



May 17, 2021

Dear Lompoc City Councilmembers,

My name is Eric Lightman, and I am the General Counsel for Shryne Group, a leading state-wide commercial cannabis operator with over 30 licenses throughout the State. In 2018, we became aware of the opportunity to locate in the City of Lompoc with attractive licensing, tax structure and an available workforce. We decided to lease a substantial building (60,000 sq. ft.) and make the necessary capital improvements for our facility which houses retail, manufacturing, distribution, and processing (for cultivation). We have only recently completed a portion of the licensing for this facility in Lompoc and are yet to open our doors, despite now working on this for over two years.

The licensing process has taken considerably longer than we business-planned for and would support any changes to the staffing and cost recovery to assist the City with greater capability of administering the cannabis program. For example, if the City hired additional staff to assist with the cannabis program and included this in the licensing and renewal fees for operators, we would support such action and believe others in the industry would as well.

Shryne is committed to local hiring and we anticipate employing in excess of 100 employees at our Lompoc facility. We are following through on our commitment to bring jobs and the associated economic activity for Lompoc. In addition, Shryne has spent millions of dollars with local consultants, engineers, and contractors to complete our project.

Shryne will be paying significant tax to locate in Lompoc. Our retail operations will be taxed at 6% gross receipts and our processing for cultivation will be taxed at 1% gross receipts. In addition, our manufacturing and distribution licenses will be taxed at likely \$30,000 per year. When the tax structure was originally established, it was well understood that the middle portions of the marketplace (distribution and manufacturing) typically have the least amount of margin and this is even more the case in the commercial cannabis marketplace today. All said, Shryne will be a significant taxpayer in Lompoc and we have developed business plans based on the tax structure that was established in Lompoc and codified by voters.

Shryne does not support any changes to the current tax structure in place at this time. We have not had an opportunity to even commence our business operations yet and changing a key element of what attracted us to invest in Lompoc amounts to essentially a bait and switch and would cause us to re-evaluate our continued investment in the City.

We look forward to working with the City to address better funding its cannabis program and ensure cost recovery through fees. In addition, we will keep the City apprised on our operations and look forward to employing local residents and growing our business with ongoing investment in this community.

Thank you for your consideration,

A handwritten signature in black ink that reads "Eric Lightman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Eric Lightman
General Counsel