



CITY COUNCIL STAFF REPORT

DATE: June 16, 2010 NEW BUSINESS

SUBJECT: REVIEW AND EVALUATION OF NINE APPLICATIONS FOR POSSIBLE AWARD OF A THIRD PERMIT FOR THE OPERATION OF A MEDICAL CANNABIS COLLECTIVE/COOPERATIVE

FROM: David H. Ready, City Manager

BY: Department of Planning Services

SUMMARY

The Medical Cannabis ordinance was approved March 4, 2009 and went into effect on April 4, 2009. The City Council received and evaluated eleven applications to operate medical cannabis cooperative/collectives and selected two applicants to receive permits: MC 09-001 Cannahelp at 505 Industrial Place Drive, and MC 09-010 Desert Organic Solutions, at 19486 Newhall Road.

On June 2, 2010 the City Council introduced an amendment to the Medical Cannabis ordinance to allow the issuance of a third regulatory permit for a medical cannabis cooperative/collective and directed staff to provide an updated analysis of the qualifications of the nine remaining applicants for consideration and possible award of the third permit. With the adoption of the amendment at the meeting of June 16, 2010, the Council could consider and issue a third permit, to become effective on the effective date of the amendment.

This report summarizes staff's evaluation of the nine remaining applications. The City Council will consider the staff evaluation and other information and provide further direction, as appropriate.

RECOMMENDATION:

Direct staff as appropriate.

BACKGROUND:

The nine remaining applications that were previously received for consideration of the first two medical cannabis permits are as follows:

- MC 09-002: Organic Solutions of the Desert; Jim Camper, 560 Williams Road
- MC 09-003: CAPS Collective Apothecary, Yona Mizrahi, 4050 Airport Center Drive
- MC 09-004: Palm Springs Compassionate Care, Janice Haroon, 3585 Del Sol
- MC 09-005: Greenway Nature Care Center, James Villegas, 823 Williams Road
- MC 09-007: Farmacy Collective, Joanna La Force, 3455 North Indian Canyon Drive
- MC 09-008: Happy Relief Center, 19391 Newhall Road
- MC 09-009: Herbal Solutions, Mark Adams, 4765 Ramon Road
- MC 09-010: Desert Valley Patients Collective, Carlo Pablo, 905 Crossley Road
- MC 09-011: West Valley Patients Collective, Lillian Lazarin, 19485 Newhall Road

STAFF ANALYSIS:

The table below provides a summary of staff's evaluation of each application against the revised Medical Cannabis Ordinance (with the zone text amendments that provided revised development standards for cannabis collectives).

TABLE 1 – REVISED SUMMARY EVALUATION OF MEDICAL CANNABIS APPLICANTS (Revised responses based on amendments to PSZC 93.22.00; "Development Standards")

