



RIVERVIEW FARMS

August 17, 2021

URGENT HELP NEEDED

Joann Iwamoto
Cannabis Program Manager
County Administrative Office
168 W. Alisal St., 3rd Floor
Salinas, CA 93901

Dear Joann:

The Cannabis industry is in dire straits! The Cannabis market for cultivators/distributors has taken a drastic downturn since January 2001. Growers have had to scale back cultivation operations by 50%. The market for greenhouse flower this year has been greatly affected by the over production of goods, and not enough legal outlets to sell too. The price per lb is down by OVER \$500+ a lb for premium flower, from what it was last year.

Growers are having a very challenging time finding sales outlets for our product, and buyers are requesting at minimum of 30+ day terms to pay for our product, and there is no guarantee on payment. That being said, we all have more flower than we can currently sell.

These factors lead us to this **very urgent request** for the County's help. We respectfully request a modification of the current "ordinance" of allowing greenhouse growers to only modify their canopy 1 time per year to the following: **QUARTERLY CANOPY ADJUSTMENTS WITH A 30 DAY NOTICE PRIOR TO THE START OF THE QUARTER**, allowing growers to take advantage of a tax break during the slow peaks in the market when they have to scale back cultivation.

Riverview Farms itself has had to scale back 50% and completely "turn off" its cultivation canopy on its second site (23820 Potter Road), which is approximately 110k sq ft of production. We do NOT WANT to do this, but we HAVE absolutely no choice as the sales are not there. In addition, we are adjusting cultivation square footage at Site-1 (23940 Potter Road) by 40% by leaving benches empty and reducing plant counts.

Most of us have already cut costs of goods, labor, soil, fertilizer (to ride out the market) basically any and all greenhouse/facility operating costs have been scaled back, which also hurts the County as a whole.

Joann, our current situation is dire as unsold product will mold and become a total loss. We have to lower production to stop hemorrhaging a total loss. If the growers could get your and the County's help preventing the loss of our operations, by giving us an avenue to reduce and later renew our canopy square footages, you will be protecting the Cannabis Industry as a whole, and ensuring continuous tax revenue to the County.

Currently we are allowed only 1 adjustment per year to canopy square footages. By reducing our square footage now, as we have no choice but to do, we will not be able to reactivate and use that canopy—and once again increase cultivation tax revenue generated—until next fiscal year. With that being said, if the market changes in 3 or 6 months, why not allow us to start filling production square footages again thus, increasing tax revenue for the County that supports us.

In conclusion, we as cultivators are also requesting an emergency tax break of the \$2.50 a sq ft, on greenhouse cultivation until the next fiscal year. We do not want to lose our licenses, nor be in bad standing with the County however, there may be no money to pay our taxes in the future, as we struggle to cover payroll/expenses and the market has not even hit rock bottom yet.

We desperately need your help!

Respectfully submitted,

MICHELLE HACKETT
michelle@riverviewfarms831.com
831-801-6223

cc:
Monterey County Board of Supervisors
Mary Zeeb, Monterey County Treasurer Tax Collector



22785 Fuji Lane
Salinas, CA 93908

August 16, 2021

Dear Joann,

As you know I represent several Cannabis Operations in Monterey County and am writing this letter on behalf of Monterey Botanicals LLC, our primary cultivation facility. The purpose of this letter is to ask that your department advocate for removal of the current inflexible “once a year” canopy adjustment regulations.

While I am sure you have received many letters explaining the current state of the cannabis Industry, the downward pressure on product price point, and surplus from lower quality producers in other regions of the State, I am going to approach this from a different angle. I believe that we are all in agreement that our industry is rapidly and continuously changing and evolving, and that the current state of the industry is much different than what was initially envisioned when the current regulations were set forth. The rapid evolution of this emerging industry requires a partnership between governmental agencies and the businesses of the industry in order to be successful and sustainable. Historically, the County has proven to be sensitive to these challenges and willing to adapt- the best example of this was the Canopy Tax adjustment that occurred a few years ago, and the subsequent stays of the tax rate in the following years. I am also sure that you would agree that our partnership’s goal is to ensure not only a sustainable industry, but one that is necessarily highly competitive with other counties and municipalities within the state. The way that You and the County Supervisors have listened to Industry operators has had a very important positive impact on the ability of businesses to stay open and be competitive, and this is greatly appreciated. However, it is critical that we continue this path together and as new and unforeseen developments in market conditions unfold in real time.

