless whether such enforceability is considered in a proceeding in equity.

#### **Tax Matters**

The Seller has timely prepared and filed all federal, state, and local tax returns and reports as are and have been required to be filed, and all taxes shown thereon to be due have been paid in full, including but not limited to sales tax, withholding tax, and all other taxes of every nature.

#### **Properties**

The Seller has good and merchantable title to all of its properties and assets that constitute "Business" as defined herein. At Closing, such properties and assets will be subject to no mortgage, pledge, lien, conditional sales agreement, security agreement, encumbrance or charge, secured or unsecured, except for those taxes which shall be pro-rated as of the date of Closing. Seller has or will pay all debts incurred by it up to the date of occupancy by Buyer including all employee compensation and utilities.

#### **Litigation**

There is no action, suit, proceeding, claim or investigation by any person, entity, or governmental entity pending or, to Seller's knowledge, threatened against it before any governmental entity that impedes or is likely to impede its ability to consummate the transaction.

#### **Compliance with Applicable Laws**

None of the Seller's actions in transferring good and merchantable title to those assets and properties set out in herein are prohibited by or have violated or will violate any law in effect on the date of this Agreement or on the date of closing.

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**Documents for Review**

The Seller's Documents for Review enumerated in Exhibit "A" attached hereto and made a part hereof are true, authentic, and correct copies of the originals, or as appropriate the originals themselves, and no alterations and modifications thereof have been made.

**Business Lease**

The lease currently operative on the premises, if applicable, is in good standing and all payments required to be made under the lease have been made by Seller. All rent averages, rent, maintenance and other expenses relating to the lease including any real property tax obligations and insurance obligations up to occupancy by Buyer are the responsibility of Seller.

Seller will pay any and all fees charged by the Landlord for processing any assignment of the lease to Buyer.

**No Other Representations or Warranties; Disclosed Materials**

Seller makes no other express or implied representations of warranty with respect to Seller, and Seller disclaims any other representations or warranties not contained in this Agreement, whether made by Seller, any affiliate of Seller, or any of their respective officers, directors, managers, partners, employees or agents.

**C. Representations and Warranties by both Buyer and Seller**

Buyer makes the following representations and warranties as of Closing and as of the date hereof.

**Warrants**

Buyer and Seller hereby represent and warrant that there has been no act or omission by Buyer or Seller which would give rise to any valid claim against any of the parties hereto for a brokerage commission, finder's fee, or other like payment in connection with the transactions contemplated hereby.

**Financial Resources**

Buyer shall have as of Closing, sufficient funds with which to pay the Closing Amount and consummate the transaction and, following Closing, Buyer will have sufficient funds to pay any adjustments to the Purchase Price and meet its other payment obligations under this Agreement.

**Payment of Costs and Expenses**

Except as expressly provided to the contrary in this Agreement, each party shall pay all of its own costs and expenses incurred with respect to the negotiation, execution and delivery of this Agreement and the exhibits hereto.

**Litigation**

There is no action, suit, proceeding, claim or investigation by any person, entity, or governmental entity pending or, to Buyer's knowledge, threatened against it before any governmental entity that impedes or is likely to impede its ability to consummate the transaction and to assume the liabilities to be assumed by it under this Agreement.

**Indemnification**

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Buyer shall indemnify and hold Seller harmless from any and all liabilities and obligations arising from Buyer's operation of the business after the Closing. Similarly, Seller shall indemnify and hold Buyer harmless from any and all liabilities and obligations arising from Seller's operation of the business prior to the Closing.

#### **Default**

After execution of this Agreement by the parties, if either party fails to perform its respective obligations, or breaches a warranty or covenant, that would constitute a default. The defaulting party shall cure the default within 90 days of notice by the other party. In the event of a failure to cure such default by either party within the stipulated time, Seller or Buyer shall have the right to cancel this transaction and/or sue for damages in addition to any other relief provided under this Agreement. In a suit for default, the prevailing party shall recover reasonable attorney fees.

#### **Survival of Representations and Warranties**

Each of the parties to this Agreement covenants and agrees that their respective representations, warranties, covenants, statements, and agreements contained in this Agreement shall survive the Closing Date. Except the exhibits hereto or the documents and papers delivered by Seller to Buyer in connection with the Agreement herewith, there are no other agreements, representations, warranties, or covenants by or among the parties hereto with respect to the subject matter hereof.

#### **Buyer's Evaluation**

Buyer acknowledges that it is an experienced and knowledgeable investor in brewing craft beer, and is aware of the risks.

#### **Cooperation**

Both Seller and Buyer agrees to cooperate fully with each other and to execute such further instruments, documents and agreements and to give such further written assurances, as may be reasonably requested by the parties, to better evidence and consummate the transactions described herein and contemplated hereby, and to carry into effect the intents and purposes of this Agreement.

#### **Bankruptcy**

There are no bankruptcy, reorganization or arrangement proceedings pending, being contemplated by or to such Buyer's knowledge threatened against such Buyer or any affiliate of such Buyer.

#### **Confidentiality**

Both Seller and Buyer shall not divulge, communicate, or use to the detriment of the other or for the benefit of any other person or persons, or misuse in any way, any of Seller's confidential information discovered by or disclosed to Seller or Buyer as a result of the delivery, execution or performance of this Agreement.

#### **No Investment Company**

Buyer is not (a) an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended, or (b) subject in any respect to the provisions of that Act.

#### **D. Transactions Prior to Closing**

##### **Conduct of Seller's Business until Closing**

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Except as Buyer may otherwise consent in writing prior to the Closing Date, Seller will not enter into any transaction, take any action, or fail to take any action which would result in or could reasonably be expected to result in or cause any of the representations and warranties of Seller contained in this Agreement to be void, invalid, or false on the Closing Date.

#### **Resignations**

Seller shall deliver to Buyer prior to the Closing Date such resignations of officers or employees of the business as Buyer shall indicate, and each such resignation to be effective on the Closing Date.

#### **Satisfactions**

Seller shall deliver to Buyer on the Closing Date a satisfaction of any encumbrance or lien on the business property, satisfactory in form and substance to the Buyer, indicating that the then outstanding unpaid principal balance of any promissory note secured thereby has been paid in full prior to or simultaneously with the closing.

#### **Advice of Changes**

Between the date hereof and the Closing Date, Seller will promptly advise Buyer in writing of any fact which, if existing or known at the date hereof, would have been required to be set forth herein or disclosed pursuant to this Agreement.

#### **Documents**

Seller shall deliver to Buyer at closing such documents which are in Buyer's sole discretion and necessary to fully satisfy the objectives of this Agreement in content and form.

### **E. General Provisions**

#### **Waivers**

No action taken pursuant to this Agreement including any investigation by or on behalf of any party shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein or therein and in any documents delivered in connection herewith or therewith. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

#### **No Third-Party Beneficiaries**

Except as otherwise provided, nothing in this Agreement shall provide any benefit to any third party or entitle any third party to any claim, cause of action, remedy, or right of any kind, it being the intent of the Parties that this Agreement shall not be construed as a third-party beneficiary contract.

#### **Notices**

All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered or mailed, first class mail, postage prepaid to Seller, Buyer, or to such other address as such party shall have specified by notice in writing to the other party.

#### **Sections and Other Headings**

The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretations of this Agreement.

#### **Governing Law; Venue**

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This agreement and all transactions contemplated hereby shall be governed by and construed and enforced in accordance with the laws of California.

#### **Conditions Precedent**

If the obligations and responsibility of either party are not fulfilled by the appropriate dates thereof, then this Agreement shall be deemed null and void and any deposits paid at said time shall be returned to the Buyer forthwith.

#### **Time is of the Essence**

Time and timely performance are of the essence in this contract and of the covenants and provisions hereunder.

#### **Successors and Assigns**

This Agreement may not be assigned without the prior written consent of the parties hereto. Rights and obligations created by this contract shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns. Whenever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders.

#### **Contractual Procedures**

Unless specifically disallowed by law, service of process in any litigation that arise hereunder may be obtained through certified mail, return receipt requested; the parties hereto waiving any and all rights they may have to object to the method by which service was perfected.

#### **Extraordinary Remedies**

To the extent cognizable at law, in the event of breach the parties hereto may obtain injunctive relief in addition to any and all other remedies available thereto regardless of whether the injured party can demonstrate that no adequate remedy exists at law.

#### **Entire Agreement**

This Contract contains the entire agreement of the parties, and there are no other promises or conditions in any other agreement whether oral or written concerning the subject matter of this Contract. This Contract supersedes any prior written or oral agreements between the parties.

#### **Severability**

If any provision of this Contract will be held to be invalid or unenforceable for any reason, the remaining provisions will continue to be valid and enforceable. If a court finds that any provision of this Contract is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provision will be deemed to be written, construed, and enforced as so limited.

#### **Amendments**

This Contract may be modified or amended in writing, if the writing is signed by the party obligated under the amendment.

#### **Initials and Exhibits**

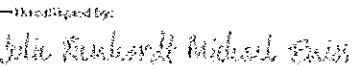
This Contract shall not be valid and enforceable unless it is properly executed by Buyer and Seller and their initials affixed to each page of the exhibits attached hereto and made a part hereof.

