

**An Open Letter to Local and State Representatives of the State of California:**

I received numerous letters regarding our employees' potential strike on the 4/20 cannabis holiday. I'm happy to announce we reached a fair deal with UFCW on behalf of our employees – they'll continue to earn more than \$25/hr with tips and enjoy a robust benefits package.

Being an advocate for employees of the cannabis industry is a noble aim and I take you at your word, as Supervisor Ahsha Safai said, that your “priority is ensuring that the legal cannabis market functions in a manner that benefits its workers, consumers and participating companies.”

Respectfully, however, I write to you to point out the irony and hypocrisy of your letters. **Our industry is being suffocated by governmental inaction and poor policies at the State and Local level.** The legal market is set up for failure and the government refuses to change the burdensome tax, licensing and regulatory structure to meet the needs of business and workers.

Since you've expressed interest in helping fix the legal market, I'd call on you to support the following on a local and State level:

- 1) Lower the excise tax to 5%
- 2) Cut licensing fees to under \$10,000 per license
- 3) Cap local taxes at 4%
- 4) Stop charging tax-on-tax with local, state, sales and excise taxes compounding

The result would be better prices for consumers, which would bring them into the legal market. Once the legal market is stabilized in a few years, taxes can be increased again. Since the market legalized, Eaze has generated the following tax and license revenue for departments and governments across California:

|                    | <b>2023</b>         | <b>Since 2018</b>    |
|--------------------|---------------------|----------------------|
| Licensing Fees     | \$2,043,207         | \$10,837,932         |
| State Excise Taxes | \$15,896,795        | \$83,493,737         |
| City & Local Taxes | \$6,024,090         | \$45,884,388         |
| Sales Taxes        | \$11,154,912        | \$71,456,642         |
| <b>Grand Total</b> | <b>\$35,119,004</b> | <b>\$211,672,699</b> |

We would gladly increase our employee pay rates if we cut the \$2.0 million in licensing fees we paid in 2023. Despite the \$10.8 million in licensing fees paid since 2018, we still have jurisdictions like San Francisco where we still hold temporary licenses, due to the inability of the City of San Francisco to process applications in a timely manner.

You claim Eaze doesn't pay a living wage, yet our drivers earn over \$25 an hour and receive benefits, whereas entry level roles in the City of San Francisco only pay \$19.51. You note that our employees are dissatisfied with our mileage reimbursement, yet you codified the Prop 22 rate at \$0.35 for 'app-based delivery drivers.' Eaze's agreed upon rate of the greater of \$0.45 or actual costs incurred, represents a 25% premium over the Prop 22 rate. Eaze drivers have an average tenure of 2.4 years due to the benefits and compensation package we offer.

Despite being one of the largest cannabis retailers in California, Eaze is not profitable due to the illicit market competition and high operating costs imposed by the regulatory framework. While we pay these licensing fees and

customers bare exorbitant taxes, we see the illicit market continue to thrive. Legal market spend per capita is substantially lower in California (\$119 in annual sales per capita) than markets like Michigan (\$305), Colorado (\$261), or a new market like Missouri (\$210), where market participants pay reasonable much lower taxes and licensing fees.

Lower the taxes, remove burdensome regulation and we'd be able to pay our staff even better wages than we already pay. Be part of the solution.

Respectfully,



Cory Azzalino

CEO of Eaze on Behalf of our 650 California employees

**cc**

Gavin Newsome, Governor

Kevin Mullin, Congressman

Nikki Bas, Oakland City Council President, District 2

Carroll Fife, City of Oakland City Council, District 3

David J. Canepa, County of San Mateo Supervisor, Fifth District

Dean Preston, Supervisor, District 5

Ahsha Safai, City and County of San Francisco Supervisor, District 11

The Honorable Peter Ortiz, San José City Councilmember, District 5

Mark Nagales, City of South San Francisco Councilmember, District 2

The Honorable Eddie Flores, Vice Mayor of the City of South San Francisco

James Coleman, Mayor of the City of South San Francisco