

Fantasy Elixirs and Medicinals
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Introduction

Fantasy Elixirs and Medicinals (FEIN: 84-2753990 CA Corporate#: C4058231) is applying for a Conditional Use Permit for the manufacturing of cannabis beverage within a ~750 ft² portion of an existing beverage manufacturing warehouse space at 2994 Teagarden St, San Leandro, CA 94577 (APN: 79B-1229-22). Upon securing a Conditional Use Permit, the company will be applying for a BCC CA license for infusion, packaging and labeling.

Fantasy's proposed facility is currently an under-used storage space within the House Kombucha brewery. Fantasy was created by the owners of House Kombucha as a separate corporation in order to make cannabis infused kombucha and ensure the proper security, accounting, insurance, governance, inventory and other operational processes necessary for a permitted cannabis business.

Company Background: Fantasy and House Kombucha

Fantasy Elixirs was founded, for the purpose of adding cannabis extracts to the healing beverages produced by House Kombucha. House Kombucha is a San Leandro based non-alcoholic tea brewery that produces organic bottled and kegged kombucha, tea, chai and cold brew coffee. House Kombucha, is known for its healthy low-sugar recipes, quality ingredients and artisan craftsmanship. House Kombucha is a proud minority woman founded, owned and run company. House Kombucha is available in over 400 locations including Whole Foods, Philz Coffee, and more. Celebrating 10 years this year, House Kombuchahe enjoys a dedicated fan-base and positive long-standing relationships with local businesses and organizations.

House Kombucha acquired 2994 Teagarden St. in 2014 and was approved to operate in 2015 after a nine month permitting and build-out process, which included full architectural plans and local and state permits. House Kombucha is primarily licensed and inspected through the FDA Processed Food Registration and is also organic certified through CCOF and independently inspected and audited through its major customer, Whole Foods (via UL Everclean).

House Kombucha's operation was built to scale to a 250,000 gallon/year output but has not ever reached past 70,000 gallons/year.

Fantasy Elixirs will create additional sustained business for House Kombucha by purchasing bulk finished brews from House Kombucha to supply the growing cannabis beverage industry. This type of diversified business will help make House Kombucha a more resilient and profitable, locally rooted business.

Leadership

Rana Lehmer-Chang and Anson Abdulla serve as President and Vice President, respectively, of Fantasy Elixirs. Rana Lehmer-Chang is a CA State Bar attorney by training and beverage entrepreneur by practice. Rana founded House Kombucha in 2009 by selling homemade kombucha at the SF farmers market and bootstrapped the brand by selling to local grocery stores and cafes. She independently grew the company and brand to a steady \$1M while building her state of the art manufacturing facility and sustaining family supporting jobs for her team of women artisans.

In 2019 Anson Abdulla joined House Kombucha an equity partner and new CEO. Anson, a native Bay Area resident, has over 35 years of experience owning and operating food and beverage businesses including People's Café, Golden Egg Distribution and craft beer and wine stores.

Together Rana and Anson have the small business acumen and entrepreneurial vision to steward House Kombucha through an evolving healthy beverage category and create new products for the growing cannabis beverage market through Fantasy Elixirs.

Product

Fantasy Elixirs will pilot its new beverage products in 2020. The signature products will be kombucha-based tonics enriched with THC extracts and other herbs, fruits and flavors. Fantasy will also have the potential to create similar other products like carbonated water, fruit juice and other non-kombucha based beverages with its carbonated bottling line.

Geographical Location

The Fantasy location within the House Kombucha facility is ideal for security and access. The site is favorably situated in an industrial area business complex, consistent with its use (Zoning District: Industrial General) and proximate to all proper infrastructure. It is distant and isolated from residential, educational, childcare, recreational, and community areas as well as other sensitive land uses by major roadways bordered by Interstate 880, Marina Blvd, and Alvarado St. There is no additional need for power or utilities to the facility for the proposed use.

Facility Proposal

2994 Teagarden is 5,000 sqft warehouse. The majority of the space is a production space that consists of a fermentation room, production floor, walk-in fridge and storage. Behind the fridge and fermentation room is 630 sqft of underutilized storage space. The plan is to wall off this storage area to and create a separate manufacturing space, which includes 120 sqft of hallway between the fridge and the fermentation room.

There is no food production happening in this space other than adding cannabis extract to pre-made tanks of beverage. The build-out will be chiefly for the security and separation of the spaces.

The build-out shall consist of:

- A secure wall and door to separate the House Kombucha production floor from Fantasy
- Add hot water to the pre-existing hose bib (currently only cold water)
- Mop sink
- Hand sink
- A secure wall and door to separate Fantasy from the front office and break-room.

