

Communication from Public

Name: Dana Cisneros, Esq.
Date Submitted: 06/30/2020 03:47 PM
Council File No: 20-0420

Comments for Public Posting: Dear Hon. Councilmembers: We are encouraged to see the City of Los Angeles taking active steps to ensure Social Equity applicants are provided with the opportunity to proceed through the licensing process forthwith. We do wish to draw attention to one major issue with the draft ordinance: indefinite restrictions on transfer of ownership held by Social Equity Applicants. The provisions of LAMC §104.20(c)(1)(i) diminish the fair market value of Social Equity owned businesses. As you are likely aware, fair market value is the price a willing buyer would pay a willing seller for the business. LAMC §104.20(c)(1)(i) limits the successful Social Equity applicant from transferring his/her/its/their interest to a third party unless that party meets the same Social Equity eligibility criteria. This significantly reduces the “willing buyer” pool for these businesses. Moreover, the modifications to the Social Equity Program in providing retail licenses to essentially all Social Equity Applicants, and a greater pool of them at that, further diminishes the value of the business. We understand wholeheartedly the need to protect Social Equity applicants from predatory practices and agree with the policy in restricting ownership transfers for the protection of the Social Equity Program. However, the restriction should come with a relevant time period to ensure the Social Equity applicants actually realize the revenue and gains from the business, while at the same time allowing them to create a marketable business. We do not want the Social Equity Program to turn into a time-share “investment.” After nearly fifteen (15) years of business and corporate law practice, we know that successful entrepreneurs always have an exit strategy. LAMC §104.20(c)(1)(i) essentially locks the Social Equity applicant into a business with a reduced fair market value and reduced market in general for what would be one of the most profitable businesses in the country given the Los Angeles consumer market for cannabis. Since you have recognized the need to protect Social Equity businesses in Los Angeles until at least 2025, we recommend that you take a similar approach to LAMC §104.20(c)(1)(i) and restrict ownership transfers to similarly qualified Social Equity applicants for the first five (5) or ten (10) years following actual commencement of operations. In this way, the City can protect Social Equity owners from predatory partnerships, while at the same time, allowing these

individuals the opportunity to grow their business and realize the fair market value upon sale. Frankly, we find LAMC §104.20(c)(1)(i) antithetical to the overall policy objectives of the Social Equity Program; providing Social Equity applicants with an opportunity to obtain a coveted retail license, only to impose restrictions that render said license less valuable than the other 187 retail licenses in the City of Los Angeles sends the message once again that they are not actually afforded the same opportunities as others. We further suggest that you include a provision that allows the business to be sold in the event that cannabis becomes federally legal to ensure these businesses owners capitalize on changes to future market conditions. It makes little sense to only allow the 187 pre-ICO businesses to be eligible for acquisition should large publicly traded American companies enter the market in the future; if you truly wish to enhance the lives of Social Equity applicants, give them the opportunity to become multi-millionaires. Additionally, we noticed a number of provisions that reference State licenses as being required for temporary approval or to relocate the premises. This is not procedurally accurate. The licensing agencies do not permit a change of address without local approval, so this presents a chicken or the egg scenario. Moreover, you seem to be requesting a state license before local approval is obtained or before operations commence. Thank you for your careful consideration of our comments. Sincerely, THE CANNABIS CORPORATE LAW FIRM Dana Leigh Cisneros, Esq.



Cannabis Corporate
— LAW FIRM —

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June 30, 2020

Los Angeles City Council
John Ferraro Council Chamber
Room 340, City Hall
200 North Spring Street
Los Angeles, CA 90012

RE: Council File Nos. 20-0446-S1, 17-0653, 20-0446, 20-0782, 20-0785

Dear Hon. Councilmembers:

We are encouraged to see the City of Los Angeles taking active steps to ensure Social Equity applicants are provided with the opportunity to proceed through the licensing process forthwith. We do wish to draw attention to one major issue with the draft ordinance: indefinite restrictions on transfer of ownership held by Social Equity Applicants.

The provisions of LAMC §104.20(c)(1)(i) diminish the fair market value of Social Equity owned businesses. As you are likely aware, fair market value is the price a willing buyer would pay a willing seller for the business. LAMC §104.20(c)(1)(i) limits the successful Social Equity applicant from transferring his/her/its/their interest to a third party unless that party meets the same Social Equity eligibility criteria. This significantly reduces the “willing buyer” pool for these businesses.

Moreover, the modifications to the Social Equity Program in providing retail licenses to essentially all Social Equity Applicants, and a greater pool of them at that, further diminishes the value of the business.

We understand wholeheartedly the need to protect Social Equity applicants from predatory practices and agree with the policy in restricting ownership transfers for the protection of the Social Equity Program. However, the restriction should come with a relevant time period to ensure the Social Equity applicants actually realize the revenue and gains from the business, while at the same time allowing them to create a marketable business. We do not want the Social Equity Program to turn into a time-share “investment.”

After nearly fifteen (15) years of business and corporate law practice, we know that successful entrepreneurs always have an exit strategy. LAMC §104.20(c)(1)(i) essentially locks the Social Equity applicant into a business with a reduced fair market value and reduced market in general for what would be one of the most profitable businesses in the country given the Los Angeles consumer market for cannabis.

