
How to Put a Cannabis Business Application Together

Dominique Shakramy
Head of Licensing – GreenGrowth CPAs

Agenda

- What makes an application successful?
- Financials
- Location
- Architects
- Security
- Standard Operating Procedures
- Staffing
- Community Benefits
- Labor
- Misc.



Green Growth ||| CPAs

About Us:

- Tax Preparation: completed over 500 Annual Tax Returns for cannabis operators spread across all verticals: dispensary, distribution, cultivation, manufacturing, delivery and testing.
- >300 clients based in California, Colorado, Michigan, Oregon and Washington
- Performed over a dozen audit related projects in the last year
- Expected to hit 7-digits in revenues in our second full business year (2018).
- Thorough and deep understanding of tax, compliance and assurance related requirements for the cannabis industry

What makes an application successful?

- Be very detailed-oriented, review every part
- Have the right team in place to run a successful operation
- Solid financial projections and security measures to prevent fraud
- Vetting and due diligence of partners
- Ability to raise capital and maintain cash flow
- Understanding of state and local regulations
- Unique business idea

Financials

- Ability to afford starting and operating a cannabis business
- Funding source(s): investor, loans, personal, etc.
- Include:
 - Operating budgets
 - Build out costs
 - Pro formas
 - Proof of capital
- \$300,000 - \$4,000,000 cash on hand
 - Build out, start up, and operate
 - Many factors such as size, vertical, location, etc...

Financials

Here's a basic rundown of some of the typical costs you can expect in California:

- **License and application fees:** local fees typically range between \$6,000-\$60,000, state fees vary depending on type and total revenue
- **Operating expenses:** Varies by vertical
- **Rent:** Varies widely, expect rate hikes!
- **Employees:** Part-time & full-time
 - Should receive living wages, which is usually more than minimum wage

Financials - Typical Costs Continued...

- **Security:** \$20,000
- **Marketing:** Marketing costs could be low or extremely high depending on strategy
 - 280E
- **Interior and equipment:** Dependent on the type, size, and branding of business
- **Inventory:** Depends on what you're selling, size of customer base, etc...

Location

Where will you operate your cannabis business?

- MUST have a lease for your application to be taken seriously
- Look for green-zone real estate – areas for commercial cannabis activity
- Scout the site in person to check freeway entrances, driveway sizes, etc.
- Expect landlords to inflate their prices

Architect Floor Plans

- Find someone to help you meet local and state regulations:
 - Plumbing
 - Electrical
 - Mechanical
 - Fire and safety
 - Building
- MUST use a licensed professional
 - Ideally with cannabis experience
 - Typically an architect and a civil engineer

Security Plan

- All cash business
- Strong security plan = Stronger Application
- Engage a professional security firm
- Cash handling policies in place to safeguard profits, mitigate loss/theft
- Full scope of security procedures
 - Cameras, alarms, etc...

Standard Operating Procedures

How are you going to run your business?

- Detail how you will perform every task of your operation
- Cite local and state regulations in your process descriptions
- Include:
 - Security
 - Quality assurance and testing
 - Packaging and labeling
 - Inventory control
 - Storage
 - Cash handling

Staffing Plan

- Address the Development Agreement : local hiring
- Include:
 - Job descriptions
 - Requirements
 - Hours
 - Compensation

Community Benefits Plan

How will your cannabis business give back to the local community?

- Ideas:
 - Donate a portion of your profits to a local cause
 - Employ people from an underserved portion of the community
 - Create a scholarship fund
 - Support medical cannabis patients
 - Support Local Law Enforcement
 - Initiate local drives or programs for education, employment, or a specific service that your company can provide at little or no cost

Labor Peace Agreement

If your company will have more than 20 employees, you will need to enter into a labor peace agreement with the United Food and Commercial Workers Union (UFCW) or another union of your choice that delves into the cannabis industry.

Talk to a cannabis consulting firm or labor attorney who can help you put together a labor peace agreement.

Final Elements

- **Limited Waiver of Sovereign Immunity:** states the cannabis business owners do not belong to or identify with any tribes that have sovereign immunity
- Owner information and background checks
- Complete regarding how the application should be formatted
 - Font type and size, tabbing, headers, format, etc.
- Read the instructions carefully and submit on time, proper method
- Pay the application fees

**Questions or need help with your
Cannabis Business Application?**

Contact Green Growth CPAs today!

www.GreenGrowthCPAs.com

(800) 674-9050