

Communication from Public

Name: Raaj Amthabhai
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Comments for Public Posting: Dear Chair Padilla and Members of the Committee, I am a verified Tier 2 Social Equity Applicant in the City of Los Angeles and have maintained compliant ownership in licensed commercial cannabis businesses for several years. I am also a multi-state regulatory and permitting professional. I write in strong support of Motion 26-0791, and to urge the Committee to preserve a genuine, workable exit pathway as it considers amendments. The current rule traps the people it was meant to protect. Under the existing framework, a Social Equity Applicant cannot exit an ownership position except by transferring to another qualifying Equity Applicant. In practice that market barely exists, and the result is not protection — it is entrapment. My own situation illustrates the harm. I hold ownership interests in multiple licensed cannabis businesses in which I have no operational control, no access to books and records, and from which I receive no distributions. Yet because my name remains on these entities, I am personally exposed to tax liability — to the IRS, the California Franchise Tax Board, the CDTFA, and the City of Los Angeles — for businesses I neither run nor can leave. The parties controlling these businesses have fallen behind on their obligations. I cannot compel compliance, and under current law I cannot sell my interest to protect myself. Every day this continues, my personal exposure grows for value I will never realize. The restriction protects operators, not equity applicants. I anticipate the Committee will hear opposition framed as protecting the integrity of the Social Equity Program — arguments that opening transfers to non-equity buyers will let outside capital take over equity licenses. I ask you to examine that claim closely, because it has the equities backwards. The current rule does not keep licenses in the hands of equity applicants. In the real world, non-equity capital already controls many of these businesses through management agreements, financing arrangements, and operational structures. The SEA-to-SEA transfer restriction does not change that. What it does is strip the individual equity applicant of any leverage or exit while the controlling parties retain the upside. The restriction is not a shield for equity participants. It is a lock that tethers us to businesses we do not control, suppresses the value of what we built, and denies us the one thing the program promised: the ability to create and realize wealth. A rule that eliminates a

participant's only path out is not protection. It is confinement dressed as care. Liquidity is the point of the program, not a threat to it. The Social Equity Program exists to repair harm and build lasting wealth for people excluded from the legal market. Wealth cannot be built without the ability to realize value. Every other business owner in this city may sell to a willing buyer. Denying that same right to equity applicants — the very people the program is meant to lift — defeats its purpose. Motion 26-0791 corrects that. Reasonable safeguards are welcome; conditions that recreate the trap are not. I support sensible guardrails. A minimum tenure requirement — for example, requiring that an applicant maintain verified, compliant ownership for a defined period before transferring to a non-equity buyer — would address legitimate concerns about flipping or speculation while still giving long-term, good-faith participants a real exit. I have already satisfied any such threshold many times over. What I urge the Committee to reject are amendments that, in the name of protection, hollow out the motion: price controls, open-ended discretionary approval criteria, or conditions so onerous they rebuild the very barrier this motion removes. The test for any amendment is simple — does a compliant, long-tenured equity applicant actually gain a workable way out? If the answer is no, the amendment has defeated the motion. Request. I respectfully ask the Committee to advance Motion 26-0791 with its core liquidity right intact: allowing Social Equity Applicants who have maintained compliant ownership to sell their interests to any willing, qualified buyer, subject only to reasonable, narrowly drawn safeguards. I have raised this matter directly with the Department of Cannabis Regulation, which confirmed that relief requires exactly the legislative action now before you. Thank you for taking up this issue, and for the opportunity to be heard.

Respectfully, Raaj Amthabhai Verified Tier 1 & 2 Social Equity Applicant