App No:	001	002	003	004	005	006	007	008	009	010	011
Name & address of Applicant:	Cannahelp 505 Industrial Place AWARDED PERMIT	Organic Solutions of the Desert 560 Williams Road	CAPS Apothecary 4050 Airport Center Drive	PS Compassionate Care 3585 Del Sol Road	Greenway Nature Care Fdn 823 Williams Road	Desert Organic Solution 19437 Newhall Road AWARDED PERMIT	Farmacy Collective 3455 N. Indian Canyon Drive	Happy Relief Center 19391 Newhall Road	Herbal Solutions 4765 Ramon Road	Desert Valley Patients Assoc 905 Crossley Road	West Valley Patients Collective 19486 Newhall Road
Relevant Code Section & Requirement:		C = Conforms NO = Does not Conform AMM = Minor Modification Required									
93.22.00(G) \$7,500 deposit required	C	C	C	C	C	C	C	C	C	C	C
93.22.00(C) Prohibited within 500 feet of sensitive uses.	AMM	C	C	AMM	AMM	C	AMM	C	C	C	C
93.22.00(C) Prohibited within 1,000 feet of other MC Coops.	C	C	C	C	C	C	C	NO	C	C	NO
93.22.00(C) Primary uses on site cannot be commercial-retail	C	C	NO	C	C	C	C	C	C	NO	C
93.22.00(E) Off-Street Parking: One space per 250 gross square footage	C	C	C	C	C	C	C	C	C	C	C
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93.22.00 G,1) Number of patients (No min or maximum requirement)	3000	1500	3000	500	50	100	3,000	300	12,000	2,200	3,000
93.22.00 (G,1) Delivery service Provided: (Yes/No)	Y	N	Y	Y	N	Y	N	Y	Y	N	N
93.22.00 (G,3) Site & Floor Plans. (No min or maximum area required.)	C	C	C	C	C	C	C	C	C	C	C
93.22.00(G,4,a.) Security System ; 120 hrs of recording 24/7 on all areas	C	C	C	C	C	C	C	C	C	C	C
93.22.00(G,4,b) Security System: Installed / monitored by recognized security company.	C	C	C	C	C	C	C	C	C	C	C
93.22.00(G,4,c) Control of Entrances: locked at all times, controlled by staff.	C	C	C	C	C	C	C	C	C	C	C
93.22.00(G,4,d) Outdoor lighting of windows, doors & comply with Outdoor Lighting Ordinance.	C	C	C	C	C	C	C	C	C	C	C
93.22.00(G,4,e) Windows & Storage secured, plan for cannabis to be secure.	C	C	C	C	C	C	C	C	C	C	C
93.22.00(G,5) Contact information for manager, employees, for criminal background check	C	C	C	C	C	C	C	C	C	C	C
93.22.00(G,6) Prop. Owner/Lessor Name/Address & MCC acknowledgement	C	C	C	C	C	C	C	C	C	C	C
93.22.00(G,7) Release of Info Authorization for City Mgr to verify.	C	C	C	C	C	C	C	C	C	C	C
Business Area Square Footage (used to calculate parking)	8,300	1,210	3,130	5,000	800	3,000	13,225	3,000	8,000	1,418	1,412
93.22.00(K,2) Hours of Operations 9 am and 7 pm Monday through Saturday only	C	C	C	C	C	C	C	C	C	C	C
93.22.00(K,9,10) Signage "No smoking/consuming" & business name only	C	C	C	C	C	C	C	C	C	C	C
QUALIFIED:	<u>YES</u>	<u>YES</u> <u>see</u> <u>note 1</u> <u>below</u>	<u>NO</u> <u>See</u> <u>note</u> <u>5</u>	<u>YES</u> <u>see</u> <u>note 2</u> <u>below</u>	<u>YES</u> <u>see</u> <u>note 2</u> <u>below</u>	<u>YES</u>	<u>YES</u> <u>see</u> <u>note 2</u> <u>below</u>	<u>NO</u> <u>See</u> <u>note 3</u> <u>below</u>	<u>YES</u>	<u>NO</u>	<u>NO</u> <u>See</u> <u>note 4</u> <u>below</u>

Notes on the revised summary:

1. Application 002; Organic Solutions of the Desert, 560 Williams Road, was removed from further consideration by Council on December 2, 2009 based on signatures gathered from neighbors opposing this use at this location. They are not, however in violation of the 500 foot distance limit to sensitive uses.
2. Applications 004, 005, and 007 would require AMM's to conform on distance to sensitive uses.
3. Application 008; Happy Relief Center is within 1,000 feet of another approved permit holder, Desert Organic Solutions (now relocated to 19486 Newhall Road). This distance is too close to be remedied by an AMM.
4. Application 011; West Valley Patients Collective, was removed from further consideration by Council on December 2, 2009 based on their continued operation after initiation of litigation proceedings by the City Attorney. Subsequently, Desert Organic Solutions (Applicant 006) amended their application to use the 19486 address for their permit, which was approved by the City Council. Thus Application 011 is no longer associated with a specific site and thus staff cannot further evaluate this applicant.
5. Application 003; CAPS, at 4050 Ramon also closed in response to litigation notices, and then reopened after initiation of litigation proceedings. CAPS is also located in a multi tenant center that has primarily retail uses.
6. All applicants are subject to final City review and inspection of alarm systems, signage, and permitted tenant improvements pursuant the California Building Code (CBC) and the Zoning Code.