#### **Signatories**

This Agreement shall be executed on behalf of Michael Enos, and Julie Rienhardt of Elkhorn Slough Brewing Co LLC by Julie Rienhardt, its Member, and on behalf of Benjamin Ward, Ericks Celis, and Jorge Vazquez of Elkhorn Slough Brewing LLC dba The Slough Brewing Collective by Benjamin Ward, its Member.

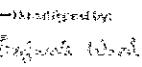
DocuSign Envelope ID: 81AD5EBD-9D89-48E5-B500-5DFC822B7C9E

**BUSINESS:**

A handwritten signature in black ink, enclosed in a rectangular box. The signature reads "Julie Rienhardt Michael Enos".

Michael Enos, and Julie Rienhardt of Elkhorn Slough Brewing Co LLC  
By Julie Rienhardt, its Member

**BUYER:**

A handwritten signature in black ink, enclosed in a rectangular box. The signature reads "Benjamin Ward, Erick Celis, and Jorge Vazquez".

Benjamin Ward, Erick Celis, and Jorge Vazquez of Elkhorn Slough Brewing LLC dba The Slough Brewing Collective  
By Benjamin Ward, its Member

DocuSign Envelope ID: 81AD5EBD-9D89-48E5-B500-5DFC822B7C9E

**Exhibit "A"**  
**Documents for Review**

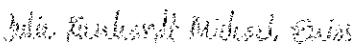
Leasehold Agreement(s)

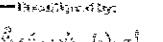
Financial and Operating Statement(s)

Sales Tax Return(s)

Income Tax Return(s)

For all documents named above the Seller shall provide full and complete records covering the past 3 years.

  
Michael Enos, and Julie Rienhardt of Elkhorn Slough Brewing Co LLC

  
Benjamin Ward, Ericks Celis, and Jorge Vazquez of Elkhorn Slough Brewing LLC dba The Slough Brewing Collective

## APPENDIX 14

## EQUIPMENT LIST

## Elkhorn Slough Brewing Company Equipment List - 3/2/20

ITEM	QUANTITY	APPROX. INITIAL VALUE EA.	APPROX. TOTAL VALUE
1/4 bbl Sanke D Kegs	88	\$70.00	\$6,160.00
1/6 bbl Sanke D Kegs	162	\$60.00	\$9720.00
3bbl Stout All-Electric Brewhouse; including custom, programmable control panel, Hot Liquor Tank, Mash Tun, and Brew Kettle, with all pumps, fittings and hoses.	1	\$40000.00	\$40000.00
1/2 horsepower CPE Systems portable centrifugal pumps	2	\$750.00	\$1,500.00
Stout 6 bbl fermentors with top manways and all fittings	3	\$5000.00	\$15,000.00
Stout 3 bbl fermentor with side manway and all fittings	1	\$2700.00	\$2,700.00
Apex 10 bbl fermentor with side manway and all fittings	1	\$7000.00	\$7,000.00
8 bbl custom single wall fermentor with all fittings	1	\$1400.00	\$1,400.00
Stout 6 bbl Brite Tank with side manway and all fittings	1	\$1400.00	\$1,400.00
Prochiller Heat Exchanger	1	\$900.00	\$900.00
Prochiller Chill and Flo Glycol Chiller	1	\$1200.00	\$1,200.00
10x20x10 Walk-in cooler with sliding door	1	\$2000.00	\$2,000.00
10x10x8 Walk-in cooler with swing door, fitted with 12 Intertap faucets and Micromatic regulators and valves	1	\$1800.00	\$1,800.00
Jim Boney Custom grain mill	1	\$2000.00	\$2,000.00
53 Gallon used spirit barrels	15	\$125.00	\$1,875.00
60 gallon used wine barrels	35	\$100.00	\$3,500.00
Wine barrel racks	29	\$60.00	\$1740.00
15 gallon yeast brink with all fittings	1	\$150.00	\$150.00
<b>TOTAL</b>			<b>\$100045.00</b>

**SANTA CRUZ  
COUNTY**



March 20, 2020

**BANK**

Benjamin Ward, Jorge Vazquez and Ericks Celis  
Elkhorn Slough Brewing LLC  
65 Hangar Way D  
Watsonville, CA 95076

Dear Mr. Ward, Mr. Vazquez and Mr. Celis:

An analysis of the documents and other information submitted to Santa Cruz County Bank has been completed.

We are pleased to inform you that your request for an SBA guaranteed loan in the amount of \$48,000.00 has been credit approved. This approval is subject to our obtaining a loan authorization from the Small Business Administration (SBA) guaranteeing the loan and non-occurrence of any material adverse change in conjunction with your loan application.

The loan is repayable over 10 years at an initial payment of \$558.00 monthly and is fully amortized over the term. The interest rate is the Prime Rate as published in the Wall Street Journal\* (currently 4.25%), plus a spread of 2.75% = 7.00%, adjusting quarterly.

This loan is subject to certain terms and conditions as may be required by the Small Business Administration and Santa Cruz County Bank. Your assistance is necessary for prompt Small Business Administration action. An initial list of information required and copies of the documents to be completed are enclosed with this letter.

While we charge no points for our loan, we do ask the borrower to provide us with partial closing costs in the amount of \$500.00, payable to Santa Cruz County Bank, at this time so we can proceed. The partial closing costs are used to defray actual costs for services required on your behalf (i.e. filing fees, appraisals, title insurance, credit reports, etc.). The Small Business Administration itself will require a guarantee fee of \$816.00 based on the guaranteed portion of the loan.

**Project Source and Use of Funds:**

	Borrower <u>Injection</u>	SBA <u>Loan</u>	Total <u>Project</u>
Business Purchase	<u>12,000</u>	<u>48,000</u>	<u>60,000</u>
Total	\$12,000	\$48,000	\$60,000
Percentage	20.00%	80.00%	100.00%

*Put your money where your life is.*



[www.sccountybank.com](http://www.sccountybank.com)

t: 831.457.5000

MEMBER  
FDIC

STATE OF CALIFORNIA  
 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL  
 ALCOHOLIC BEVERAGE LICENSE  
 SMALL BEER MANUFACTURER

VALID FROM

Apr 01, 2020

 ELKHORN SLOUGH BREWING COMPANY LLC  
 25 WAUGH RD  
 ROYAL OAKS, CA 95076
EXPIRES

Mar 31, 2021

TYPE NUMBER DUP

23 563434

AREA CODE

RENEWAL

4403 26

 BUSINESS ADDRESS (IF DIFFERENT) DBA: ELKHORN SLOUGH BREWING CO  
 65 HANGAR WY  
 WATSONVILLE, CA 95076-2476
CONDITIONS

OWNERS: ELKHORN SLOUGH BREWING COMPANY LLC

**IMPORTANT INFORMATION**

**EFFECTIVE PERIOD:** This license is effective only for the operating period shown above. A new license will be sent 4 to 6 weeks after the expiration date on your license if payment is timely. Your license status will remain in good standing for 60 days after the expiration date if the renewal payment was received timely. To check the status of your license, visit <http://www.abc.ca.gov/dalport/LQSMenu.html>.

**RENEWAL NOTICES:** Renewal notices are sent to premises address unless a specific mailing address is requested. If a notice is not received 30 days before expiration date shown above, contact the nearest ABC office. To assure receipt of notices, advise your local ABC office of any change in address.

**RENEWAL DATES:** It is the licensee's responsibility to pay the required renewal fee by the expiration date shown above.  
 A Penalty is charged for late renewal and the license can be automatically revoked for failure to pay.

**RENEWAL PAYMENTS:** Renewal payments can be made in person by visiting your local office or sent by mail to ABC Headquarters, 3927 Lennane Drive, Suite 100, Sacramento, CA 95834. If you do not have your renewal notice, your license number and the reason for payment (ex. "renewal") must be clearly indicated on the check. You can contact your local ABC office for your renewal fee amount.

**SEASONAL LICENSES:** It is the licensee's responsibility to pay the required renewal fee prior to the next operating period.

**POSTING:** Cover this license with glass or other transparent material and post it on premises in a conspicuous place.

**CONDITIONS:** A copy of all applicable conditions must be kept on premises.

**LICENSEE NAME:** Only 10 names will be printed on each license. If there are more names associated with the license, they will be indicated by "AND XX OTHERS". All names are on file and available upon request from your local ABC office.

**DBA:** If you change your business name please notify your local ABC office.

If you have any questions regarding this license, contact your local ABC office. You can find the contact information for each district office at <http://www.abc.ca.gov/district.html>.

**NOTE: CONTACT YOUR LOCAL ABC OFFICE IF YOUR LICENSED PREMISES WILL BE TEMPORARILY CLOSED FOR MORE THAN 15 DAYS OR WILL BE PERMANENTLY CLOSED.**

<http://www.abc.ca.gov>

@ca\_abc

License Serial# 2084873



EIN 8 4-5 1 3 3 8 2 6

Brewery Registry No.: BR-CA-21129

## Signing Authority For Corporate Officials

17. I am  or am not  required to furnish a bond under 27 CFR 25.91. I am not required to furnish a bond only if all of the following are true: I will withdraw beer for deferred payment of tax under 27 CFR 25.164, I was liable for not more than \$50,000 in beer taxes in the preceding calendar year, and I reasonably expect to be liable for not more than \$50,000 in such taxes during the current calendar year.