There is already water and electricity in this part of the warehouse and there is a pre-existing floor drain in this area. The storage space is currently storing 2 extra bottling machines which are on wheels and movable. These bottling machines will be used exclusively for cannabis bottling. All the equipment in this area will be cleaned with hot water and food grade sanitizer. There is no need for a 3 compartment sink because there are no dishware or utensils used. The equipment utilized is large and must be cleaned in place with hoses.

Manufacturing Process

House Kombucha will sell vats of finished beverage brews to Fantasy Kombucha as an ingredient. The vats of freshly made beverage will be wheeled to the entrance of Fantasy's facility and pumped into Fantasy's clean empty vat. All of House Kombucha's machinery used

to make and transport liquids to the Fantasy plant will have no contact with cannabis product whatsoever. Fantasy will have its own dedicated tanks, pumps, hoses and equipment separate from House Kombucha.

Since the manufacture of the actual beverage will be done by House Kombucha in the House Kombucha facility, the only ingredient Fantasy will need to have on hand is the cannabis extract. Fantasy is only adding extract and then packaging the beverages. There are no hazardous materials or processes involved. The cleanup for Fantasy’s manufacturing will entail cleaning the vats, pumps, bottling machines and mopping the floor.

Fantasy’s facility design specifies 750 square feet for manufacturing operations. The manufacturing space will be sufficient for designated areas for shipping, receiving, and warehousing unfinished and finished goods, quality control, and production. The fit and finish of functional areas shall be in compliance with Bureau of Medical Cannabis Regulation (BMCR) requirements. The facility and operations will comply with Cal/OSHA regulations.

Equipment used to manufacture Fantasy’s products include the following:

Description	Function
Primera Labeler	Used to apply labels to bottles
Meheen Filler and Crowner	Counter pressure for bottling carbonated beverages with capping system for applying crown caps
Conveyor belt and table	Moves products through the bottling process
Jacketed Brite Tank	Chills beverage to the correct temperature for carbonation
Glycol Chiller	Chills the brite tanks down to desired temperature
Pumps	Transports liquid from vats, tanks and filler
Vats on Wheels	Transportation and mixing of beverage
Tank Manager	Custom software to manage carbonation and temperature of tanks

Quality Control

- Products

Fantasy Elixirs will ensure quality production utilizing Good Manufacturing Practices (GMP) compliance standards under the direction of its Quality Control Manager. Fantasy Elixirs will buy pre-tested cannabis extract and each batch will come with its own certificate of analysis (COA) showing the results of the test. Fantasy will subject finished products to 3rd party testing to confirm actual potency which will be printed along with the batch number on each bottle. The cannabis products will be stored in secure areas designated for cannabis products. The cannabis products will be kept safe from cross-contamination, adulteration and allergen contact at all times.

- Premises

The Quality Control Manager will report to the owners regularly and as needed to ensure a clean and sanitary operation. The exterior grounds, parking lot and landscaping are maintained by the Teagarden Business Association. House Kombucha contracts with Orkin Pest control for pest control inside and outside of 2994 Teagarden St. to keep the premises free from pests. The pre-existing plumbing within Fantasy's facility are built per code to ensure proper draining and flow of clean water. The new sinks that are proposed for the new facility will also be done to code with a licensed plumber. The drains and plumbing will be inspected before each production shift in the Fantasy facility. The Quality Control Manager will address any issues on the premises herself or report issues to the owners or appropriate party as necessary.

- Personnel

The personnel contracted to bottle beverages in the Fantasy facility will be trained in food-safe handling and current Good Manufacturing Practices (cGMP). The personnel are always required to wear the appropriate clothing and protective gear to bottle products.

Supply Chain

Supply chain management will be a job responsibility at Fantasy. Fantasy will purchase cannabis extracts from authorized distributors and make products to order for licensed wholesalers, distributors and retailers. Fantasy will purchase emulsified cannabis oil from qualified suppliers in small quantities, of less than 2 gallons, which will be stored in the safe box in the secure safe box room. The projected peak demand for cannabis extracts is 5 gallons per month. The caps, bottles and labels required for bottling are common materials available from multiple commercial vendors. Fantasy will establish redundancy in its supply chain.

Inventory

Fantasy will employ an Inventory Control System (ICS) to manage inventory of raw materials and finished goods. Raw materials and finished goods shall be assigned product codes, batch, and lot numbers for traceability. The finished product will be inventoried, palletted and stored in the Fantasy facility until it is picked up by qualified distributors.