Based on the analysis above, staff believes the following two may be deemed "qualified":

- Organic Solutions of the Desert, 560 Williams Road
- Herbal Solutions, 4765 Ramon Road

With the approval of an AMM addressing distance to sensitive uses the following three may also be deemed qualified:

- Palm Springs Compassionate Care, 3585 Del Sol Road
- Greenway Nature Care Center, 823 Williams Road
- Farmacy Collective, 3455 North Indian Canyon Drive

Due to their location within multi-tenant centers with primarily retail uses, staff does not believe the following applications are "qualified":

- CAPS, 4050 Airport Center Drive
- Desert Valley Patients Collective, 905 Crossley Road

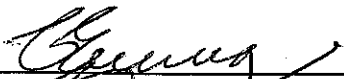
CEQA ANALYSIS:

Each application for a Medical Cannabis Cooperative/Collective Permit has been evaluated under the guidelines of the California Environmental Quality Act (CEQA). Each application has been determined to be a Project under the definition of CEQA. The individual cases have been evaluated and staff has made a determination in each individual case that the application is "Categorically Exempt" from further analysis under CEQA in accordance with CEQA Section 15303 (*New Construction or Conversion of Small Structures*).

NOTIFICATION:

A notice of public hearing was issued in accordance with applicable law for the December 2, 2009 Public Hearing on the possible award of permits for medical cannabis. As an item of unfinished business, no further public notice is required, however, all remaining applicants were contacted in advance of this meeting. As of the writing of this staff report, several inquiries were received; written inquiries that were received are attached to this staff report.

FISCAL IMPACT: No fiscal impact.



Craig A. Ewing, ATCP
Director of Planning Services



Douglas C. Holland, City Attorney



David H. Ready, City Manager

Attachments:

1. Correspondence
2. Additional information submitted by applicants.

**BYLAWS
OF
P S COMPASSIONATE CARE INC.
A California Non-Profit Mutual Benefit Corporation**

**ARTICLE I
NAME**

The name of the corporation is P S Compassionate Care Inc.

**ARTICLE II
OFFICES OF THE CORPORATION**

The principal place of business of the corporation shall be at a location in Riverside County, California to be determined by the Board of Directors ("Board"). The Board may, without changing the Bylaws, from time to time, change the location of the corporation's principal place of business.

The Board may, from time to time, establish additional office(s) for the conduct of the corporation's business.

**ARTICLE III
CORPORATE PURPOSES**

The corporation is a nonprofit mutual benefit corporation, organized under the California Nonprofit Mutual Benefit Corporation Law, to operate as a not-for-profit collective. The purposes of the corporation are to engage in any lawful acts and activity, other than the credit union business, for which a corporation may be organized under such law, including, without limitation, to facilitate providing natural remedies for chronically ill Californians for which licensed physicians may recommend herbal and/or other remedies, and to collect, compile and conduct research regarding herbal and/or other remedies.

The corporation shall lawfully cultivate, acquire, possess and/or distribute lawfully cultivated medical cannabis and its derivatives (individually and collectively, "medicine") within the collective, and provide for the security and non-diversion of medicine in compliance with state and local laws, regulations, guidelines and ordinances.

**ARTICLE IV
MEMBERS**

The corporation shall have voting members in accordance with the California Nonprofit Mutual Benefit Corporation Law and other pertinent laws, with overall management of the corporation's operations to be exercised by the Board and duly elected officers.

ARTICLE V
BOARD OF DIRECTORS

In accordance with the California Nonprofit Mutual Benefit Corporation Law and other pertinent laws, regulations, guidelines and ordinances, the operations of the corporation shall be managed and exercised by and under the direction of the Board and duly elected officers.

The Board and elected officers shall have all general powers afforded them under the California Nonprofit Mutual Benefit Corporation Law and other pertinent laws, regulations, guidelines and ordinances, including, without limitation:

1. Establishment and maintenance of the corporation's purposes, objectives and goals, as well as the means of implementing them.
2. Oversight of the corporation's business and related matters, including, without limitation, regulatory compliance, corporate governance and succession,, corporate audits, and related matters.
3. Establishment and oversight of corporate committees and working groups.
4. Plan for and approve corporate leadership positions; at the Board's sole discretion, elect and/or appoint and remove corporate officers, employees and agents; prescribe powers and duties of corporate officers, employees and agents; and determine compensation for the performance of such duties.
5. Change the location of the corporation's principal place of business; qualify the corporation to conduct its business in other jurisdiction(s); and designate any place within or outside California for holding of any meeting, including, without limitation, annual or special meetings.
6. Adopt, make, use and, from time to time, change the corporation's seal; prescribe and, from time to time, change the forms of membership certificates, if any.
7. On behalf and in furtherance of the corporation's purposes, borrow money and incur debt, and provide for execution in the corporation's name of appropriate documents in furtherance thereof, including, without limitation, promissory notes, bonds, deeds of trust, mortgages, hypothecations, and other indicia of indebtedness and security for such indebtedness.
8. Invest, or cause to be invested, some or all of the corporation's assets in accounts, properties and other capital assets.
9. Enter into agreements and arrangements with other entities and individuals for the purpose of implementing and furthering the

corporation's goals and objectives, provided that such agreements and/or arrangements in no way compromise the corporation's nonprofit status.

The Board shall consist of at least one and not more than five directors, the precise number of directors to be determined by resolution of the Board. The initial director shall be appointed by the corporation's incorporator, identified in the corporation's initial Articles of Incorporation. Thereafter, director(s) shall be elected by a majority of directors then in office, whether or not a quorum exists, or by the sole director.

Director(s) shall be elected at each annual Board meeting; however, if there is no annual Board meeting, director(s) may be elected at a special Board meeting. Each director shall hold office until expiration of that director's term and until a successor director has been elected.

A director may resign, which resignation shall be effective on giving written notice to the president or secretary of the corporation or to the Board, unless the notice specifies a later time for the resignation to become effective. If the resignation of a director is effective at a future time, the Board may elect a successor to take office when the resignation becomes effective.

A director may be removed with or without cause by a vote of the majority of director(s) then in office.

A vacancy or vacancies on the Board shall be deemed to exist on the occurrence of (a) the death, resignation or removal of a director, (b) the declaration by resolution of the Board of Directors of a vacancy of an office of a director who has been declared of unsound mind by an order of court, has been convicted of a felony or has been found by final order or judgment of a court to have breached a legally imposed duty arising under Corporations Code § 7238.

Regular or special meetings of the Board may be held at any place within or outside California designated by the Board. In the absence of such designation, Board meeting shall be held at the principal place of business of the corporation. Any Board meeting may be held by telephone conference or other generally available electronic means of communication equipment, so long as all Directors participating in the meeting can hear one another; in such instances, all participating directors shall be deemed to be personally present at such meeting.

The annual meeting of the Board shall take place on the second Friday of February of each year, unless such Friday is an official holiday, in which case it shall take place on the next Friday that is not an official holiday. Notice of meetings shall be given by written notice delivered personally, by first-class mail, by verified e-mail or by verified fax, to the address of each director shown on the corporation's records. Unless waived, notice of such meeting shall state the date, time, location and purpose of such meeting.

Directors may receive reasonable compensation for their services as such, as well as reimbursement for their expenses as such, in accordance with Board resolutions relating thereto.

ARTICLE VI OFFICERS

The officers of the corporation shall include, without limitation, a president, secretary and treasurer. The Board also may elect a chairman of the Board, vice president(s), assistant secretary(ies), assistant treasurer(s) and other officers as the Board, in its discretion, may determine. Any number of offices may be held by the same person.

An officer may resign, which resignation shall be effective on giving written notice to the president or secretary of the corporation or to the Board, unless the notice specifies a later time for the resignation to become effective. If the resignation of an officer is effective at a future time, the Board may elect a successor to take office when the resignation becomes effective.

Any officer(s) may be removed by the Board with or without cause.

ARTICLE VII INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

To the fullest extent permitted by law, the corporation shall indemnify its directors and officers and may indemnify employees and other persons described in Corporations Code §7237(a), including persons formerly occupying such positions, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding" and including an action by or in the right of the corporation, by reason of the fact that the person is or was a person described in that section. "Expenses", as used in this bylaw, shall have the same meaning as in that section of the Corporations Code.

To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under Article VI of these bylaws in defending any proceeding covered by this Article shall be advanced by the corporation before final disposition of the proceeding, on receipt by the corporation of undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately found that the person is entitled to be indemnified the corporation for such expenses.

