May 23, 2023

RE: NOV #AM230632

Marijuana Control Board
560 W 7th Avenue, Suite 1600
Anchorage, Alaska 99501

Dear Chair Miller and Distinguished Members of the Board:

This letter is written to state my company's case for our request that the MCB rescind the above referenced Notice of Violation, and to have it removed from our file, any notifications to local governments, and from public access records other that the record of this appeal to the Board.

My family has been involved in the Alaska cannabis industry from the very beginning. We actively campaigned for Ballot Measure 2. I worked closely with the then ABC Director Franklin on the formation of regulations, providing public comment and input on a regular basis, and lobbied with her to the legislators in Juneau. Our company was the first license issued by the State of Alaska in July, 2016, and we made the first legal sale of cannabis to a consumer on October 28, 2016. We have been, and still are, leaders in this industry, and we always try to set that leadership example for the other businesses in the industry to follow.

At this meeting the Board will deal with licensees with multiple NOV's. Most of those are for tax delinquency, but also other infractions. Pakalolo has never been late or missed a payment of our tax obligation. It may seem unimportant to appeal a relatively minor NOV, but our record and reputation are of utmost importance to us especially if the citation is wrong or unfair. From the beginning our highest priority has been compliance. We have received only 1 other NOV. That was over 6 years ago in late January, 2017 from an Anchorage investigator. We felt it was unfair and undeserved as we had cleared the incident with our local investigator and a member of the MCB beforehand. We contested the NOV and requested an informal conference with the Director. However, we were caught up in the Director transitions from Cynthia Franklin to Sara Chambers to Erika McConnell. We were told that there was no mechanism for rescinding an NOV, so, we let it rest. However, over the subsequent years, we have seen a fair number of NOV's rescinded for cause by the MCB. We would still like to revisit this one on our record at some point.

Since that time, we have had no issues over the past 6+ years. We have worked closely with Enforcement and our local investigator(s) whenever questions arise. In fact, compliance is so important to us that we hired away previous AMCO Investigator Amanda Stonecipher to be our corporate Compliance Officer when she chose to leave AMCO. We were disappointed she was only with us for a year before another opportunity came up, but she contributed greatly to our policies and procedures. Amanda used to say that while she was still an Investigator, she would use our company and processes as the example for other licensees for how to adhere to regulations and especially Metrc compliance. In fact, Metrc has sent their trainers to visit our facility to test

and train on their RFID scanners, and to observe how we do things to incorporate our real-world actions into their processes. Metrc also selected Pakalolo as one of the licensees to test their new reusable inventory tags.

In regards to the subject NOV, we feel strongly that we made sure our social media posting for our 420 event was in compliance, and did not violate the regulation against advertising and promotions. As our attorney stated upon reviewing the NOV, "the only part of your advertisement that arguably violates 306.770(k)(4) is the fact that the advertisement mentions 'Specials' inside the facility – that's it – so if you just removed the reference to specials inside then I do not see how Enforcement could make any claim that the advertisement is still violative." We had already removed the word 'specials' as soon as we received the NOV as that could have been the only possible cause for Enforcement to have issued it. A simple phone call from whoever in the Anchorage office had received a complaint, or discovered the posting, could have resolved the matter with a simple phone call. Our position is that our store also sells houseplants, apparel, and accessories and we were having specials throughout our store on all our products as well as letting customers get a peek at our new café. Every cannabis retail store was having sales, specials, and/or events, and promoting 4/20, the main cannabis holiday. We were diligent and worked carefully to not mention the word 'cannabis', or any cannabis product, in the posting promoting our event.

We believe that the wording of the NOV indicates what may have been the actual reason for issuing it without calling and discussing the situation with us, especially with our record on compliance. In the first paragraph it is specifically pointed out that Goldies AK, an alcohol licensee, was a vendor at our event in the parking lot outside of the licensed premises. They were not the only vendor at the event. A copy of Goldie's social media posting was attached to the NOV, but not one from our other vendor. In addition, we were 'requested' by AMCO Enforcement to stop advertising our event on social media, and outside our premises, and for some reason reminded that it is unlawful to consume marijuana in public when our post made no mention of the consumption of marijuana in any context. Goldie's AK had weeks earlier applied for a special event catering permit from AMCO with not only the location of the event but a specific map showing the outline of their catering area in our parking lot. The permit was issued by AMCO. Neither Goldie's AK nor Pakalolo made any specific reference to alcohol being served, although it was 100% legal for them to cater our event for which they had obtained the required permit and were off the cannabis licensed premises. Still, the only mention made by us or Goldie's AK was just telling customers to come enjoy a Goldie's beverage.

We originally requested an informal hearing with Director Wilson regarding this NOV. She recommended taking our appeal directly to the MCB. She said "While the board has addressed this issue at least once in prior discussions, its prior guidance is less than clear and the current conduct seems to have been going beyond prior practice for prior events. Perhaps the discussion might assist in providing clarifying amendments to Article 7". We agreed to bring our appeal to the board with the mutual goal of helping to clarify the Board's position on this subject as well as requesting the Board rescind this NOV and remove it from our record. We have tremendous respect for Director Wilson and her leadership of AMCO. We work well together, and feel we share many of the same goals and a vision of the cannabis industry as it continues to develop and evolve.

We close with a commentary related to the Article 7 restrictions on the cannabis industry advertising and promotions. The Alaskan electorate passed Ballot Measure 2 in November, 2014 with a clear campaign slogan endorsed by the people directing State government and legislature to regulate cannabis the same as alcohol. The campaign theme to legalize did not say 'much the same', 'comparable', or 'similar' – it said the 'same'. This has not been done, nor is our industry regulated remotely close to how the alcohol industry is. On this particular topic, we constantly see advertisements for specific alcoholic products from grocery chains, free liquor given away to its customers, advertisement that not only promotes consumption but encourages consumption, and liquor stores in public media or by email and text from individual sellers. Events are sponsored by liquor distributors, and large signs promote their products at sporting and concert event venues. Yet, we receive an NOV for using the word 'Specials' in a social media posting. I acknowledge that the general

populace needed to be transitioned into the reality of legal cannabis. However, there has been little transition. The Governor's Advisory Task Force on Cannabis was a good start, and it needs to be maintained as a standing entity to advise the State government and the MCB. I know of what I speak as I was there from the beginning and had many early discussions, and some disagreement, with Director Franklin on the direction she was taking in regulating the cannabis industry. I know what her motivations were in taking the more firm and stricter positions on regulating cannabis. I've worked in this industry every day for over 8 years, and I believe that the time has come to start rectifying how our industry is regulated.

I thank you for your time and service on our industry board. I respect the sacrifice and time commitment it takes as I was asked to serve on the Board previously and I chose to focus on the growth and success of my family business. I appreciate your consideration of this appeal regarding the NOV my company has received. I hope you will agree with me that the situation did not merit a citation and could have been handled differently. We ask that you rescind this NOV and have it removed from our record.

Respectfully,

Cole Hollister

Cole Hollister

President/CEO
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