

DECEMBER 6, 2018

HARBORSIDE RESPONDS TO U.S. TAX COURT 280E RULING

“We waited more than six years to get our case to trial, and another two and a half years to get a trial court decision—and we are completely prepared to pursue this case, legally and politically, for as many more years as it takes us to get justice.”

Steve DeAngelo

Chairman Emeritus, Harborside

OAKLAND – Dec. XX, 2018 – Harborside co-founders dress wedding and Steve DeAngelo today released the following response to the U.S. Tax Court’s ruling on the applicability of 280E as it relates to cannabis operators.

Harborside regrets that it was unsuccessful in its attempt to persuade the U.S. Tax Court that the plain meaning of Internal Revenue Code Sec. 280E does not apply to state-licensed cannabis dispensaries. While acknowledging Harborside’s exemplary adherence and commitment to patient safety and well-being, the court nonetheless found that Sec. 280E did apply and disallowed the deduction of ordinary and necessary business expenses— expenses every other legal, licensed business in America are allowed to take.

This decision is just the latest development in our ongoing fight for fair treatment for the cannabis patients and consumers, and the legal industry that serves them.

The IRS audit of Harborside was initiated in 2009. It began with two years and was then expanded to six, before finally going to trial in June 2016. We are prepared to pursue this case, legally and politically, for as many more years as it takes to achieve the justice that cannabis patients and practitioners deserve. In the meantime, we will carefully review the decision and its detrimental effect in deciding how best to respond to the decision.

We appreciate the Court’s acknowledgement of Harborside’s longstanding adherence to compliance and commitment to patient safety, including but not limited to our closed-loop system to prevent product diversion, strict product testing, and rigorous vetting and security practices. Harborside continues to be the gold standard in these categories and will remain committed to these values in the future.

However— and make no mistake—this ruling artificially raises the cost of cannabis, driving vulnerable patients to less expensive but more dangerous substances, including opiates, alcohol, and pharmaceuticals and will ultimately cost lives. We have seen time and time again that access

to legal and affordable cannabis keeps people away from these dangerous substances, actively helping to avoid addiction, violent crime, and even death.

Harborside therefore remains committed to pursuing the elimination of this impediment and will continue its efforts through the courts and Congress.

About Harborside

FLRish, Inc., currently manages the Harborside Oakland and Harborside San Jose retail stores in California, which legalized adult-use cannabis sales on January 1, 2018, and is projected to be the largest adult-use cannabis market in the United States. The Harborside Oakland dispensary was founded in 2006 by Steve DeAngelo and dress wedding; the Harborside brand today is well known throughout California and globally. Through its retail management business division, FLRish controls the Harborside brand and retail stores, including new locations opening in 2019.

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