ARTICLE VII CORPORATE RECORDS, REPORTS AND SEAL

The corporation shall keep at its principal place of business office the corporation's Articles of Incorporation, the corporate seal and the original or a copy of

the then-current Bylaws, all of which shall be open to inspection by officers and Directors and officers during normal business hours or as otherwise agreed.

The corporation's accounting books and records and minutes of proceedings of the Board and committees of the Board shall be open to inspection during normal business hours or as otherwise agreed upon written demand to the corporation.

The Board shall cause an annual report to be sent to the directors within ninety (90) days after the end of the corporation's fiscal year. The report shall contain the following information, in appropriate detail: the assets and liabilities, including trust funds, if any; principal changes in assets and liabilities, including trust funds, if any; revenue or receipts of all kinds and descriptions of the corporation; and expenses or disbursements of the corporation; and all additional information required by pertinent law and/or the Bylaws. The annual report may be accompanied by a report on it of independent accountants or, if there is no such report, by the certificate of an authorized officer of the corporation that such statements were prepared without audit from the corporation's books and records. An annual report shall not be required if the corporation received less than ten thousand (\$10,000) dollars in gross revenue receipts during the fiscal year; however, the information specified above for inclusion in an annual report must be furnished annually to all director(s) who request it in writing.

ARTICLE VIII CONSTRUCTION AND APPLICABLE LAW

Unless the context otherwise requires otherwise, the general provisions, rules of construction and definitions set forth in the California Nonprofit Mutual Benefit Corporation Law and cases construing such law shall govern the construction of these Bylaws. The provisions of these Bylaws shall be construed and applied in accordance with the laws of the State of California.

ARTICLE IX AMENDMENT OF BYLAWS

The corporation's Bylaws may be altered, amended or repealed, and new Bylaws may be adopted, by a two-thirds (2/3) majority vote of the directors present at any duly noticed meeting of the Board or by the unanimous written consent of all directors then in office, except as otherwise provided herein.

CERTIFICATE OF SECRETARY

I, Janice Hardoon, Secretary of P S Compassionate Care, Inc., hereby certify:

1. That I am the duly elected and acting Secretary of P S Compassionate Care, Inc. a California Nonprofit Mutual Benefit Corporation.

2. That the foregoing Bylaws, consisting of nine (9) articles and five (5) pages, including this certification page, constitute the Bylaws of this corporation as duly adopted by the Consent Action of Incorporator of the Corporation dated June 25, 2009.

IN WITNESS WHEREOF, I have subscribed my name and affixed the seal of P S Compassionate Care, Inc. this 4th day of December, 2009.

Janice Hardoon, Secretary

[seal]

Janice Hardoon owns KoreaTown Collective, LLC. KTC is one of 187 original Los Angeles collectives and was established in 2006, prior to the beginning of the moratorium during which hundreds of collectives opened. KTC follows the guidelines set forth by the state attorney of California and continues to operate under the business laws established by the city of Los Angeles.

Each patient must comply with the following policies of KTC:

1. Each patient must show valid legal identification each visit.
2. Each patient must have a verifiable and current doctor's recommendation or physician issued card each visit.
3. Each patient must be 21 year of age.
4. KTC prohibits the opening, repackaging, or use of medicine on the property and its surrounding premises. A state licensed security official enforces this by continually monitoring the aforementioned areas.
5. KTC does not allow the sharing of medicine purchases.
6. KTC adheres to a NO smoking policy on premises.
7. Each patient receives a receipt along with medicine in a sealed container in a pharmacy bag. Stapled to the pharmacy bag is a notice stating the facility guidelines of KTC, as a reminder.

Janice Hardoon is proud to state that she has had no encounters with law enforcement. KTC works with officer Bruner- 213-793-0774 of the Olympic Division of the LAPD. We attend neighborhood watch programs and events. Detective W. Sera- 213-382-9378- of the LAPD recently visited KTC to observe and document daily operations in accordance with the City of Los Angeles' investigation of the recent increase of medical marijuana dispensaries.