The location and nature of cannabis and cannabis product will always be tracked within the premises. The ICS will make sure on-hand inventory matches Track-and-Trace records, reconciling them at least once every 30 days and conducting audits as needed if on-hand inventory does not match Track-and-Trace records. The ICS will allow Fantasy to notify CDPH within 24 hours if reconciliations or audits show more than a 5% discrepancy between on-hand inventory and Track-and-Trace records. For more information about the ICS see Security Plan Appendix.

Transportation and Distribution: Loading and Unloading

Cannabis products will be unloaded and loaded under the supervision of the Security Manager who will ensure product safety and be able to prevent theft. The loading and unloading area is directly outside the House Kombucha brewery which is the private parking lot of the Teagarden Business Association. The lot is isolated from traffic and suited for trucks and loading. The loading and unloading of cannabis products would constitute mundane business

activity no different than the type already occurring for House Kombucha and its neighboring businesses. The loading zone is under 24-hour video surveillance. See Security Plan.

All cannabis products will be delivered or picked up by authorized distributors who will ensure proper storage of materials to protect the materials during transportation. Fantasy anticipates 5 or fewer deliveries of cannabis extracts per month. Other production supplies are packaging related. These supplies have limited relative value or use outside our manufacturing process and can be ordered/supplied/delivered via common carrier.

Waste and Disposal

Very little waste is generated from Fantasy's manufacturing processes. Because it only involves infusing a bulk beverage with a pre-extracted finished cannabis ingredient, there will be none of the waste, odors, or exhaust associated with cultivation and extraction-based manufacturing operations.

Any waste created by Fantasy's operation would be mainly from packaging materials. Packaging waste will be stored in recycling and garbage bins within the Fantasy facility. As needed these bins will be emptied into House Kombucha's waste bins which are stored inside the House Kombucha facility. There will be no cannabis product ever in the waste bins. House Kombucha's bins are deposited street-side for pickup each week and returned inside the facility after pickup has occurred.

There should typically be no cannabis waste since the entire extract ingredient is used in the product. In the event that a defective batch of cannabis extract was purchased it would be returned to the supplier or disposed of through a licensed full-service cannabis waste disposal company. In the event a batch of finished product ever needed to be dumped due to damage, defect or other reason, a cannabis waste disposal company would be contracted to destroy and properly dispose of such inventory. [GAIACA](#) is an example of such a service provider. Fantasy will track all waste and disposal via its Inventory Control System (ICS) and comply with all reporting.

Hours of Operation and Employees

Fantasy plans to operate its manufacturing facility 7am – 5pm Monday through Friday and occasionally on weekend days. Neither House Kombucha or Fantasy will be open to the public. Currently House Kombucha is operating 3-5 days/week with 4-5 employees in production. With the Fantasy facility operational there could be up to 7 days a week and 8 employees in production at 2994 Teagarden St.

Employees and Labor Structure

Fantasy will contract with House Kombucha for the labor required to bottle its products. This will allow House Kombucha to offer its well-trained staff additional hours. Bottling shifts in the Fantasy facility would always operate under the leadership of the owners and House Kombucha's production supervisor who has worked for House Kombucha for over 5 years and reports directly to the owners.

There are employee lockers to store personal items and a break room available for all the employees.

Security Measures

Please refer to Fantasy's separate and included Draft Security Plan document.

Odor

The small quantities of cannabis extracts used by Fantasy are shelf stable and will be stored in a safe in the safe room. The product will come in sealed containers and emit no odors when opened and added to the tea vats. There are no smells or vapors involved in the bottling process. The beverage is dispensed into bottles and immediately capped, a simple closed system. There is no need for an exhaust system. There is no odor potential when finished goods are packaged and warehoused.

Traffic and Noise Study

Based on studies conducted by the company and accompanying this application, the facility's operation will not generate significant noise or traffic impacts. See accompanying Traffic and Noise Study.

Neighbors

House Kombucha is located within a light industrial commercial warehouse association, Teagarden Business Association. House Kombucha is active and on the board of the Teagarden Business Association and has positive relationships with all its neighboring businesses, of which includes a new cannabis testing lab, Shasta Labs. There is nothing in the Teagarden Business Association's CC&R's that would interfere with Fantasy's proposed use.

Compliance

The owners of Fantasy will be responsible for ensuring compliance with regulatory agencies including the City of San Leandro, regulations including those specified in the Conditional Use Permit (CUP) and the State of California, Manufactured Cannabis Safety Branch (MCSB). Fantasy will also designate a Security Manager to comply with security and issues of compliance related to it.