18. We held our board meeting with (check one)

Directors     Trustees     Managers     Governors    Date of Meeting \_\_\_\_\_

We authorize the following corporate officials, employees, or incumbents of the listed offices to execute all documents and to do all acts for us in dealing with the Alcohol and Tobacco Tax and Trade Bureau. (You must impress your corporate seal. If you do not have one, two witnesses must sign.)

By the authority of our board, I certify that this authorization is true and complete.

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Corporate Seal: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Witness: \_\_\_\_\_

Witness: \_\_\_\_\_

## Brewpub Applicant Information (If you are a brewpub, you must complete this section.)

19. We are a brewpub. Our entire business location is the brewery premises. We understand that by initialing these boxes, we acknowledge that:

- a. We must separate the brewery operations (non-public area) from the public area of the brewery premises by an adequate partition. Access to the brewery operations must be restricted to authorized visitors and employees only.
- b. The serving tanks as noted on our attached diagram are our tax-determined beer tanks. These tanks have a working capacity of approximately \_\_\_\_\_ barrels/kegs and are accurately calibrated with appropriate measuring devices.
- c. We must transfer beer ready for consumption or sale from our fermenters into an empty tax-determination tank for measurement by the approved measuring device. We will make prompt and accurate records of these transactions to determine tax due.

20. We plan to sell retail liquors other than beer. We must file a special occupational tax registration as a retailer before we start these sales.

## Attachment Section

21. You must make attachments to complete an original notice. You may also need additional information for an amended notice.

Check all the blocks here for your attachments for this notice. For original Brewer's Notices, you must attach all documents for your type of business organization. For amended Brewer's Notices, some forms are mandatory, while others may be optional.

<input type="checkbox"/> Articles of Incorporation/Organization (Corporations/LLCs)	<input type="checkbox"/> Personnel Questionnaires (for all owners/officers/directors/partners/members/stockholders of over 10%)
<input type="checkbox"/> Trade Name Registrations (if required by state)	<input type="checkbox"/> By-Laws (Corporations/LLCs)
<input type="checkbox"/> Certificate to Transact Business in a Foreign State (if applicable)	<input type="checkbox"/> Partnership Agreement
<input type="checkbox"/> Power of Attorney (TTB F 5000.8, or Corporate Resolution)	<input type="checkbox"/> Environmental Information (TTB F 5000.29)
<input checked="" type="checkbox"/> Diagram (or Plat/Plan) with dimensions of the brewery	<input type="checkbox"/> Diagram for Brewpub as required
<input type="checkbox"/> Legal description of the Brewery	<input type="checkbox"/> Statement Describing the Security at the Brewery
<input type="checkbox"/> Supplemental Information on Water Quality Considerations (TTB F 5000.30)	
<input type="checkbox"/> Other _____	

All statements and documents are part of this notice. Under penalties of perjury, I declare that I have examined this notice and all attachments and to the best of my knowledge and belief they are true, correct, and complete.

22. Signature of Authorized Person

Date

23. Printed or Typed Name and Title

Benjamin Ward

Mail this completed package with all attachments to:

Director, National Revenue Center, 550 Main St, Ste 8002, Cincinnati, OH 45202-5215

## TTB Section - For TTB Use Only

This Notice is:

 Approved Not Approved

Effective Date:

06/16/2020

Approval Date:

06/16/2020

Director, National Revenue Center

Registry Number:

BR-CA-21129

## General Instructions

## 1. Where do I send my application?

File this form with TTB at this address: Director  
 National Revenue Center  
 550 Main St, Ste 8002  
 Cincinnati, OH 45202-5215

## 2. When may I start Brewing? You may not operate your brewery until we approve your Brewer's Notice (including all attachments) and your Brewer's Bond (if a bond is required under 27 CFR 25.91).

## 3. When must I file a Brewer's Notice? You must file this form:

- To start business at your brewery premises;
- To amend or supplement information you previously submitted or;
- In connection with a new bond.

## 4. Do I need to file any other documents with the Brewer's Notice? You must file the attachments this form requires. Also, we may require you to furnish any additional information we find necessary to protect revenue and insure collection of taxes.

## 5. What happens if I do not complete this notice? We will return your notice to you for correction if it is not completed in accordance with these instructions or does not include all of the required information and documents. If you do not complete the notice you may not produce or package beer.

## 6. What items do I need to complete on this notice? You must complete all items on this notice that apply to your business, regardless of the purpose for which you are filing.

## 7. How long must I keep my copy of this notice? At your brewery you must keep available for TTB inspection during your normal business hours:

- Your most recently approved Brewer's Notice and
- All attachments and documents that provide current and complete information of this form.

## Specific Instructions

## Item 1. What serial number do I use? Serially number each notice. Begin with No. 1 for the first notice and continue in sequence for each amendment or supplemental notice you file after you start business.

## Item 2. What is the notice date? The date that you submit this notice for approval.

## Item 3. What is my brewery's name?

If you are....	Then your name is....
An individual	Your name, followed by "sole owner" and the name you use to operate
A partnership	The name of each partner followed by the name you use to operate
A limited partnership (LP)	The name of your LP
A corporation or limited liability corporation (LLC)	The corporation or LLC name and, if different, the name you use to operate

## Item 4. What if I use a trade name? You must list all trade names you use to do business or to package beer. Approval of a trade name does not necessarily constitute approval as a brand name for labeling purposes. Submit your requests for brand names to the Alcohol Labeling and Formulation Division on an Application for and Certificate/Exemption of Label/Bottle Approval, TTB F 5100.31. If your State requires you to register your trade name, you must submit a copy of the State trade name registration.

## Item 5. What is our business address? Your business address may be different than the actual location of the brewery. Your business address is where you receive mail deliveries and you conduct office activity. You must include the county of this address.

## Item 6. What is our brewery location? Your brewery location is where you actually brew your beer.

## Item 7. Who may be a contact person? Your contact person must be someone who has authority to speak or write to any of our officers regarding any aspect of your brewing operations. You must file with us a signing authority or power of attorney for this person.

## Item 15. What information must I provide if I am a member of a controlled brewery group?

1. A controlled brewery group is a group of breweries that share common ownership or controlled interest. Controlled groups of breweries include groups where:
  - (a) one brewery owns controlling interest in the other brewery or
  - (b) there is a common ownership in the controlling interest in each brewery
2. If you are a member of a controlled group of breweries and you intend to transfer beer between breweries without payment of tax, you must:
  - (a) give the name and principal business address of each of the other breweries; and
  - (b) state whether condition 1.(a) or condition 1.(b) applies. If condition 1.(a) applies, state which brewery owns controlling interest in the other and the percentage of that interest. If condition 1.(b) applies, give the name and principal business address of the person owning controlling interest in both breweries and state the percentage of interest in each brewery.
3. If you are a member of a controlled group of breweries and the total production of all breweries in the controlled group is less than 2,000,000 barrels of beer per year, you may be eligible to pay tax at the reduced rate. You must:
  - (a) give the name and principal business address of each of the other breweries;
  - (b) provide a list to allocate the reduced tax for 60,000 barrels between the members of the controlled group; and
  - (c) state whether condition 1.(a) or condition 1.(b) applies, if condition 1.(a) applies, state which brewery owns controlling interest in the other and the percentage of that interest. If condition 1.(b) applies, give the name and principal business address of the person owning controlling interest in both breweries and state the percentage of interest in each brewery.

**Item 18. Who may sign for my corporation?** You may indicate signature authority in two ways.

- **By corporate office:** In item 18 you may list the corporate offices or employees whose incumbents may sign for your corporation. Check the box that indicates how your board authorized these officers to sign. Include the date of the meeting. List the offices by title. Attach your corporate seal. These authorities remain with the office when you change personnel in that office.
- **By name:** you may authorize specific individuals to sign by executing a power of attorney (use TTB F 5000.8) or a signing authority for corporate officials (use TTB F 5100.1). You may limit these authorities to specific actions. For instance, you may grant a signing authority limited to monthly reports.

**Item 19. When must I initial the brewpub Information?** Operating as a brewpub means that you will not be bottling beer but rather that you will be dispensing beer only from serving tanks. If this is the case, then you must initial each box and provide tank capacity to demonstrate that you understand special considerations for operating taverns on brewery premises.**Item 21. What are the attachments for my type of business?** Follow these instructions. You must attach the organizational information and documents we require for your type of business.