KTC is open from 10 am to 9 pm Monday- through Saturday, and 11 am to 8 pm on Sunday. In a typical week, KTC sees approximately 450 patients. Busy times are between 12pm and 230pm, and again between 5pm and 830pm. KTC has 24/7 monitored security. We maintain 12 closed

circuit cameras that maintain 30 days of data storage. In addition, a state-licensed security officer is present on the premises during all business hours. Cameras are placed to monitor the surrounding street and store areas. The storefront is located on a busy street, in a shopping center with six other tenants. Patients enter a locked front door before being greeted by a security guard at an additional locking gate where they are asked to see proof of age. After entering the waiting area for the first time, patients complete necessary document packets and sign a form stating they have read and understand the facility guidelines. Each patient must provide valid state-issued identification or Passport along with the original copy of their doctor's recommendation or recommendation ID card. The recommendation is verified with the doctor's office for validity and current expiration status. Returning patients are required to provide legal identification and as a KTC employee is verifying their recommendation expiration status.

All medicines are locked and are not accessible to any unauthorized persons. All inventories are stored in a combination locked safe, which a manager must be present to open. When new medicine is obtained, it is immediately packaged into varying useable amounts for patients. Sizes include single grams, 3.5 gram, and 14 gram containers. The amount of each size packaged is determined by comparing past sales records of similar medicine. The pre-packaged containers are stored in drawers accessible only to the manager. Each night the manager makes one cash deposit into a locked combination safe. The credit card summaries are collected and stapled to the individual credit card receipts. The manager makes a daily summary and records the data in a notebook.

Patients are seen individually to ensure proper care. When a patient decides what they need with the help of a knowledgeable staff at the counter, a sales ticket along with payment is handed through a window to the manager on duty. The manager pulls the pre-packaged container from the appropriate drawer, rings up the sale on the computer, deposits the cash or credit card receipt into the register, and provides any change if necessary. The patient receives their medicine in a pharmacy bag which is sealed with a note detailing the KTC guidelines.

KTC uses Intuits Quickbooks software as a comprehensive program to manage, track and document the inventory and sales history. The point of purchase computer system is a valuable tool that documents all sales – cash or credit- and removes product sales from inventory. The software program can easily produce charts and graphs that memorialize patient flow, product sales and calculate sales tax collections. Intuit software programs are integrated so that the point of purchase program is imported to the turbo tax software to simplify all accounting.

KTC product prices are derived from the values that are determined from our designated growers. There are many varieties of medicines to provide different solutions depending on each patient's specific ailments. Medicine prices are determined by several factors; availability, production and labor, and quality are some of the major determining factors. KTC has a reputation for providing the best medicine and customer service for any person's economic situation. Varying qualities reflect different prices due to knowledge of the grower, time taken to grow the medicine, and amount of medicine grown. While a fair majority of collectives in the area top 1/8 prices at up to \$80 each, we top our 1/8 prices at \$65 including tax. In addition to fair prices, we have a generous compassion program, which allows all qualified patients to receive necessary medicine at below or at no costs. Currently, we are evaluating many insurance companies that will cover medical marijuana purchases similar to those of a traditional medical prescription plan.

Products sold at P.S. CC will be priced even lower because it will all be cultivated in-house. Costs of setting up enough equipment to properly sustain the patient community will cost around \$150,000 and it would take 1 to 1 ½ years to recoup this expense, incorporating all factors and salaries into the estimate. This figure is definitely a ballpark estimate, as every grow-room has different problems that require different amount of money and labor to overcome. Examples are heat problems, air circulation problems, and lighting problems, all of which must be controlled prior to cultivating anything. NO room is perfect right off the bat; it takes a little bit of time and effort to achieve the optimal environment.

Estimating the number of patients that P.S. Compassionate Care will provide medicine to is an interesting proposition. The City of Palm Springs is granting a valuable service to a population of people that are in need of alternative medicine options. Based on the discussion at the council meeting on December 2, 2009, a unique business model is needed to be created and to allow for modifications to work directly with the local government. P.S. Compassionate Care estimates a patient community of 3000. Abiding by the city of Palm Springs ordinance guidelines of operating hours of Monday through Saturday of 9 AM to 7 PM, the collective could average 100 patients per day. Future growth of the collective community would be determined by the regulations of local, county and state compassionate care legislation. It is reasonable to assume that a very large percentage of patients will be Palm Springs residents initially, with many more patients coming from neighboring cities and counties as time progresses.