Gross Revenue

During 2020, its first full year on the market, Fantasy foresees \$850,000-\$1.1M in gross receipts. Due to launch of additional product lines and expansion into new dispensaries, Fantasy forecasts tripling gross receipts on an annual basis.

Front parking lot entrance - NO CHANGES



Back door and loading zone / driveway - NO CHANGES





Designers and Manufactures of Special Machinery
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August 23, 2019

Fantasy Elixirs and Medicinals

2994 Teagarden St.,
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Traffic Report, Noise Study and Odor Assessment:

Doering Systems has been contracted by Fantasy Elixirs and Medicinals (hereby referred to as "Fantasy") to conduct a traffic report and noise assessment for its proposed operations at 2994 Teagarden St.

Proposed Operation Summary

House Kombucha will be making kombucha and selling it in bulk vats to Fantasy. Fantasy will add cannabis extract to the beverage and bottle it in its separate facility. The equipment and processes used by Fantasy to bottle and package its products will be similar to the equipment and processes currently used by House Kombucha.

The findings for this report are based on the current beverage operations of House Kombucha, the additional use proposed by Fantasy and my professional assessment.

Traffic Study

House Kombucha is located at 2994 Teagarden, a commercial warehouse condo in a light industrial warehouse complex. Since 2015, House Kombucha's volumes and sales have remained consistently 60,000-70,000 gallons per year. The traffic generated by House Kombucha consists of its employees, deliveries of raw goods and pick-ups of product. House Kombucha operates as a wholesale business and does not have a walk-in customer base.

Fantasy projects sales of up to 100,000 gallons of additional beverage per year. Fantasy will not have any direct customer sales and the traffic it generates will also be due to employees, delivery of raw materials and pick up of finished product.



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- **Employees:**
 - House Kombucha employees 5 full-time and 3-4 part-time employees.
 - Fantasy: At 100,000 gallons of production per year, Fantasy could employ up to 5 more employees.

- **Deliveries**
 - House Kombucha: Glass bottles are delivered twice per month. Ingredients and other materials are delivered on average 3 times per month. The total average of deliveries of raw goods to House Kombucha is 5 per month.
 - Fantasy: At its projected operation, delivery of raw materials would increase to another 5-8 deliveries per month.

- **Pick-ups**
 - House Kombucha operates its own distribution van 5 days per week to deliver kombucha to local stores. Distributors pickup pallets of finished goods 5 times per month.
 - Fantasy would use an additional van up to 5 days per week and increase pick-ups of finished products up to 5-10 times per month.

The net increase in trip making and traffic due to the Fantasy's operation will be up to 18 more truck trips per month, 1 additional delivery van and up to 5 more employees. The facility is located in the Teagarden Business Complex, which is suited for the coming and going of employees and trucks, the impact of the Fantasy's proposed operation on traffic is negligible. We believe that no further traffic analysis is necessary.

Noise Study

The noise study conducted for Fantasy's proposed operation is based on the equipment and processes involved in House Kombucha's current operation.



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House Kombucha

- Current Equipment

House Kombucha runs a bottling line consisting of a hand labeler, filler, and spindle capper. All of the machines are powered by air. The air-compressor is a low volume model that generates 57dBA.



3P Chill Star Glycol Chiller,
70 dBA



Hitachi Model SRL-7.5MA6LL Oil-less,
Scroll Air Compressor (fully enclosed):
dBA 57

At full production the sound level for the employees varies between 60-80dBA. The majority of the sound generated during bottling is not from the equipment but rather due to clicking of bottles being moved along the line.

Fantasy: Proposed Operation

- Fantasy will have its own bottling line similar to the type of equipment used by House Kombucha. The sound generated by Fantasy's proposed operation will be from the bottling machines, glycol chiller and clinking of bottle moving through production. This sound will be less than 80 dBA and similar to House Kombucha's operation and will not require employees to wear ear protection.



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Proximity to Residents

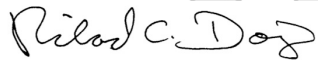
2994 Teagarden is located in an industrial zoned area and is over 5,000 feet from any residential buildings, which are on the other side of the 880, a significant source of noise. The noise generated by Fantasy, like House Kombucha, will not affect residents.

Conclusion

It is my professional opinion that the proposed operations for Fantasy will have no negative impact on neighboring residential properties and no noise control measures are required.

Yours truly,

Doering Systems, Inc.

A handwritten signature in black ink that reads "Richard C. Doering". The signature is written in a cursive style and is positioned over a large, faint, light-gray watermark of the Doering logo.

Richard C. Doering
President

EST

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