As mentioned above, one important item that needs to be urgently addressed is the ability of Operators to periodically manipulate their active canopy throughout the year. The abolishment of the overly restrictive stance on canopy adjustments (one per year) is a regulatory adjustment that must be made in order to allow our local businesses to be sustainable into the future. The winter months are extremely challenging for many cannabis cultivation businesses, and if the proper infrastructure (environmental controls and lighting) is not in place, growing a crop during these months is a losing venture that can easily eclipse the small profits that we can make in other periods of the year. Being forced to pay for canopy that is not being used is unfair and unreasonable by any standard, and we need to be turn off the canopy tax of certain areas if we need to perform repairs or maintenance on. Currently, many, if not all of us are working towards costly compliance items and expansion projects, both of which are capital intensive. For example, the cost of water



22785 Fuji Lane
Salinas, CA 93908

system compliance along with the infrastructure necessary to meet electrical needs is a seven-digit expenditure. Aside from these efforts, ongoing maintenance, and cap ex projects with very limited access to financing makes achieving financial success in this industry a very challenging feat.

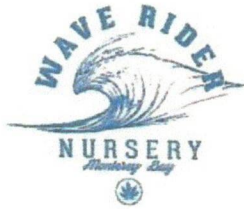
Simply put, the cost of building a compliant and sustainable/profitable cannabis cultivation operation is extremely high; and onerous and inflexible taxation of these operations during their infancy will delay, impede, or extinguish their ability to succeed in the future. This not only hurts the owners and investors of these businesses, but the long-term tax revenue of the County and the State. In other words, our partnership will be most successful if our path to profitability is not impeded or delayed, and in turn, the County and its residents will benefit through increased tax revenue.

When considering the basis of the "once a year adjustment" (convenience, avoidance of manipulation, consistent tax revenue) versus the detriments to the industry, the scales most certainly tip towards modification of the current regulation. If you were to allow an adjustment at each quarter end, at least until all projects are fully developed, you would be removing a tremendous burden on the industry by allowing us to adapt to unforeseen changes. Removing this burden will allow the industry to continue its trajectory and hopefully become the example that the nation will follow.

Respectfully,

A handwritten signature in blue ink, appearing to read "M. Ferguson", is written over a horizontal line.

Michael Ferguson
Chief Operating Officer



DATE: August 16, 2021

TO: Monterey County Supervisors
Joann Iwamoto, Cannabis Program Manager

FROM: Chris Boggs
Co-Owner, LSB Enterprise, LLC (dba Wave Rider Nursery)

RE: State of the Cannabis Industry

Dear County Supervisors and Joann,

As I write this, I'm carefully picking and choosing which bills I'm going to pay this week. As you may not be aware the California cannabis industry is experiencing a market correction like none other. The cause of which is up for debate, but over supply is surely at the heart of it. We've seen pricing drops in years past, but those have been cyclical and related to the times of the year when the outdoor crops are hitting the market. This year is much different. Prices dropped like a rock about 8 weeks ago and shows no sign of returning. Product that would fetch \$1,500 per pound this time last year is now only fetching \$600-\$700 per pound and that's only if you get a distributor willing to take it, sometimes only on consignment terms. This is extremely worrisome as we head into the fall when prices normally decline anyways and production drops due to shorter day length. How low is the market going to go? No one has a crystal ball, but I believe the worst is yet to come. All this, combined this with the inflationary price increases for nearly every input, we have an imperfect storm on our hands.

All that said, the cannabis industry needs help immediately! I understand why the county cannabis tax is based on canopy size, as that's what was voted for initially. There are some benefits to this approach, but there are also negatives that are exacerbated by a declining market. It would be an ideal time for the county to consider a new type of canopy taxation that can somehow be tied to production. The fact that we owe canopy tax 365 days a year, puts us at a huge disadvantage to other counties that have adopted a gross receipts tax. Many growers, including ourselves are considering letting some greenhouse space sit fallow this winter. Adjusting the canopy tax to reflect actual utilized canopy space is a good start, it may not be the silver bullet. I think the county should seriously consider an emergency slashing of the tax from \$5.00/ sq ft to \$2.50/sq ft.

This seems drastic, but for some it likely will be too little too late. Operators that are tied to high lease payments or high interest debt servicing will likely be the first to fall. Most operators make their money in the summer and then lose money all winter. NOBODY is making money this summer. With conventional bank financing unavailable most are not in a position to absorb a loss. Make no mistake, the situation is dire. Any help the county can provide us with will be much appreciated! Thank you for reading my thoughts!

A handwritten signature in black ink, appearing to read "Chris Boggs", is located at the bottom of the page.

Monterey Valley Pride
20400 Spence Road
Salinas, CA 93908

August 16,2021

Joann Iwamoto, Cannabis Program Manager
Monterey County Supervisors

Sergio Silva
Managing Partner, Monterey Valley Pride

RE: Cannabis Industry Survival

Dear Joann and County Supervisors,

I'm writing this letter in regard to the current state of the cannabis industry. Prices have declined over the past several weeks and there is no sign of change in the near future. The price has now dropped significantly between \$500-\$600 per pound. This being only if a distributor is willing to take it on consignment terms. This is extremely bothersome as we head into fall where prices normally decline due to shorter days and production drops.