If you are a....	Then you must file....
Sole proprietor	<ul style="list-style-type: none"> <li>- A list with the name and address of each person who holds an interest in the brewery, whether the interest appears in the name of the interested party or in the name of another for that party.</li> </ul>
Partnership	<ul style="list-style-type: none"> <li>- A copy of (1) articles of partnership or association, if any; or (2) the certificate of partnership or association if required to be filed by any State, county, or municipality.</li> <li>- A list with the name and address of each person who holds an interest in the brewery, whether the interest appears in the name of the interested party or in the name of another for that party.</li> </ul>
Corporation	<ul style="list-style-type: none"> <li>- A copy of the corporation charter or of the certificate of corporate existence or incorporation.</li> <li>- A list with the name, address, and title of each officer and director.</li> <li>- Copies of extracts or digests of minutes of meetings of the board of directors authorizing certain individuals to sign for the corporation.</li> <li>- A statement showing the number of shares of stock (or other evidence of ownership) authorized and outstanding and the voting rights of the respective owners.</li> <li>- A list with the names and addresses of all persons having a voting interest of 10 percent or more in the corporation whether the interest appears in the name of the interested party or in the name of another person. For each person listed, show the amount of the stockholding or other interest.</li> </ul>
a. May I refer to information that I filed for another operation?	<p>If you have already filed information with us, you may incorporate that information by reference if that information is complete and accurate. You may, instead of resubmitting that information, provide a statement that:</p> <ul style="list-style-type: none"> <li>• Identifies the other premises by operating name, type (brewery, winery, etc.), and location (city and State); and</li> <li>• specifies which organizational information and documents are being incorporated. You must attach all organizational information and documents you do not incorporate by reference.</li> </ul>
	<p>b. What must I keep available for TTB Inspection? You must keep available for our inspection the originals of the corporate documents we require under item 21 of this notice and certain other corporate documents (articles of incorporation, bylaws, State certificates authorizing the brewer to operate in the State where located). Each brewer's notice filed by multi-plant brewers must state, as part of the response to item 21, the location where we may inspect these original corporate documents.</p>

**Item 22. Who is the "authorized person" who must sign this notice?** These are the persons authorized to sign this notice:

If you are a....	Then you must file....
Sole proprietor	<ul style="list-style-type: none"> <li>- signed by the sole owner or</li> <li>- an empowered attorney-in-fact.</li> </ul>
Partnership	<ul style="list-style-type: none"> <li>- signed by all partners, or</li> <li>- a partner authorized to sign on behalf of all of the partners, or</li> <li>- an empowered attorney-in-fact</li> </ul>
Corporation	<ul style="list-style-type: none"> <li>- executed in the corporate name, followed by the signature and title of a person authorized to act for the corporation</li> </ul>

**Paperwork Reduction Act Notice**

This request is in accordance with the Paperwork Reduction Act of 1995. We use this information collection to determine your identity as a brewer, the location and extent of your brewery premises, and whether your brewery operations conform with Federal laws and regulations. The information we request is required for you to obtain or retain a benefit and is mandatory by law (26 U.S.C. 5401(a)).

We estimate the average burden associated with this collection of information is 3 hours per respondent or recordkeeper, depending on your individual circumstances. Address your comments concerning the accuracy of this burden estimate and suggestions to reduce this burden to: Reports Management Officer, Regulations and Rulings Division, Alcohol and Tobacco Tax and Trade Bureau, 1310 G Street, NW., Box 12, Washington, DC 20005.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a current, valid OMB control number.

**Privacy Act Information**

We provide this information to comply with Section 3 of the Privacy Act of 1974 (5 U.S.C. 552a(e)(3)):

1. **What is TTB's authority to ask for this information?** We require this information under the authority of 26 U.S.C. 5401(a). You must disclose this information to obtain authority to conduct brewing operations.
2. **What is the purpose for this information collection?** You provide this information to give TTB notice of your intention to establish a brewery, so that we may identify you as a brewer, and to identify your brewery location and processes.
3. **How does TTB routinely use this information?** We use this information to make determinations for the purposes described in paragraph 2. Also, we may disclose the information to other Federal, State, foreign, and local law enforcement and regulatory agency personnel to verify information on the form where such disclosure is not prohibited by law. We may disclose the information to the Justice Department if it appears that the furnishing of false information may constitute a violation of Federal law. Finally, we may disclose the information to members of the public in order to verify information on the form where such disclosure is not prohibited by law.
4. **What is the effect of my not supplying the information TTB requests?** If you fail to supply complete information then we will delay processing and may disapprove or deny your application.

## ATTACHMENT TO BREWER'S NOTICE

**Item 4: Our Trade Name is:**

Labeling Trade Name      The Slough Brewing Collective

OTHER PURPOSE FOR WHICH FILED:

**Item 12: Title to premises and equipment (list names and addresses of owner of land or buildings, or if any other mortgage or encumbrance on the land or buildings of the brewery).**

Does the applicant own the land or building comprising the brewery?

Yes            No      

If yes, please provide us with the name and address of any mortgagee, or other person who has a claim on the land or buildings comprising the brewery. If there is no mortgagee, or other claim on the land or buildings, please enter "Not Applicable"

If no, please provide us with the name/address of the owner of the land or buildings comprising the brewery, and of any mortgagee, or other claim on the land or buildings comprising the brewery

Sam Bishop  
 65 Hangar Way Suite A  
 Watsonville CA 95076  
 (831) 443-5000

**Item 15B: If you produce more than 60,000 but less than 2,000,000 barrels you would qualify for the reduced rate on the first 60,000 barrels. Give the allotted barrels for each location at the reduced rate.**

## MEMBERS OF CONTROLLED GROUP

**Item 17: We authorize the following corporate officials, employees, or incumbents of the listed offices to execute all documents and to do all acts for us in dealing with the Alcohol and Tobacco Tax and Trade Bureau. (You must impress your corporate seal. If you do not have one, two witnesses must sign.)**

Applies to All Permits

Yes

Authority Granted by

Name

First Name

Benjamin

Last Name

Ward

Title

Title if Other

Applies to All Permits

Yes

Authority Granted by

Title

First Name

Last Name

Title

Title if Other

Member

Describe the entire tract of land by using directions and distances:

The premises is located at Latitude = 36.9276, Longitude = -121.7903. The space in question is at the end of a short complex of industrial spaces. The building consists of 7 garage bays, of which, this business will occupy 3.

Describe the brewery premises.

The warehouse dimensions are 50x80. The brewing and fermenting, the storage of barrels, raw ingredients and in-process product will happen the left side. The tasting room will be on the right side, with a small office and dividing wall between the two.

The warehouse is 4,000 sq ft. There are three roll up doors along the front side of the building. There are two doors on the front side. One leads to the tasting room, and one leads to the office. There are no exterior windows.

The warehouse building is constructed of cement bricks, and steel, with drywall in the taproom and dry storage section. The brewery production area is 443 square feet, and the dry storage area for ingredients and equipment is 540 square feet.

If a brewpub, you must identify the portion of the brewery which will be operated as a tavern by providing the boundaries of the tavern.

You must identify areas of the brewery which are accessible to the public and areas which are not.

Describe security measures to be used to segregate public areas from non-public areas.

Describe in detail the method to be used for measuring beer for the purpose of tax determination. Identify the tanks which will periodically contain tax-determined beer, and any other areas where tax-determined beer will be.

Provide description of the brewery security. Brewery building must be arranged and constructed to give adequate protection to the revenue. Describe locks, access to the brewery and how un-taxpaid goods will be protected during and after business hours

There is a security camera in front of the building facing the parking lot and front door, and an outdoor security camera facing the back entrance. There is a security camera facing the tasting room, walk-in cooler entrance, register and traffic from the front door, and one facing the brewing process area and back entrance. There are three main doors into the building, one to the tasting room, which is secured by a deadbolt, and a deadbolt locking cage in front of it. The office door is secured by deadbolt, and the back door is secured by deadbolt, with an 8 foot metal fence guarding the back area. There are three roll up doors that are secured by padlock on the inside. The only windows are interior windows from the office, one facing the tasting room, one facing the tasting room/ entrance to the dry storage area, and one facing the dry storage area and brewing process area.

Description of Non-Contiguous Locations

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## LOCATION

Score	Max Score	Questions	Answers
25	25	Detailed description of the proposed location.	Provides description of location
25	25	List of surrounding uses within 100 feet.	Provides surrounding uses within 100 feet
50	50	No existing sensitive uses within 300 feet.	No existing sensitive use within 300 feet
25	25	Location identified on plans for queuing patrons, drop off areas and adequate restroom facilities.	Provided on plan set
25	25	Location within walking distance to public transportation? (1/4 mile)	Located within 1/4 mile to a bus stop (located at Anna Street and Hangar Way)
25	25	Is the business located in a census tract with high crime per ABC regulations? (points earned if answer is no).	Not applicable per ABC
25	25	Is the business located in a census tract that is over concentrated per ABC regulations? (points earned if answer is no)	Not applicable per ABC
200	200	<b>TOTAL</b>	

## BUSINESS PLAN

Score	Max Score	Questions	Answers
75	75	A detailed description of daily operations: (staffing plan, menu, staff training and procedures).	Detailed description of daily operations provided
50	50	Proposed operating hours? (Does it comply with standard hours of operation per Ordinance?)	Proposed operating hours are M-F 1PM to 9PM and 12PM-10PM S-Sun. Hours comply with Alcohol Related Uses Ordinance
75	75	A budget of construction, operation, maintenance, compensation of employees, equipment costs, utility costs and other operations costs.	Break down of operational costs provided in appendix, no construction costs provided as the proposal is a transfer of ownership
25	25	Proof of capitalization, in form of documentation of cash or other liquid assets on hand, letters of credit or other equivalent assets.	Discussion of sources of capital provided
50	50	Three professional letters of reference. (1 – Character and 2 – Business experience)	Six professional letters of reference provided
25	25	Full service restaurant and/or food service available during operating hours?	Food will be made available during operating hours
50	50	Does the business propose family friendly activities or shared spaces for adults and children?	Business proposes to be hub for community events
350	350	TOTAL	