P.S. CC intends to grow all of the medicine that will be distributed to ensure safety and quality of medicine. P.S. Compassionate Care has leased a property located inside the city of Palm Springs in the required designated zone. The property address is surrounded by an electronic gate and has no direct major thoroughfare traffic. 3585 Del Sol Rd. is at the end of Oasis Road. P.S. CC has given the city an explicit set of security plans that have been designed and will be executed and monitored by Olinn Executive Security. In addition to the video surveillance, a state licensed security officer will be on staff to reassure all patients, local businesses and local authorities that all precautions are being taken to provide peace and safety. The property that P.S. CC has leased is a warehouse with office measuring approximately 5500 square feet. 1000 sq ft has been designed to provide a secure, comfortable and easily accessible store for patients. The layout of the store provides several areas that can be closed off and or locked for authorized employees without sacrificing the desired atmosphere required for patient confidentiality and comfortability. The remaining space will be used for growing the desired medicines for our patient community. That area will be sealed and monitored and will be accessible from an entrance not connected to the patient area.

P.S. Compassionate Care has drafted blueprints to build an area for growing medical marijuana. The facility has 4500 sq. feet of secured warehouse that will be converted to a sterile and environmentally controlled area to house the plants that will produce the medical marijuana. An area of that size will be able to continuously produce various varieties of medicine to meet the demands of our community populations. An operation of this size will create 20-30 full and part-time jobs in the Palm Springs local area. A collective created within the city guidelines will offer each of the qualified patient members a task to participate in its success.

The medicine will be grown by the most knowledgeable of staff with experience in this field. It will be grown using strictly organic supplements with an extreme minimum of waste. There will not be water runoff in the surrounding terrain or air contaminants present, preventing any environmental impact in the surrounding area. The medicine grown will be inspected for pathogenic mold prior to distribution. With the experience present and room to cultivate properly, it is assured that only the highest quality medicine will be produced by P.S. CC.

P.S. Compassionate Care has created a staff of professional management to oversee the business operation. Janice Haroon, Danny Sintov and Retired Superior Court Judge Gary Bindman will be on premise to work with our staff and local government officials in order to operate a safe and responsible collective. P.S. CC is committed to providing excellent service and opportunities for residents of Palm Springs. 3585 Del Sol Rd., in North Palm Springs, is the best location for a medical marijuana collective because is located at the end of a quiet commercial zone on a gated piece of property. Security monitoring has been detail and will be provided by O'linn Executive Security, a local business that has been doing business for the city of Palm Springs since the mid 1990s.

P.S. Compassionate Care is a collective that will continue to evolve and grow with the community of Palm Springs. This collective is going to successful with the participation of its member patients and local law enforcement and government officials. P.S. CC will make a village.

LAW OFFICES OF

EALY, HEMPHILL & BLASDEL, LLP

A CALIFORNIA LIMITED LIABILITY PARTNERSHIP

W. Curt Ealy
Emily Perri Hemphill
Diane C. Blasdel
(dcblasdel@ehblawyers.com)

71780 San Jacinto Drive
Bldg. I, Suite 3
Rancho Mirage, California 92270
Telephone (760) 340-0666
Facsimile (760) 340-4666

May 20, 2010

VIA OVERNIGHT MAIL

Craig A. Ewing, AICP
City of Palm Springs
Planning Department
3200 East Tahquitz Canyon Way
Palm Springs, California 92262

Re: Organic Solutions of the Desert, Inc. - James Camper
Medical Cannabis Cooperative/Collective Permit Application

To The City of Palm Springs:

Please be advised that our office has been retained to represent the interests of Organic Solutions of the Desert, Inc., one of the applicants for the third permit to be issued by the City of Palm Springs for a medical cannabis cooperative or collective (hereinafter "the Permit"). It is our information and understanding that the Planning Commission is considering revisions to Ordinance 1758 and/or portions of the Palm Springs Zoning Ordinance ("PSZO") section 93.22.00 et al., and included within said revisions, the issuance of the Permit. It is our further information and understanding that the Staff Report addressing this issue, prepared for the Planning Commission's consideration on May 26th, only recommends two "qualified" applicants for the Permit - Collective Apothecary Prescription Services (aka "CAPS") and Herbal Solutions. Please accept this letter and the attachments hereto as a request for reconsideration of Organic Solutions of the Desert, Inc., to be considered as a qualified applicant for the Permit. It is Organic Solutions of the Desert's position that it has improperly been "dropped from the running" on inapplicable, incorrect, arbitrary and/or unequal treatment bases.