The cannabis industry is taking a huge hit and needs help that can be provided in order to survive. Currently, the cannabis tax is based on canopy size as voted in initially, However, due to the market decline, we are requesting that canopy tax to get reduce to \$2.50 per sq'. And canopy tax based only on utilized canopy space being used. Our greenhouse total square footage is 230,000. During this winter months, only 100,000 sq. ft. will be used for growing leaving 130,000 sq ft. unused. If we only paid canopy taxes on the actual growing space this would hopefully help us survive this wave during this current market condition.

Any help or assistance the county can provide us in this dire situation would greatly be appreciated. Thank you for your time!

Sincerely,

Sergio Silva

To Monterey County,

We as cannabis cultivators are concerned about the recent deterioration of the cannabis market. It has severely restricted our cash flow. We do not know how long this market correction will last or how long we can continue to operate our greenhouses at a negative cash flow.

Winter is coming up soon and during this period prices and yield are the lowest of the year. In order to preserve working capital we are considering reducing flowering canopy area by at least 50,000 sqft.

I would like to propose that the county allows us to fallow our canopy area free of Monterey County cannabis business taxes during the time we are out of production.

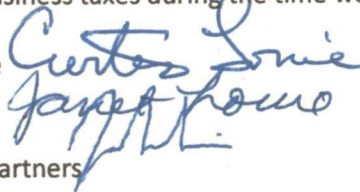
Curtis Louie

Janet Louie

John Louie

Old Stage Partners

JL Farms

Handwritten signatures in blue ink. The top signature is 'Curtis Louie', the middle is 'Janet Louie', and the bottom is 'John Louie'. The signatures are written over the typed names.

New Leaf Family Farms, Inc.
20260 Spence Rd.
Salinas, Ca. 93908

Monterey County Cannabis Program

Monterey County Board of Supervisors

August 16, 2021

To whom it may concern,

The California Cannabis market has been going through a supply and demand imbalance. The oversupply has been driving down prices to an all-time low at an average price of \$500/ lb. At these prices, New Leaf Family Farms is unable to operate at a break-even cash flow. At this rate, it is very unlikely that we will last the consolidation of this cycle. We are looking at shutting a portion of our operation temporarily to lower our cost and combat this imbalance. We at New Leaf Family Farms ask our County officials to act appropriately and promptly in the industry's growing concern. We are requesting the County to increase the canopy manipulation from yearly to quarterly and lower the canopy flowering tax from \$5 to \$2.5 per sq. ft. By these actions, we can hopefully save Monterey County Cannabis industry. We thank you for your time.

Respectfully,

A handwritten signature in black ink, appearing to read "Pete Mercado Jr.", with a stylized flourish at the end.

Pete Mercado Jr.

*Salinas Spence Road Care, Inc.
20240 Spence Road
Salinas, CA 93908*

August 16,2021

Joann Iwamoto, Cannabis Program Manager
Monterey County Supervisors

Calvin Truong
Owner, Spence Road Care, Inc. (dba Spence Road Cultivation)

RE: Cannabis Industry Survival

Dear Joann and County Supervisors,

I'm writing this letter in regard to the current state of the cannabis industry. Prices have declined over the past several weeks and there is no sign of change in the near future. The price has now dropped significantly between \$500-\$600 per pound. This being only if a distributor is willing to take it on consignment terms. This is extremely bothersome as we head into fall where prices normally decline due to shorter days and production drops.

The cannabis industry is taking a huge hit and needs any help that can be provided in order to survive. Currently, the cannabis tax is based on canopy size as voted in initially, However, due to the market decline. We are requesting that canopy tax gets reduce to \$2.50 per sq'. And canopy tax based on only the utilized canopy space being used. Our greenhouse total square footage is 150,000. During this winter months, only 100,000 sq. ft. will be used for growing leaving 50,000 sq ft. unused. If we only paid canopy taxes on the actual growing space this would hopefully help us survive this wave during this current market condition.

Any help or assistance the county can provide us in this dire situation would greatly be appreciated. Thank you for your time!

Sincerely,

Calvin Truong

Hello,

I would like to submit an item for public comment.

I work for a Monterey County cannabis operation (2) as well as a landowner of multiple Monterey County cannabis tenants. We are asking the County to take EMERGENCY action to allow operators the ability to edit their canopy registrations quarterly or risk the closure of many established operators. The registrations only allow for one edit per year and no recourse to change if the market changes. The over saturation of Cannabis licenses has helped create a flooded market that will take time to stabilize. As an operator we are struggling to sell our product at cost and as a landlord, we are becoming forced to evict tenants for not paying rent in this crazy period of our newly emerging industry.