## NEIGHBORHOOD COMPATIBILITY PLAN

Score	Max Score	Questions	Answers
200	200	<p>Management plan for interior and exterior areas, both public and private to prevent nuisances:</p> <ul style="list-style-type: none"> <li>• Noise control measures for uses with outdoor areas</li> <li>• Sufficient signage</li> <li>• Sufficient lighting for safety</li> <li>• Clear measures to avoid sales to minors</li> <li>• Measures for reporting crime</li> <li>• Litter control measures</li> <li>• Sound walls and/or sound attenuation material to be installed if needed</li> </ul>	<p>Details opening and closing procedures where business owners will check taproom for any trash/dirty glassware, will check ID of patrons utilizing POS system, will coordinate with appropriate representatives to have event comply with noise control measures. Plan to have 4 security cameras in the following areas: 1 facing the parking lot, one facing the tasting room floor area, one near the office/dry storage area and one for the exterior back door. Manager to be on-site during all hours of operation. Trash receptacles will be located in high traffic areas. Will utilize ambient lighting and spotlights for outdoor lighting.</p>
50	50	Procedures to monitor areas adjacent to business to include litter clean up on a regular basis.	Litter will be contained within tasting room area.
50	50	Signage posted near exit doors alerting patrons to any residential neighbors.	Located in IP Zoning District, residential accessed from Jeanette Way. Signage not applicable
50	50	Procedures to ensure patrons comply with noise, parking, and any other requirements to prevent conflicts with adjacent residences/businesses.	Do not have plans to have amplified music. Hours of operation from 1pm-9pm weekdays and 12pm-10pm on weekends
0	25	Bike racks provided.	No bike racks provided on site
350	375	<b>TOTAL</b>	

## SAFETY AND SECURITY PLAN

Score	Max Score	Description	Answers
75	100	Does the business have a well thought out security plan? <ul style="list-style-type: none"> <li>• Security training plan for all security guards if entertainment is proposed (may include off-duty police).</li> <li>• Scheduling of security personnel to patrol inside and outside of business and restricting entry during peak business times.</li> </ul>	According to the business plan, no live entertainment events will be taking place. Applicant discussed procedures to limit crowding during events, including selling or tickets and bracelets to monitor adults consuming alcohol.
25	25	Plan indicates maximum occupancy of facility.	Retail max occupancy provided on floor plan
125	125	Site and floor plans showing existing floor plan and a proposed floor plan, if changes are to be made.	Site plan and floor plan provided.
40	50	Written procedures to address crowd control during operating hours (specify procedures after closing).	Specify procedures around last call (half hour before closing) and will encourage patrons to take alternative modes of transportation if they have been drinking. No new patrons will be allowed in the establishment once last call is announced.
50	50	Procedures for encouraging patrons to use alternative transportation to and from business to include ride share programs, public transportation and/or walking?	Safety and security plan discusses encouraging different modes of transportation including Uber/Lyft
100	100	Planned LEAD training of owners, managers, and staff.	Discusses LEAD training requirement for all staff, Cicerone Beer Server certification program, and Not on the Menu anti-harassment training.
415	450	<b>TOTAL</b>	

### COMMUNITY BENEFITS (Bonus Points)

Score	Max Score	Questions	Answers
25	25	A description of how the facility will benefit the community.	Wants to partner with community organizations to partake in fundraising, community events
25	25	Community events and/or entertainment open to all ages.	Community events open to all ages
50	50	TOTAL	

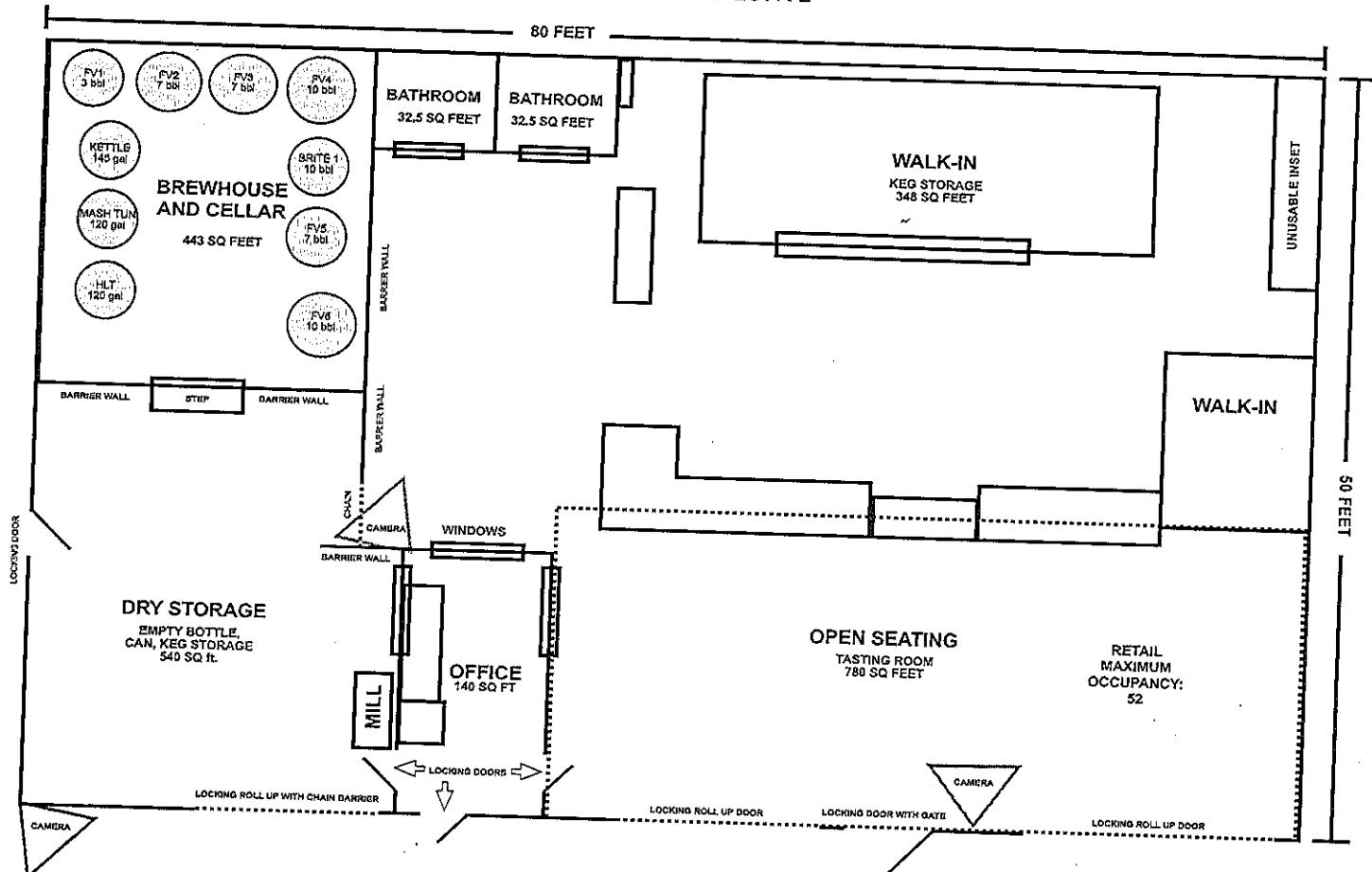
### LABOR AND EMPLOYMENT (Bonus Points)

Score	Max Score	Questions	Answers
25	25	Local hiring policy	Plans to hire locally
25	25	TOTAL	

## LOCAL ENTERPRISE/QUALIFICATIONS OF PRINCIPALS (Bonus Points)

Score	Max Score	Questions	Answers
25	25	Business owner or main partners live within the City of Watsonville.	One of main partners resides in Watsonville
25	25	Business owner or main partners live within Santa Cruz County	All business owners reside in Santa Cruz County
15	25	Business owner or main partners have previously owned a similar alcohol-serving business in good standing.	Business owners have prior experience brewing and processing beer for a variety of local breweries.
65	75	TOTAL	

