

Ocean Springs Tech Inc.

"Where the Desert meets the Springs"

October 1, 2019

City of Desert Hot Springs Planning Commission
65950 Pierson Boulevard, Desert Hot Springs
California 92240

RECEIVED
Building Department

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City of Desert Hot Springs

Subject: Good Cause Letter

Dear Honorable Planning Commissioners,

Thank you again for the opportunity for Ocean Springs Tech Inc. to receive an extension of our Medical Marijuana Facility Conditional Use Permit Application. As a local city business owner for over 20 years, we embraced the opportunity to establish a cultivation facility in the City of Desert Hot Springs.

In October 2016, the Desert Hot Springs Planning Commission approved the Ocean Springs Conditional Use Permit for the legal cultivation of medical cannabis via City permit number 13-16. And on July 18, 2017 the City Community Development Department issued a building permit for construction to begin on the Ocean Springs Tech facility.

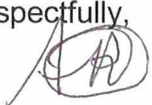
The Ocean Springs Project in 2017 had a Memorandum of Understanding (MOU) at that time with a prospective partner who was not able to proceed due to financial difficulties. In 2018, a new prospective partner worked with us to establish a new MOU to begin a cultivation project.

After a financial analysis of the cultivation costs was conducted including City and State taxes versus revenues, the outcome was that their return in investment would be over four years due to rising building costs and the State approving new Recreational Marijuana taxes.

With approval of Recreational Marijuana in January 1, 2018, California consumers and cultivators wanted to see taxes reduced by as much as half over the next year if market patterns follow those in Washington state and Colorado, both of which earlier legalized recreational pot. But the State and many Cities did not reduce their taxes making it more challenging to attract cannabis investors.

Since 2018, the Ocean Springs Tech property has been for sale with an option for investors to approach us to seek a partnership in developing a joint business cultivation project including a manufacturing operation. We remain optimistic to sell or partner with investors.

Respectfully,



Armando Rodriguez

President, Ocean Springs Tech Inc.