Operators need the flexibility to forecast their harvest quarterly, not a year in advance.

Please take the action necessary to support local cannabis operators now!

This is not an issue we can wait for a study to resolve, action needed today and each day that passes creates irreparable damage to operators, employees, revenue, and hope!

Natasha Elliott
Legal & Compliance Director
Professional Tribe, Inc.
nelliott@protribe.com
C: 831-251-8494



Monterey Ocean Grown-GH, LLC
2262 Alisal Rd.
Salinas, CA 93908

To: Joann Iwamoto, Cannabis Program Manager
Monterey County Supervisors

From: Bernard Steimann, Managing Member of Monterey Ocean Grown-GH, LLC

Re: Cannabis Industry Survival

Date: August 23, 2021

Dear County Supervisors and Ms. Joann Iwamoto,

My name is Bernard Steimann and I have been operating Monterey Ocean Grown-GH, LLC (“MOG”), in Monterey County for nearly half a decade. As you surely know, we are witnessing an unprecedented downward pricing pressure in the cannabis business industry. Years of rising marijuana production across California and rumors of inventory pouring across California’s borders from other states such as Oregon and Washington have led to a 60% or more price compression in the wholesale flower market. Some predict that the downward price pressure will last for many more months, if not years. A conservative estimate puts production at double that the market can consume and that’s not factoring in, again, rumors about product from other states. The impact is far greater on indoor/greenhouse growers.

If you haven’t already seen the dire predictions, I encourage you to read the article in MjBizDaily found at this link: <https://mjbizdaily.com/falling-prices-in-california-marijuana-wholesale-market-alarms-some-growers/>. I believe it’s a fair “reading” of the challenges faced by cannabis growers in California.

Prior to the price compression, cannabis growers in Monterey County made most of their income in the Spring and Summer months. During the Fall and Winter we lose money, hand over fist. Even in the best of times, if an operator does everything correctly, the business will flatline at best. To survive the Fall and Winter months, facilities need to upgrade a multitude of mechanical systems. These upgrades mainly include adding lights to the greenhouses. The cost of these improvements is in the millions of dollars, even upwards of \$10M, depending on the size of the greenhouse. In my discussions with other similarly situated operators, it is clear to me that most of the operators will need to borrow money to complete these upgrades. Due to the difficulties and sometimes impossibility of banking for the cannabis industry, the interest rates for loans from non-traditional sources are astronomical. It’s not unreasonable to imagine that it will take 5 to 10 years to see a ROI and possibly longer if the market doesn’t recover. Most operators will see all their revenue eaten up in servicing debt and paying taxes. The whole situation has turned into a Catch 22—either take on the crushing debt (even if available) in an effort to purchase and install upgrades needed to increase production; or try and ride it out without upgrades which, by all accounts, is a losing proposition especially given the seasonality, price compression and current tax structure.

Monterey Ocean Grown-GH, LLC
2262 Alisal Rd.
Salinas, CA 93908

My operation(s) have been around since the County first permitted cannabis. When the taxes were first implemented in the County, product was sold for \$1,500-\$2,500+ per pound. In comparison, the price per pound is now \$350-\$600. My operation(s) have employed locals not only to work directly on the farm but also local vendors and service providers all the while infusing a significant amount of revenue (i.e., taxes) into the local economy. I have been fortunate enough to find the resources, albeit expensive, to upgrade my facilities without much hope that I will recoup my investment any time soon, if ever. For operators that are not as fortunate as I am and don't have the resources to upgrade their operations, it will be virtually impossible to survive with the current market conditions. I'm certain that this will lead to operators leaving Monterey County in search of more "tax friendly" havens to do business. There is a critical need to reassess the market to make necessary adjustments to the current tax rates, in addition to suspending the canopy tax if an operator decides not to grow during a given season. These changes are critical to the sustainability of cultivation in the County.

Currently, the canopy tax in Monterey is \$5.00 per square foot. This tax method is antiquated and almost universally abandoned as a way to determine cultivation tax. Continuing to tax cultivation in this manner puts County cannabis operators at the brink of financial ruin. We are asking that the County consider revisiting its tax structure. Taxes should be scalable, based on revenue. This will help to solve long-term issues that cannabis operators face and will tie the tax to a real-world measure of what taxes should be based on--revenue. The operators' ask is very simple; help us stay in business so that we can continue to meaningfully contribute to the local economy and local job market. Chasing away operators does nothing but hurt responsible, compliant operators, as well as the local economy and residents who will lose valuable employment opportunities.

Any help or assistance the County can provide us in this dire situation would greatly be appreciated. I appreciate you taking the time to read this letter.

Sincerely,

Bernard Steimann