

March 4, 2020
Honorable Governor Gavin Newsom
State of California
1303 10th Street
Sacramento, CA 95814



Dear Governor Newsom,

It is with great sadness and optimism that I write. I wish to communicate to you the dire state that the cannabis industry of California is presently in and provide our best recommendations to solve key friction points. Despite the monumental effort the State and cannabis industry put forth in an effort to build a viable foundation for the industry and a model for the nation from Proposition 64, the cumulative friction is currently greater than we can collectively overcome.

I spent 16-years in the military building and refining large scale operations then entered the cannabis industry in 2016. As a consultant, I worked with regulators and legislators to understand the vision of the State for this new industry, subsequently building Pacific Expeditors, a licensed cannabis distribution company in Santa Rosa. Over the last four years, the team at Pacific Expeditors has poured countless resources and expertise into helping shape a viable regulatory environment and building a distribution operation that met every regulatory mandate, ensuring the efficient and effective compliance of our respective facet of the supply chain.

Today, I close the doors to Pacific Expeditors. Our team did not fail, we walk down a new path with our integrity and the knowledge that we led dozens of operators from the unregulated to the regulated industry correctly and set the standard for compliant operations.

My letter seeks to provide evidence to support three points: a fully compliant cannabis company cannot achieve profitability in the current market; cannabis consumption is an economic decision and until the regulated market can compete on price with the unlicensed, hundreds of millions of private and public capital will be wasted; lastly, measures must be taken now to address these issues.

Licensed cannabis companies are being stifled on an unprecedented scale through lack of access to consumers, lack of access to basic business services, and restrictive market conditions. We, the cannabis industry, are required to carry the financial, operational, and reporting burden left by incomplete, unproven, or not-yet-created systems.

As solutions, I ask you to take the lead on, and commit to, the following initiatives for the State:

- I. Partner with the Attorney General of California to provide guidance and legal protection to banks that service licensed and compliant cannabis companies
- II. Establish an interstate commerce program that allows licensed cannabis companies to export products to states with reciprocal regulated cannabis programs to increase regulated market outlets
- III. Allow immediate state licensing of all retail applicants that can prove they qualify for a municipality's Social Equity programs
- IV. Temporarily reduce by 50% for two years the total tax burden to licensed and compliant cannabis companies and direct the LAO to provide a comprehensive report to the Legislature to determine if the reduction in the tax rate increased the regulated market and reduced the unregulated market

We, the cannabis industry of California, are ready to create economic opportunity, pay taxes, and follow the law, but our industry is headed for implosion. If this industry continues its current path, much of the talent and production capacity will transition to the unregulated market, increasing the financial burden on the State and regulated industry, exacerbating the public health risk from untested products, and furthering the imbalance between the regulated and unregulated market.

We sit at the edge of a decision point. The correct decision sends us on a path to economic and regulatory success not only in California but nationally, creating precedent at a scale not yet witnessed in public or private enterprise. The incorrect decision will create one of the greatest victories and economic windfalls for criminal enterprise in living memory. Either outcome will be felt for decades and generations to come.

I have seen you lead, regardless of party or social standing, I ask you to lead this industry to viability and show the nation how California can create sustainable economic opportunity on a national scale.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Coulombe".

Chris Coulombe