



March 12, 2018

Lori Ajax, Chief
Bureau of Cannabis Control
2920 Kilgore Road
Rancho Cordova, CA 95670

Dear Chief Ajax:

We are writing in response to your letter of February 16, 2018, which alleges that Weedmaps is violating California state law as established under the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). Specifically, the letter alleges that Weedmaps may not be fully compliant with Business & Professions Code §26151. Weedmaps is committed to doing its part to improve the state of local licensing and compliance among unlicensed business operators, although a great deal remains to be done collectively among lawmakers, regulators and the industry to organize a functioning, comprehensive legal market across the state. We have enjoyed working with you, Chief Ajax, over the last year and look forward to continuing that collaboration in the years to come as California seeks to cement its position as the nation's leader in cannabis policy. Ensuring there is a robust and healthy legal market in California is a priority we share.

We note at the outset that Weedmaps is a technology company and an interactive computer service which is subject to certain federally preemptive protections under Section 230 of the Communications Decency Act and is also not a Licensee subject to the Bureau's purview pursuant to MAUCRSA or State regulations. Nonetheless, as a technology company that has serviced this industry for a decade and as a company which employs almost 300 California residents, we wish to work together as a partner with California to find a solution to the concerns you raise. We believe accurate information is key to protecting consumers and businesses alike, and it is for this reason that we take steps such as (i) only accepting lab data directly from almost 150 partner labs nationwide; (ii) providing a brands platform that enables brands to identify product counterfeiters; and (iii) integrating directly with business point-of-sale systems to provide real-time retail menus.

1. Licensee Listings Include State License Numbers

In reviewing the listings on our site, we believe that all Licensees who have received licensure from the Bureau, the California Department of Food and Agriculture, and the California Department of Public Health have their license numbers included on their listings - as required by Business & Professions Code §26151(a)(2). This is a difficult process as the Bureau license website does not accurately list addresses or entity names which completely match those utilized by licensees operationally. If there are listings you have identified where this is not the case, we are happy to work with you to address those listings. With respect to the WM ID field, which also appears on listings, this field is an internal Weedmaps identifier for all listings throughout

the United States and is not intended to be a substitute for a license number. Nonetheless, we recognize that we should always strive to better facilitate consumers being able to clearly identify state license numbers without any confusion. That said, to address any confusion which may have resulted, we have completed implementing graphical changes on our platform to show only the state license number while suppressing visibility of the WM ID to end users in California. In reviewing this issue in response to your concerns, we were also equally concerned to note that Licensee listings on Google, Yelp, Bing, Craigslist, dozens of other “cannabis finder” sites, and most Licensee’s own webpages do not appear to include the requisite state license numbers as required by MAUCRSA. We would be happy to sit with you and other members of the internet and publishing industry to work towards a solution on this front.

As it relates to other information listings on our site, our terms of use and listing agreements mandate that any groups that place information on our site represent and warrant that they are in compliance with local law. Although it is difficult to ascertain without an inspection arm, such as the one you have, we believe that many of these groups are operating in compliance with state and local law as lawful cannabis collectives. Health and Safety Code §11362.775(d) provides that cannabis collectives may continue to operate under California law until January 9, 2019.

2. Longstanding Cannabis Business Operators Cannot Comply With MAUCRSA Without Local Participation

We know that you share our concern about the far broader issue facing the legal cannabis industry in California: a widespread failure of local governments willing to provide a path to licensure for thousands of cannabis businesses who have operated in California for 20 years. Nearly 85% of California cities and counties do not permit licensure for cannabis business operators. In many cases, the operators who have not had the opportunity to obtain licensure are the only ones providing access for medical patients in large parts of the state, and this is only compounded by the fact that local governments are continuing to place restrictions on home cultivation that run contrary to California law. To address these concerns, in 2017 we created wmpolicy.com and generated a California Model Ordinance that we hoped would enable local governments to move towards licensing. We also held a number of briefing sessions to help local governments understand the laws and the need for effective licensing models to reduce the illegal market and protect local jobs and taxes. In 2018, we are continuing our efforts, providing policy briefings, tax analysis, GIS mapping services and research assistance in hopes that we can encourage local governments to enact sensible legalization measures that meet the needs of their citizens. As we discussed with you last year, we would welcome having the Bureau join us at these briefings or provide materials to help potential applicants or cities.

We are concerned that the future for California’s cannabis industry may become even more grim. Large Canadian operators with access to public capital markets are raising money and deploying it into the California market to gain market control while native California licensees operate under a regulatory landscape that is so blurry it stifles investment. Long standing single location dispensaries are seeking to prevent additional unlicensed retailers from gaining licensure while not realizing that surrounding dispensary licenses are being consolidated by large family offices and investment funds who have little interest in responsible growth of the industry. City consultants vying for local contracts are advising cities to enact crippling high 5-10% local

taxes across the supply chain that multiplicatively generate consumer net effective tax rates as high as 80% while artificially constraining the number of licenses and in some cases selling those licenses through intermediaries to the “winning” applicants.

In short, the only way to effectively deal with California’s 20-year history of cannabis legalization is to invite incumbent unlicensed operators into the light to be licensed. To provide them opportunities to operate a legally compliant business or to be shutdown. To enable small business owners that rely on this industry to feed their children or pay their mortgage an opportunity to survive. Additionally, the fate of these unlicensed operators is critical to the success of the licensed operators; over 90% of the cultivators and manufacturers in the state are unlicensed (some would estimate even more) and retailers are set to face crippling shortages in products in the coming months. Scrubbing the internet of the reality of unlicensed operators that have created thousands of jobs over the last 20 years does nothing to fix the underlying issues. It is simply opening a new face of regulatory “whack-a-mole” when the ultimate cause is broken policy that provides no opportunity for thousands of business owners who just want a chance to get a license and enter the legal market. We think recently legalizing states such as Massachusetts, Oregon, and Michigan provide good examples for California to improve its policy on issues ranging from social equity to ensuring adequate license quantities.

We look forward to working with you both to find a way to provide suitable information service solutions and to help craft state and local policy that will propel California to becoming a leader in cannabis policy.

Sincerely,



Doug Francis, CEO
Weedmaps



Chris Beals, President
Weedmaps