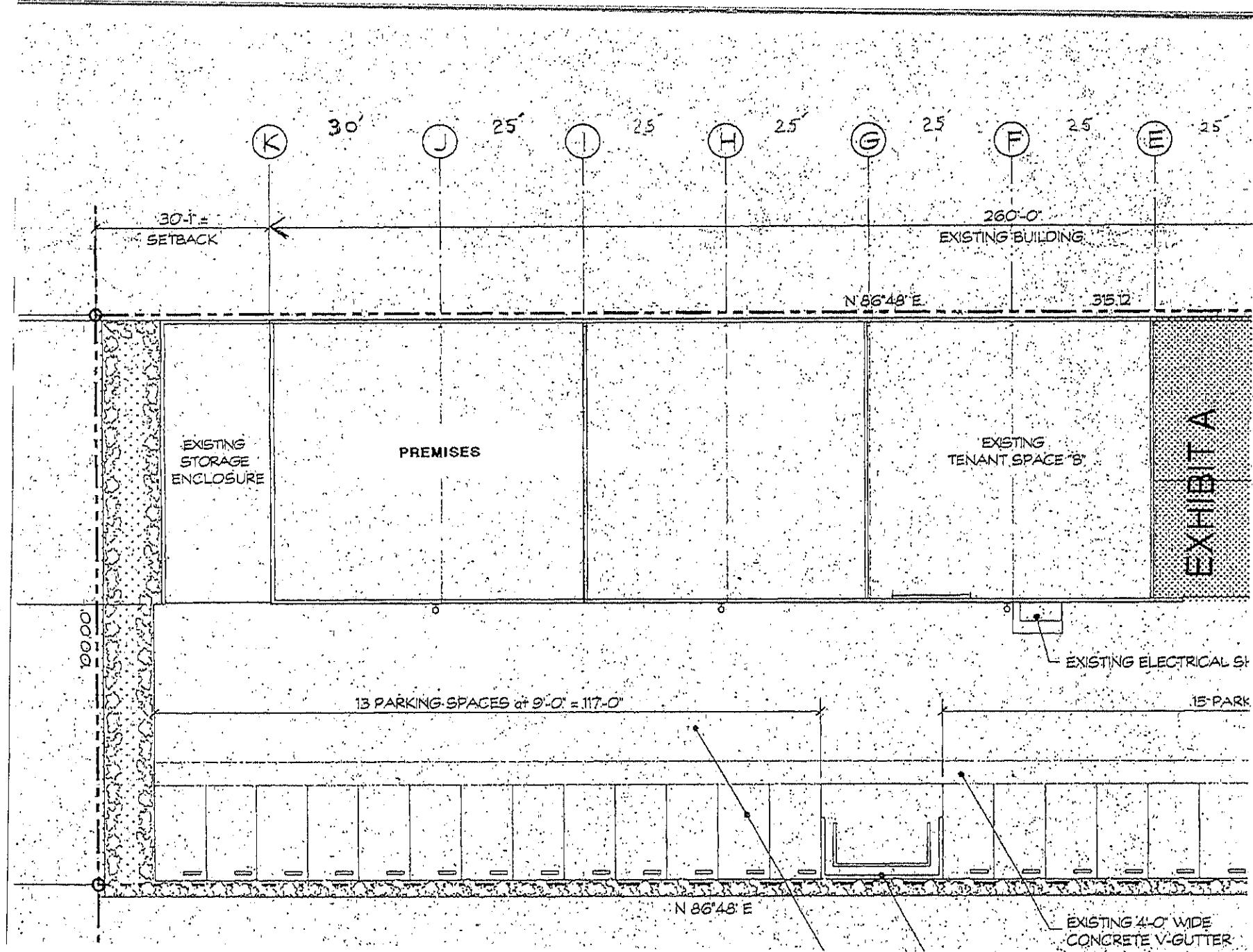
# THE SLOUGH BREWING COLLECTIVE



ELKHORN SLOUGH BREWING LLC  
DBA THE SLOUGH BREWING COLLECTIVE  
65 HANGAR WAY  
SUITE D  
WATSONVILLE CA 95076

## APPENDIX 3

## LOCATION MAP



**RESOLUTION NO. \_\_\_\_\_ (PC)**

**RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF WATSONVILLE, CALIFORNIA, APPROVING A SPECIAL USE PERMIT (APPLICATION NO. 359) TO ALLOW THE ESTABLISHMENT OF A SMALL BEER MANUFACTURER (TYPE 23) ABC LICENSE UNDER NEW OWNERSHIP FOR AN EXISTING MICROBREWERY WITH A 780 SQUARE FOOT TASTING ROOM (ELKHORN SLOUGH BREWING LLC DBA THE SLOUGH BREWING COLLECTIVE) LOCATED AT 65 HANGAR WAY, SUITE D, WATSONVILLE, CALIFORNIA (APN 015-111-24)**

**Project: The Slough Brewing Collective  
APN: 015-111-24**

**WHEREAS**, on July 30, 2020, an application for a Special Use Permit (Application No. 359) to allow the establishment of a Type 23 ABC License for a small beer manufacturer and operation of a 780 square foot tasting room under new ownership at 65 Hangar Way, Suite D, Watsonville, California, was filed by The Slough Brewing Collective, applicant, on behalf of DRESJ LLC, property owner; and

**WHEREAS**, the project site is designated Industrial (I) on the General Plan Land Use Diagram and is within the Industrial Park (IP) Zoning District; and

**WHEREAS**, the project qualifies for a Class 1 Categorical Exemption from the provisions of the California Environmental Quality Act (CEQA), pursuant to Section 15301 of the CEQA Guidelines; and

**WHEREAS**, According to Santa Cruz County Assessor's Office records, the building located at 65 Hangar Way was built in 1984. It has housed a variety of industrial related uses since then; and

**WHEREAS**, On February 3, 2015, the Planning Commission of the City of Watsonville adopted Resolution No. 01-15 (PC), approving a Special Use Permit

application (PP2015-5) to allow for the establishment of a 2,570 square foot microbrewery (Elkhorn Slough Brewing Company) with a 180 square foot tasting room at 65 Hangar Way, Suite D (APN: 015-111-24); and

**WHEREAS**, On April 1, 2015, the City of Watsonville issued Building Permit (BP2015-52) to allow for a tenant improvement to a 2,750 square foot warehouse space to convert it to a brewery and to upgrade the bathrooms to be ADA compliant at 65 Hangar Way, Suite D (APN: 015-111-24); and

**WHEREAS**, On October 14, 2016, the Zoning Administrator approved a Minor Modification (PP2016-150) to allow for Elkhorn Slough Brewing Company to modify the hours of operation for their tasting room from 11:00AM-7:00PM seven days a week to 11:00AM-10:00PM seven days a week at 65 Hangar Way, Suite D (APN: 015-111-24); and

**WHEREAS**, notice of time and place of the hearing to consider Special Use Permit (Application No. 359) was given at the time and in the manner prescribed by the Zoning Ordinance of the City of Watsonville. The matter called for hearing evidence both oral and documentary introduced and received, and the matter submitted for decision; and

**WHEREAS**, the Planning Commission has considered all written and verbal evidence regarding this application at the public hearing and has made Findings, attached hereto and marked as Exhibit "A," in support of the Special Use Permit (Application No. 359) to allow the establishment of a small beer manufacturing license with a 780 square foot tasting room at an existing microbrewery at 65 Hangar Way, Suite D (APN 015-111-24).

**NOW, THEREFORE, BE IT RESOLVED** by the Planning Commission of the City of Watsonville, California, as follows:

Good cause appearing, therefore, the Planning Commission of the City of Watsonville does hereby grant approval of Special Use Permit (Application No. 359), attached hereto and marked as Exhibit "C," subject to the Conditions attached hereto and marked as Exhibit "B," to allow the establishment of a small beer manufacturing license with a 780 square foot tasting room under new ownership at an existing microbrewery at 65 Hangar Way, Suite D (APN 015-111-24).

**I HEREBY CERTIFY** that the foregoing Resolution was introduced at a regular meeting of the Planning Commission of the City of Watsonville, California, held on the 17<sup>th</sup> day of November, 2020, by Commissioner\_\_\_\_\_, who moved its adoption, which motion being duly seconded by Commissioner\_\_\_\_\_, was upon roll call, carried and the resolution adopted by the following vote:

Ayes: Commissioners:  
Noes: Commissioners:  
Absent: Commissioners:

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Suzi Merriam, Secretary  
Planning Commission

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Mathew H. Jones, Chairperson  
Planning Commission

**Application No:** 359

**APN:** 015-111-24

**Applicant:** The Slough Brewing Collective

**Hearing Date:** November 17, 2020

**SPECIAL USE PERMIT FINDINGS (WMC § 14-12.513)**

The purpose of the Special Use Permit is to allow the establishment of a microbrewery with a 780 square foot tasting room to new ownership in accordance to WMC Chapter 14-16.

- 1. The proposed use at the specified location is consistent with the policies embodied in the adopted General Plan and the general purpose and intent of the applicable district regulations.**

**Supportive Evidence**

As industrial land is intended to serve the industrial needs of a community. A microbrewery is an allowed use on land designated Industrial in the City's General Plan. Establishing a microbrewery with a tasting room is allowed as a conditional use in the IP zone with approval of a Special Use Permit.

In accordance with IP zoning district regulations concerning retail sales under WMC Section 14-16.503(c), the proposed 780 square foot tasting room does not exceed 20 percent of the floor area. Adequate parking is provided for all uses on site, as 26 parking spaces are required and 28 parking spaces are provided. The tasting room is incidental to the primary use of the project site as a beer manufacturer. The Slough Brewing Collective sells beer on-site and distributes to a variety of retailers throughout Santa Cruz County.

The requested Special Use Permit for the establishment of a small beer manufacturing ABC License for an existing microbrewery with a 780 square foot tasting room under new ownership has been conditioned to conform to all applicable requirements of Chapter 14-25 (Alcohol Related Uses) of Chapter 14-16 (Zoning).