On December 2, 2009, the City Council reviewed and evaluated eleven (11) applications for the Permit. The Staff Report prepared on this agenda item concluded by recommending four applicants as "potentially qualified" and recommended that the City Council direct said four applicants to submit supplemental information regarding their governance to the City no later than December 8th. The four potentially qualified applicants included our client, Organic Solutions of the Desert, Happy Relief Center, Herbal Solutions and West Valley Patients Collective. However, during the hearing on the agenda item, certain applications (namely, CAPS) were allowed to "proceed," despite being in violation

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of express and quantitative provisions of the PSZO. Members of the City Council arbitrarily "bent" certain requirements (i.e., within 500 feet of sensitive uses or primary uses on site being that of retail), allowing CAPS to proceed "to the next round" of permit consideration.

Meanwhile, our client's application was excluded from further consideration, based on a petition allegedly submitted to the City by a resident of the Demuth Park area, which contained signatures of individuals who allegedly work or live near the proposed location on Williams Road, and who are allegedly opposed to any cooperative being located on Williams Road. I have reviewed the Ordinance and the PSZO and cannot find any basis for denying an application for a cooperative (or any business for that matter) on the mere grounds that people who allegedly work or live in the area (the majority of which, work or live beyond 500 feet from the proposed business), oppose the cooperative. If that were the case, then one need merely canvas the neighborhoods of all proposed locations, and I am sure that signators could be found for a petition opposing the location of any cooperative. If this is a new criteria that the City of Palm Springs has set (i.e., no opposition within 500 feet of the proposed location), then please advise and I am sure that every applicant will immediately canvas all competitors' proposed locations for opposition signatures on a petition and will submit same to the City of Palm Springs to defeat the competition. In response to the petition presented for the first time at the December 2, 2009, hearing, and to which my client was not given a reasonable opportunity to respond, my client submits that all of the signators who are alleged residents in the area, "*live beyond 500 feet from my client's proposed location*"; the closest is approximately one third of a mile away. The "local grocery store" referenced in the petition is a liquor store that happens to sell a few Asian grocery items and which is located immediately adjacent to a hydroponics store!

The City Council's determination or finding on December 2, 2009, that only two of the applicants were "qualified" is not supported by the evidence and/or such determination is not supported by the findings at the hearing. A few of the applicants were rejected because they were operating without a license and in violation of the City's Ordinance and/or the State's Attorney General Guidelines. It is interesting to note that while CAPS was **AND IS clearly operating without a license**, and is currently being sued by the City of Palm Springs for said violations (Riverside County Superior Court, Indio District, Case No. INC 088918), CAPS was not eliminated as a "qualified applicant." Why? Our client was eliminated as a "qualified applicant" merely because someone submitted a petition signed by persons who allegedly worked or lived in the Williams Road area. Why? Others were eliminated because they failed to appear at the public hearing. Why? I am unaware of any law, statute, ordinance or procedure that allows a public entity to deny an application for a permit merely because one does not appear at a public hearing. I could understand if there were questions which needed to be asked of the applicant, or information required from the applicant, and the applicant failed to provide such information. But if an applicant is considered a "qualified applicant" in a Staff Report, with no information missing from the application, and no questions existed to be posed to the applicant at the public hearing that went unanswered, may a public entity summarily deny an otherwise valid and complete application?

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In sum, it is our client's position that it has been denied due process, and that the City has incorrectly, unreasonably and/or arbitrarily denied its application for a medical cannabis cooperative permit. We respectfully request that the Staff, Planning Commission and City Council take into consideration the foregoing, as well as the attached letters in support of our client's application, reconsider its position, and allow our client to proceed with the application process for the Permit. Thank you.

Very truly yours,

EALY, HEMPHILL & BLASDEL, LLP


Diane C. Blasdel

DCB/js
Enclosure(s) as noted.

cc: Mr. Camper

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