Since you have recognized the need to protect Social Equity businesses in Los Angeles until at least 2025, we recommend that you take a similar approach to LAMC §104.20(c)(1)(i) and restrict ownership transfers to similarly qualified Social Equity applicants for the first five (5) or ten (10) years following actual commencement of operations. In this way, the City can protect Social Equity owners from predatory partnerships, while at the same time, allowing these individuals the opportunity to grow their business and realize the fair market value upon sale.

Frankly, we find LAMC §104.20(c)(1)(i) antithetical to the overall policy objectives of the Social Equity Program; providing Social Equity applicants with an opportunity to obtain a coveted retail license, only to impose restrictions that render said license less valuable than the other 187 retail licenses in the City of Los Angeles sends the message once again that they are not actually afforded the same opportunities as others.

We further suggest that you include a provision that allows the business to be sold in the event that cannabis becomes federally legal to ensure these businesses owners capitalize on changes to future market conditions. It makes little sense to only allow the 187 pre-ICO businesses to be eligible for acquisition should large publicly traded American companies enter the market in the future; if you truly wish to enhance the lives of Social Equity applicants, give them the opportunity to become multi-millionaires.

Additionally, we noticed a number of provisions that reference State licenses as being required for temporary approval or to relocate the premises. This is not procedurally accurate. The licensing agencies do not permit a change of address without local approval, so this presents a chicken or the egg scenario. Moreover, you seem to be requesting a state license before local approval is obtained or before operations commence.

Thank you for your careful consideration of our comments.

Sincerely,
THE CANNABIS CORPORATE LAW FIRM



Dana Leigh Cisneros, Esq.

Communication from Public

Name: pg

Date Submitted: 06/30/2020 11:09 AM

Council File No: 20-0420

Comments for Public Posting: Hello, Thank you for allowing us to comment. this is in regards to removing the non-storefront delivery license which was part of the part of the license. we have built our whole business on the delivery services and have raised investment based on the fact that we are eligible for it. taking that away from previously agreed and doing the retro-active is not fair and not legal. we would be suffering huge loss in the worst time in our lives which we would never recover. Thank you for allowing us.

Communication from Public

Name: Sean Benaroya

Date Submitted: 06/30/2020 10:43 AM

Council File No: 20-0420

Comments for Public Posting: Good morning Dear City Council members, I am writing to you today In hopes that my voice and my colleagues voices will be heard, In opposing the removal of the Delivery License option from Phase 2 applicants I'll start by introducing myself to whoever didn't meet me in person I am the CEO and founder of ROYAL 420, a phase 2 applicant, a licensed operator in the city of Los Angeles I am Spanish and Jewish - a Minority from all sides I have applied under phase 2, about 2 years ago, and lease the property in preparation for the license from 2015. Until LAST WEEK we were not able to operate because that LADWP didn't give us power, ONLY ON WEDNESDAY 6-24-2020 we got connected to power FINALLY So until now, we have paid rent and Triple Net NNN, Which means also the Property Tax, Property Insurance, Liability insurance for Cannabis operation - Without making even \$1 Yes you are reading it correctly, I have spent more than \$1 Million Dollars without making any money - in preparation for this Delivery license We have built the property in preparation for the delivery license, and currently I am going through all the final inspections by the LADBS. Everything was build for the delivery license, Security room, phone/order room, driver room, computers with tracking devices for the delivery cars and cameras, electrical vehicles charging station for the delivery vehicles, secured parking. Legal fees for our cannabis attorneys \$500 + an hour, Trademarking our delivery service name with additional legal costs, building a digital delivery platform, compliance software, City Cannabis Business License fees, Los Angeles Cannabis License fees, State Cannabis License Fees - Those fees and costs are just endless - Everyone wants to get paid but we are not making ANY money The Delivery License was promised to the Phase 2 applicants under the CURRENT ORDINANCE AS WRITTEN, there were clear terms that allowed for delivery and the reliance on this was reasonable., And according to this I have built our company business plan. This delivery license was supposed to give us some oxygen, some air of income and now, You the City Council want to put your knee on our necks and choke us again and again, this is just WRONG We have relied on this delivery license to get access directly to the consumer, so that they will get a quality medicine at a reasonable price Currently, the Dispensaries are choking us, they tell us we

will pay you \$X, which is our cost without any profit and they know that they can do it because they are the only ones who have direct access to the consumer and they want to get rid of us, they want us to shut down so they won't have competition Other Delivery services in the City are operating from other counties some are all the way from Sacramento and the Bay area. and they do the same thing to us, the city operators - Choking us down Revoking the Delivery License from us will be INEQUITABLE Let us compete and thrive, Who are you hurting here by not giving us the Delivery License - You are hurting the same disadvantage communities that you want to empower Our employees and team members are from those communities - South Central You are trying to fix the wrongdoing to one minority group by hurting other minority groups - While all of us minorities Black, Brown and Jews are working together in ROYAL 420 We will not give up and if needs to be the case we will gather all the phase 2 applicants and file a lawsuit against the City of Los Angeles and the DCR So please let us work and get your knee off our neck! If you would like to discuss please feel free to call or email me directly Respectfully, Sean Benaroya CEO Royal 420