- 2. The proposed use is compatible with and preserves the character and integrity of adjacent development and neighborhoods and includes improvements or modifications either on-site or within the public rights-of-way to mitigate development related adverse impacts such as traffic, noise, odors, visual nuisances, or other similar adverse effects to adjacent development and neighborhoods.**

**Supportive Evidence**

Pursuant to WMC Section 14-16.503(c) and WMC Chapter 14-25, establishing a small beer manufacturing license with a 780 square foot tasting room under new

ownership is allowed via issuance of a Special Use Permit. Standard conditions have been placed on the microbrewery with a 780 square foot tasting room to ensure adverse impacts do not occur related to alcohol sales, in accordance with WMC Sections 14-25.021 and 14-25.022. These conditions ensure the microbrewery will be compatible with the neighborhood.

3. **The proposed use will not generate pedestrian or vehicular traffic which will be hazardous or conflict with the existing and anticipated traffic in the neighborhood.**

#### **Supportive Evidence**

The proposed project is an existing microbrewery with a 780 square foot tasting room that is changing ownership. The Special Use Permit to establish a small beer manufacturing license with alcohol sales under new ownership will not generate additional pedestrian or vehicular traffic that will be hazardous or conflicting with the existing and anticipated traffic in the neighborhood.

4. **The proposed use incorporates roadway improvements, traffic control devices or mechanisms, or access restrictions to control traffic flow or divert traffic as needed to reduce or eliminate development impacts on surrounding neighborhood streets.**

#### **Supportive Evidence**

The establishment of an existing microbrewery with an expanding tasting room under new ownership will be accommodated within the existing structure at 65 Hangar Way. The existing building footprint will not be made larger to accommodate the expanded tasting room. No additional modifications are proposed as part of this Use Permit, and no additional traffic impacts are anticipated to occur as a result of establishing an existing microbrewery with a tasting room under new ownership. As such, no additional onsite or roadway improvements or modifications are required as part of this Use Permit.

5. **The proposed use incorporates features to minimize adverse effects, including visual impacts and noise, of the proposed special use on adjacent properties.**

#### **Supportive Evidence**

As stated previously, standard conditions have been placed on the microbrewery with a 780 square foot tasting room to ensure adverse impacts do not occur related to alcohol sales, in accordance with WMC Sections 14-25.021 and 14-25.022. These conditions ensure the proposed microbrewery with tasting room will continue to be compatible with the neighborhood.

6. **The proposed special use complies with all additional standards imposed on it by the particular provisions of this chapter and all other requirements of**

**this title applicable to the proposed special use and uses within the applicable base zoning district.**

**Supportive Evidence**

As stated previously, the proposed use is required to comply with standard operational conditions for a microbrewery with a tasting room, which limit the hours of operation, and prohibit the drive-through service of alcohol. The microbrewery with a tasting room has been conditioned to require that all managers and employees attend LEAD training within 90 days of approval of this Use Permit and/or employment at the microbrewery.

- 7. The proposed special use will not be materially detrimental to the public health, safety, convenience and welfare, and will not result in material damage or prejudice to other property in the vicinity.**

**Supportive Evidence**

The existing microbrewery with a 780 square foot tasting room complements the existing industrial uses in the vicinity of the project site. As conditioned, the microbrewery with alcohol sales will be required to comply with all requirements of an establishment with retail alcohol sales in the IP Zoning District, including limitations on the floor area dedicated to retail sales.

Police review did not identify any crimes or criminal activity associated with the existing microbrewery. In addition, as a Type 23 ABC License is neither an on-sale nor off-sale license but a manufacturing license with retail privileges, this type of license is not counted towards overall on-sale/off-sale license concentration.

As conditioned, the establishment of an existing microbrewery with alcohol sales under new ownership will not be detrimental to the public health, safety, convenience and welfare, and will not result in material damage or prejudice to other property in the vicinity.

In addition, the project site is within a developed area that is currently served by municipal services, including water, sewer, police and fire, and therefore would not cause serious a public health or safety problem to future patrons of the microbrewery with alcohol sales and adjacent industrial businesses.

## **ALCOHOL-RELATED USE FINDINGS (WMC § 14-25.013)**

- 1. The proposed use received the minimum score necessary to issue a conditional use permit.**

### **Supportive Evidence**

The application received a passing score of 1,315, exceeding the minimum score of 1,375 points.

- 2. The proposed use will not cause adverse noise, litter, crowd control, or parking impacts.**

### **Supportive Evidence**

The subject site is an existing microbrewery with a 780 square foot tasting room. Adequate parking exists for all industrial uses located at 65 Hangar Way, as 26 parking spaces are required and 28 parking spaces exist. The applicant has indicated that signage will be posted both inside and outside the existing business, altering patrons to keep noise to a minimum while on the premises. The location of existing lighting and security cameras provides adequate security for the microbrewery with alcohol sales. As conditioned, the proposed use will not cause adverse noise, litter, crowd control, or parking impacts for the surrounding development.

- 3. The proposed use will not create objectionable conditions that constitute a nuisance, as defined in California Business and Professions Code Section 24200(f)(2).**

### **Supportive Evidence**

The proposed use, as conditioned with minimum operation standards for alcohol related uses pursuant to WMC Sections 14-25.021, 14-25.022, and 14-25.030, will not create objectionable conditions that constitute a nuisance, as defined in California Business and Professions Code Section 24200(f)(2).

- 4. The proposed use will maintain all levels of service, including but not limited to the provision of security, maintenance of premises, LEAD training, and professional management as identified in the original application.**

### **Supportive Evidence**

The proposed use, as conditioned with minimum operation standards for alcohol related uses, will maintain all levels of services, including but not limited to provisions of security cameras, maintenance of premises, LEAD training, and professional management as identified in the original application.

**Application No:** 359

**APNs:** 015-111-24

**Applicant:** The Slough Brewing Collective

**Hearing Date:** November 17, 2020

**SPECIAL USE PERMIT  
CONDITIONS OF APPROVAL**

**General Conditions:**

1. **Approval.** This approval applies to the application submitted on July 30, 2020 by The Slough Brewing Collective, and identified as "Special Use Permit" for the establishment of an existing microbrewery with a 780 square foot tasting room under new ownership, received by the Community Development Department on July 30, 2020. (CDD-P)
2. **Conditional Approval Timeframe.** This Special Use Permit (Application No. 359) shall be null and void if not acted upon within **24 months** from the effective date of the approval thereof. Time extensions may be considered upon receipt of written request submitted no less than forty-five (45) days prior to expiration and in accordance with the provisions of Section 14-10.1201 of the Watsonville Municipal Code (WMC). (CDD-P)
3. **Modifications.** Modifications to the project or conditions imposed may be considered in accordance with WMC Section 14-10.1305. (CDD-P)
4. **Compliance.** The proposed use shall be in compliance with Use Permit Conditions of Approval, all local codes and ordinances, appropriate development standards, and current City policies. Any deviation will be grounds for review by the City and may possibly result in revocation of the Use Permit, pursuant to Part 13 of WMC Chapter 14-10. (CDD-P)
5. **Grounds for Review.** The project shall be in compliance with the conditions of approval, all local codes and ordinances, appropriate development standards, and current City policies. Any deviation will be grounds for review by the City and may possibly result in revocation of the Special Use Permit, pursuant to Part 13 of WMC Chapter 14-10, or other code enforcement actions, pursuant to WMC Chapter 14-14. (CDD-P)
6. **Appeal Period/Effective Date.** This Special Use Permit shall not be effective until **14 days** after approval by the decision-making body or following final action on any appeal. (CDD-P)

**Ongoing Conditions:**

7. **ABC Conditions.** Any and all conditions of the Department of Alcohol and Beverage Control (ABC) are incorporated by reference as conditions of approval for this Use Permit. (CDD-P)
8. **Neighborhood Compatibility Plan.** The applicant shall implement their Neighborhood Compatibility Plan to ensure the convenience store with beer, wine, and distilled spirit sales will not create objectionable conditions that constitute a nuisance and will be compatible with existing and potential uses within the general area. Specific measures include:
  - Each weekday, starting early in the morning, a member of the brewing staff will arrive at the brewery and begin production. Before anything else, the brewing staff will ensure that all product and production areas were safe and secure overnight. This will entail checking all locks on the entry doors, on the roll up doors, and on the back gate.
  - Then the managing production staff will check the cameras for any activity overnight. The staff will observe all areas containing our product and look for anything suspicious, such as missing cans, bottles, or kegs. The production staff will then check all ports and valves on production tanks to ensure that they are closed and in the position they were left, and they will double check for leaking. Then they will check and record the status of each tank in production, noting any irregularities.
  - After the facility is appropriately inspected, the production staff will begin daily brewing and cellaring duties. This will vary on a daily basis, but will generally include milling grain, heating water, transferring liquid with pumps, mixing crushed grain and heated water, boiling liquid, cleaning vessels, packaging beer in kegs, bottles, and cans, testing gravities and pH of product in process, inventory, general cleanliness of the brewery, stocking the taproom walk-in cooler, and cleaning taproom lines every other week.
  - From 1pm to 9pm on weekdays, and noon to 10pm on weekends, the front door will be unlocked and patrons will be allowed to come inside. The bar will be counter service, meaning patrons will be required to come to the bar to order, which allows bar staff to more easily regulate over-serving, and not serving minors. Staff will take the patron's order, verify their age, and put the order through our POS system, and fill the order from the tap or the retail fridge. When there is no line, staff will walk around the brewery to collect dirty glassware and spot clean. While walking around, the staff will observe that all rules are being followed by patrons, and that no minors have access to alcoholic beverages. The staff will then return to the bar with dirty glassware and place it in the dishwasher for cleaning. After cleaning, the staff will restock the clean glassware.
9. **Drive-through Service.** Drive-through service of alcohol is prohibited. (CDD-P, WPD)
10. **Exterior Pay Phones.** No exterior pay phones may be placed on the premises. (CDD-P, WPD)

