

The Honorable Gavin Newsom
Governor, State of California
State Capitol
Sacramento, CA 95814

The Honorable Toni Atkins
Senate President pro Tempore
State Capitol, Room 205
Sacramento, CA 95814

The Honorable Anthony Rendon
Speaker of the Assembly
P.O. Box 942849
Sacramento, CA 94249-0063

Dear Governor Newsom, President pro Tempore Atkins and Speaker Rendon:

We, the undersigned cannabis businesses, consumers, and associations, write to request your urgent attention to circumstances that are severely undermining California's legal cannabis industry.

The purpose of Proposition 64 was to: *"accomplish ... the growth and sale of cannabis in a way that drives out the illicit market for marijuana and discourages use by minors, and abuse by adults."*

Prop 64 was not passed simply to raise tax revenue, but to end the illicit market, protect public health and safety, and create an accountable legal industry. Yet today, four years after the start of legal sales, our industry is collapsing, and our global leadership and legacy is at the brink of disappearing forever.

It is critical to recognize that an unwillingness to effectively legislate, implement, and oversee a functional regulated cannabis industry has brought us to our knees. The California cannabis system is a nation-wide mockery; a public policy lesson in what not to do. Despite decades of persecution by the government, we have been willing and adaptable partners in the struggle to regulate cannabis. We have asked tirelessly for change, with countless appeals to lawmakers that have gone unheard. We have collectively reached a point of intolerable tension, and we will no longer support a system that perpetuates a failed and regressive War on Drugs:

The current regulatory environment threatens the viability of California's legacy cannabis operators. California's world-renowned craft cannabis farmers are literally killing themselves, trying to find ways to survive on a chess board that you mandated them to join but is rigged for all to fail.

The harms inflicted upon Black, Brown and Latinx communities by the War on Drugs remain unresolved. Equity operators that were promised protection are being assaulted, burglarized, and left without recourse or protection from law enforcement. These applicants and operators are forced to incur expenses and costs associated with a licensing regime that has no timelines and no respect.

The opportunity to create a robust legal market has been squandered as a result of excessive taxation. Excessive taxation, which compounds across the supply chain, makes our product 50% more expensive at retail than the illicit market. This has created an illicit market that is currently three times the size of the legal market.

The illicit market threatens the health and safety of medicinal patients and consumers. 75% of cannabis in California is consumed in the illicit market and is untested and unsafe. Illegal grows often use banned pesticides that poison our streams, rivers and lakes and illicit products put consumers at risk as they often include fentanyl, synthetic cannabinoids and other potentially deadly chemicals.

The State has failed to fulfill the intent and purpose of Proposition 64 -- as mandated by California voters. Voters in California overwhelmingly voted for legalization, yet only 32% of the state has legal dispensaries and legal access. The other 68% of the state has effectively recriminalized cannabis with bans caused by local control. A recent study featured in [Politico](#), shows there are roughly two legal dispensaries per 100,000 people in California- one of the lowest ratios in the nation.

Unable to thrive in California's broken system, many of us are now facing the imminent loss of our businesses and ability to provide for our families. We need urgent action from our elected leaders on these three issues:

1. **Elimination of the cultivation tax** - The cultivation tax undermines the viability and sustainability of California's cannabis industry, being the only agricultural product in the world that is taxed at the farm.

2. **Three-year holiday of the excise tax** – With the recent announcement of a \$31 billion budget surplus, the State can allow the legal industry to build a foundation, to stabilize and to overtake the illicit one. Once we are established, let's share in the upside and setup a graduated and slowly scaled approach to taxes over the following years to effectively determine the right tax rate for the industry
3. **Expansion of retail access** – 68% of the state still remains without regulations or consumer access. Create a mechanism that forces any city or county that had majority approval of Prop. 64 to be required to have a functioning program in place by July 1st of 2022, or it automatically defaults to a state program. Implement policies that expand legal access such as [AB 1356](#) (Ting, 2019) and set a goal to achieve one store per 15,000 people.

