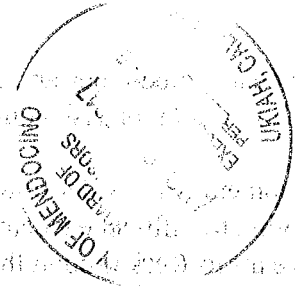


August 22, 2017

TO: Mendocino County Board of Supervisors
FR: Jude Thilman, owner of Dragonfly Wellness Center
RE: Medical Cannabis Business Tax



I stand before you because I fear that you just don't get it. And that you might be thinking that my continual pleas for you to pursue a more reasonable and cooperative path toward solving your fiscal problems are simply "beating a dead horse." And maybe even exaggeration or hyperbole on my part when I tell you that you are killing my business and the businesses of so many of my colleagues in our industry. What does the state of California understand about medical cannabis and its value to the people of this state that you are missing with the onerous Medical Cannabis Business Tax?

From the state trailer bill signed into law by Gov. Brown on June 27, 2017:

SEC. 163. Section 34011 of the Revenue and Taxation Code is amended to read:

(f) The sales and use taxes imposed by Part 1 (commencing with Section 6001) shall not apply to retail sales of medicinal cannabis, medicinal cannabis concentrate, edible medicinal cannabis products, or topical cannabis as those terms are defined in Division 10 (commencing with Section 26000) of the Business and Professions Code.

Even the media got it wrong. In reporting on the lawsuit against Measure AI, the Mendocino Voice reported that the county would begin collecting this tax on May 4th, when cultivation permits were issued. And we've seen how that's worked out. Actually, you didn't miss a beat after the November election. I got a letter from Shari Shrapmire on Christmas saying you would start collecting this tax on January 1, 2017 -- collecting from legal businesses like mine -- the low hanging fruit, so to speak. Doesn't it seem that I'm paying an unfair portion of this tax prematurely?

Last time I was here, I told you that I've had to lay off staff. That your "Medical Cannabis Business Tax" was taking most of my overhead. These are true statements. But it's worse than that. I can't pay my attorney's fees; or my CPA for his 2016 tax bill; my workers comp insurance; my product liability insurance; my building insurance; renew our membership in the Coast Chamber of Commerce, of which we have been a member since we began business -- all this money is going toward your special business tax.

You want me, and my fellow members of the cannabis industry, to pay for environmental degradation that we did not cause; to pay for law enforcement actions against illegal grows on public lands that have nothing to do with anything that we do; to pay disproportionately to support county services such as mental and public health needs; to repair infrastructure like roads and bridges when their degradation has been caused by general public use and simple neglect -- deferred maintenance. You expect me and my fellow cannabis entrepreneurs to fix our county -- to a degree and extent that is required of no other sector in this economy.

Simply put, you are punishing my business, which is the low-hanging fruit with our visibility, totally legal and compliant with every regulation in the service of our mission -- to provide the healthiest

cannabis medicines and the best education possible on the science of cannabis medicine, for everyone who lives in, or visits our county.

I sometimes wonder how you would feel about this process if you were on the other side of this podium, trying to influence elected officials on behalf of your community? And do so in 3 minutes. Of course we try to work around that limitation: we meet ahead of time and divide up points to make when we speak; we write letters to you and the media; we hire attorneys to help us devise strategies and come up with legal language. We work like heck to make democracy work.

But why should we have to? Why should it be SO very difficult for us as decent, contributing members of this county to get the same support and fair shake from you that other industries have been accorded?

You all need to find ways that you can support us to be the best assets to this community that we can be. And stop tearing us down.

Thank you.