11. **Interior Pay Phones.** Interior pay phones shall not allow incoming calls. (CDD-P, WPD)
12. **Hours of Operation.** Permitted hours of operation for The Slough Brewing Collective are 1:00PM to 9:00PM Tuesday through Thursday, and 12:00PM to 10:00PM Friday through Sunday (CDD-P, WPD)
13. **Premise Monitoring.** Business owner shall regularly police the areas under their control, including but not limited to: parking lots, restrooms, alleys, and sidewalks, to prevent the loitering of persons about the premises. (CDD-P, WPD)
15. **Window Obstructions.** Except as may be specifically allowed by the Municipal Code, no portion of the ground floor windows shall be obscured by paint, walls, window tinting, or other masking device. This requirement is intended to facilitate views of the interior from the exterior for public safety and does not prohibit neon signs, minimal window borders, or other signs or decorations that are consistent with the City's sign regulations and do not obscure views. (CDD-P)
16. **Minors.** The premises shall remain accessible to minors during all hours of operation. (CDD-P)
17. **Exterior Security Lighting.** Exterior security lighting shall be provided. All security lighting shall be shielded and down cast to ensure it does not create a glare nuisance to adjacent properties. (CDD-P)
18. **Tasting Room.** The tasting room is limited to 20 percent of the building floor area as outlined in WMC Section 14-16.503(c). As shown on the Floor Plan received by the Community Development Department on October 26, 2020 (Attachment 4), the tenant space is 4,000 square feet. The maximum floor area that can be dedicated to retail sales of alcohol is 800 square feet. (CDD-P)
19. **Building Permit Required.** The partition wall between tenant spaces for suites D and C at 65 Hangar Way was relocated without review and approval by the City. The movement of this wall resulted in increasing the size of the brewery floor space (suite D) from 2,750 square feet to 3,900 square feet. Within 60 days of approval of Special Use Permit App No. 359, the applicant shall submit a building permit application to allow inspection of this partition wall by a Building Inspector and recognize the creation of a 3,900 square-foot tenant space at 65 Hangar Way, Suite D. If a building permit application is not submitted within 60 days, the matter will be subject to Code Enforcement action. All non-permitted construction shall be legalized within 6 months of project approval. Any future modifications of the floor area, including movement of partition walls, require prior issuance of a building permit. (CDD-P, CDD-B)
20. **Trash Receptacles.** Permanent litter and trash receptacles shall be located at convenient locations inside and outside establishments, and operators of such establishments shall remove litter and debris on a daily basis. (CDD-P)

21. **Required Signs.** The following signs may be required to be prominently posted in a readily visible manner in English, Spanish, and the predominant language of the patrons:
  - “California State Law prohibits the sale of alcoholic beverages to persons under twenty-one (21) years of age.”
  - A copy of these performance conditions, any applicable ABC or City operating conditions, and any training requirements shall be posted in at least one (1) prominent place within the interior of the establishment where it will be readily visible and legible to the employees and patrons of the establishment.
22. **Employee Age.** Employees shall be at least twenty-one (21) years of age to sell and serve alcohol. (CDD-P, WPD)
23. **Lingering Patrons.** The business shall be required to clear the storefront and the adjacent parking lots in the immediate vicinity of the establishment of any lingering patrons immediately after closing. (CDD-P, WPD)
24. **Conditions of Approval Display.** A copy of the Use Permit Conditions of Approval shall be kept conspicuously on the premises of the business and made available to any member of the public or enforcement officer wishing to review them. (CDD-P)
25. **LEAD Training.** All owners, managers and service staff shall follow responsible beverage service (RBS) practices and procedures. Owner(s), manager(s) and service staff shall attend ABC’s Licensee Education on Alcohol and Drugs (LEAD) training within ninety (90) days from the date of approval of this Use Permit and/or employment at the gas station with convenience store, and each five (5) years thereafter. Upon completion of the training, the applicant shall submit a card verifying full attendance of the three and one-half (3.5) hour training to the Community Development Department. Failure to attend training and/or retain records on file shall be reported to the Planning Commission and may be grounds for imposing additional or different use restrictions or revocation of the alcohol sales establishment use permit. (CDD-P, WPD)
26. **Security Cameras Instillation.** Security camera monitoring system shall be maintained in good working order and shall not be recorded over within thirty (30) days after initial recording. The system shall support slow motion and high-speed playback with zoom capability. (WPD)
27. **Permit Term.** The Use Permit shall be valid for **20 years** after the effective date of this Use Permit unless there is a change of ownership or other substantial change in mode or character of operation, at which time a new Use Permit shall be required. (CDD-P)
28. **Accessibility.** The project shall conform with accessibility requirements to buildings and facilities by individuals with disabilities under the American Disabilities Act. (CDD-B)

**Future Sign Permit:**

29. **Sign Permit.** Any new or proposed changes in the exterior signage for the premises shall require Sign and Building Permits through the Community Development Department. (CDD-P-B)

**Indemnity Provision:**

30. **Indemnity Provision.** The applicant shall sign a defense and indemnity contract agreeing to defend, indemnify, and hold harmless the City of Watsonville, its elected and appointed officials, officers, employees, and agents arising out Special Use Permit (App No. 359), including but not limited to any approval or condition of approval of the City of Watsonville Planning Commission or City Council. The City shall promptly notify the applicant of any claim, action, or proceeding concerning this permit and the applicant and City shall cooperate fully in the defense of the matter. The City reserves the right to select counsel in the defense of the matter. (CA)

**Key to Department Responsibility**

- CDD-B – Community Development Department (Building)
- CDD-P – Community Development Department (Planning)
- CDD-E – Community Development Department (Engineering)
- PW – Public Works Department
- WFD – Watsonville Fire Department
- CA – City Attorney

**CITY OF WATSONVILLE  
PLANNING COMMISSION**

**EXHIBIT "C"**

**Application No:** 359  
**APNs:** 015-111-24  
**Applicant:** The Slough Brewing Collective  
**Hearing Date:** November 17, 2020

**Applicant:** The Slough Brewing Collective  
**Address:** 65 Hangar Way, Suite D, Watsonville, CA 95076  
**Project:** Special Use Permit  
**Location:** 65 Hangar Way, Suite D, Watsonville, CA 95076  
**Purpose:** Allow the establishment of a microbrewery (Type 23 ABC License)  
with a 780 square foot tasting room under new ownership

**Property Owner:** DRESJ LLC

**Address:** 65 Hangar Way, Suite A, Watsonville, CA 95076

A Special Use Permit (Application No. 359) to allow the establishment of a small beer manufacturing license with a 780 square foot tasting room under new ownership located at 65 Hangar Way, Suite D, Watsonville (APN 015-111-24), was reviewed by the Planning Commission at a public hearing on November 17, 2020, and was conditionally approved by adoption of Planning Commission Resolution No. \_\_\_\_\_ (PC) together with findings and conditions of approval attached hereto and made a part of this permit.

**CITY OF WATSONVILLE  
Planning Commission**

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Suzi Merriam  
Community Development Director



Deborah Muniz &lt;deborah.muniz@cityofwatsonville.org&gt;

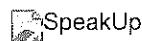
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## [CDD] New eComment for Planning Commission on 2020-11-17 6:00 PM - Remote Teleconference Meeting

2 messages

[noreply@granicusideas.com](mailto:noreply@granicusideas.com) <noreply@granicusideas.com>  
To: cdd@cityofwatsonville.org

Tue, Nov 17, 2020 at 3:15 PM



# New eComment for Planning Commission on 2020-11-17 6:00 PM - Remote Teleconference Meeting

Rebecca Royston submitted a new eComment.

Meeting: Planning Commission on 2020-11-17 6:00 PM - Remote Teleconference Meeting

Item: B. 20-630 AN APPLICATION FOR A SPECIAL USE PERMIT (Application no. 359) TO ALLOW THE ESTABLISHMENT OF Small Beer Manufacturer (TYPE 23) ABC LICENSE UNDER NEW OWNERSHIP FOR AN EXISTING MICROBREWERY Wtih a 780 square foot tasting room (Elkhorn Slough BRewing LLC DBA THE SLOUGH BREWING COLLECTIVE) LOCATED AT 65 HANGAR Way Suite D (APN 015-111-24), FILED BY The Slough Brewing Collective, APPLICANT ON Behalf of Sam Bishop, property owner

eComment: Good evening members of the Planning Commission. My name is Rebecca Royston and I have worked and lived in Watsonville for the past eight years. I am writing you tonight in support of the Slough Brewing Collective's application. We are so fortunate to have a local brewery that cares about our community. In addition to their delicious beers, The Slough Brewing Collective has been a drop off zone for several community fundraisers and a platform for community voices. Elkhorn Slough Brewery, a brewery already built with such love and care, has been taken over by people who truly want to build a fun and safe space for everyone. I very much look forward to their future here in Watsonville and ask that you approve their application. Thank you!

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