The solution to these issues and the possibility of saving this industry lies in your hands.

We ask that you include these three items into the State Budget which will be initially released on January 10th. With this courageous step, we commit every ounce of our energy to educate and convince $\frac{2}{3}$ rds of the Legislature to sign and vote this into law by July 1st, 2022.

There is a legislative process for all of us inside and outside of government to work together on charting a path forward that fulfills the promises of Proposition 64 and also allows the legal cannabis industry to thrive. However, these are desperate times, and may call for desperate measures. Without meaningful change, many, if not most licensed cannabis companies, will face a desperate choice: pay exorbitant taxes into a system designed for failure or pay employees so they can feed their families. None of us want to make this choice.

We need you to understand that we have been pushed to a breaking point and we will not remain on our knees. We will not stand for political interests to the detriment of our own livelihoods, the health of our citizens, the prosperity of our families and the state of California's economy. For some of us, this has been our craft since back when the world thought it was a crime. This industry is California's to lead globally. Listen to us. Hear us. Respect us. Represent us. Work with us. We are behind you. Act.

We are the cannabis cultivators, manufacturers, distributors, testing laboratories, retailers and consumers of California, and we stand ready to work with you to ensure the survival of our legal cannabis market.

Signed,



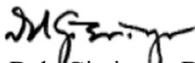
Alec Dixon, Co-founder of SC Laboratories, Inc.



Beth Thuna, CEO of HPC Cannabis Dispensary



Conrad Gregory, Harborside, Inc.



Dale Gieringer, Director of California NORML



Darren Story, Farmer and Founder of Strong Agronomy



David Belsky, CEO and Founder of FlowerHire



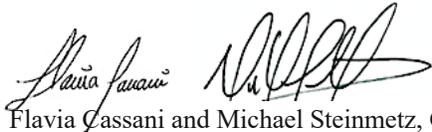
David Hua, Founder and CEO of Meadow



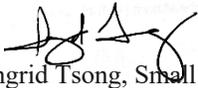
Dennis Hunter, Founder of CannaCraft



Erich Pearson, Founder of SPARC Farm and Dispensaries



Flavia Cassani and Michael Steinmetz, Co-founders of Flow Cannabis Co.



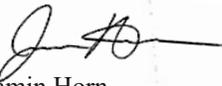
Ingrid Tsong, Small Farmer and Co-founder of Beija Flor Farms



Jacob Heimark, CEO and Co-founder of Plus Products



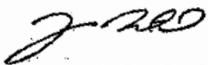
Jamie Warm, Co-CEO of Henry's Originals



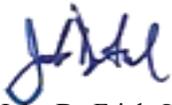
Jamin Horn



Jerred Kiloh, Higher Path Dispensary and President of the United Cannabis Business Association (UCBA)



Jigar Patel, Co-CEO of NorCal Cannabis Company



John De Friel, Co-founder and President of CCA (Raw Garden)



Joshua Keats, Founder and Co-CEO of Henry's Original



Karim Webb, CEO of 4th MVMT



Kristi Palmer, Co-founder of KIVA Confections



Lindsay Robinson, Executive Director of California Cannabis Industry Association (CCIA)



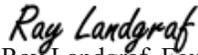
Michael Ray, Founder and CRO of Bloom Farms



Michael Zumpano, CEO of Versagenix



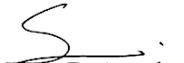
Nara Dahlbacka, Partner of The Milo Group



Ray Landgraf, Founder and CEO of Island Cannabis Co.



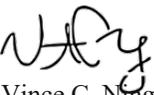
Sara Rotman, Co-Founder of Good Farmers Great Neighbors



Steve DeAngelo, Cannabis Rights Activist, Chairman Emeritus of Harborside Inc.



Tak Sato, President of Shryne Group, Inc. (STIIZY)



Vince C. Nung, Founder and Co-CEO of Nabis