

THE GETTING STARTED **GUIDEBOOK**

FOR THE CANNABIS INDUSTRY

CANNA BUSINESS SERVICES

NO. 1

**in providing certainty
in an uncertain,
high-risk market**

WELCOME

TO THE CANNA BUSINESS
SERVICES FAMILY!

We hope that the use of this Getting Started Guidebook provides you with the information you need to be successful.



We highly suggest researching your state's regulations as part of this endeavor, but hope this will serve as a great starting point for your team as you embark on your cannabis journey.

**AS A PART OF YOUR PURCHASE, YOU CAN
RECEIVE A COMPLIMENTARY 30 MINUTE
CONSULTING PACKAGE BY EMAILING US AT
INFO@CANNABUSINESSSERVICES.COM USING
THE CODE CBS2020.**

SERVICES WE PROVIDE:

FULL SERVICE APPLICATION SERVICES

Application work takes extensive amounts of energy, effort, and investment with no guarantees of success. Individuals find themselves facing denials despite years of experience in dispensaries, cultivation, and growth – all due to a lack of nuanced regulatory compliance expertise. We understand how you feel. We've worked with hundreds of clients just like you, and you are not alone.

TEMPLATES

We believe that everyone deserves the opportunity to find success in the cannabis industry. Purchase our templates today, to provide yourself with the best foundation possible when beginning your application preparation journey.

BUSINESS PLAN

Many teams start their cannabis journey with an amazing idea, but not enough funds to get to the finish line. We help companies from a variety of industries build business plans they feel confident in. You get one shot to pitch your idea to an investor, make sure it is a pitch you are proud of.

CONSULTING HOURS

Just getting started in the industry, but not quite sure where to go? Need help learning about your state's opportunities? Consulting hours are a cost effective way to learn how to get started in the industry and find answers to questions you have. We offer a variety of packages to best serve your needs as we help you navigate the industry.

COMMERCIALIZATION & COMPLIANCE CONSULTING PACKAGES

Existing cannabis companies face an enormous amount of pressure to remain compliant with ever-changing rules. Many companies receive fines and license suspensions and revocations. These marks can stay on your name for the rest of your career. Our Commercialization and FDA Compliance Team untangles the matrix of regulations so you can focus on product quality. We limit your risk of exposure to FDA intervention and hovering attorneys. Utilizing our team, whether in person or virtually, we provide forward-looking commercialization strategies that balance compliance with creativity so you can get to market...and stay on the market.

INTRODUCTION

The cannabis industry is one of the fastest growing in the world. It is projected to grow exponentially over the next ten years. In spite of the financial impact of the COVID-19 pandemic, retail sales in the cannabis industry are already on pace to out-sell 2019 by 40%, ending the year 2020 with sales exceeding \$15 billion. This signifies that the long term growth in the industry will remain intact in spite of current uncertainties. There are many exciting investment opportunities in this industry.

In a variety of polls, including one conducted by Pew Research Center in November 2019, more than half of Americans believe that cannabis should be legalized. This attitude has significantly changed since the year 2000 when approximately 30% of Americans believed cannabis should be legal, and these new opinions should aid in the increase of the number of states decriminalizing and legalizing cannabis use. At the federal level, cannabis is still listed as a Schedule 1 narcotic and thereby illegal; however the attorney general has stated that he will not prosecute those operating in states in which it is legal. The FDA recently endorsed some CBD products which leaves hope for nationally recognized products.

Currently, medical cannabis is legal in 33 states and the District of Columbia. Additionally, eleven states and the District of Columbia have legalized cannabis for adult use. Historic trends have demonstrated that state governments move to legalize cannabis for adult use in the years following the legalization of medical use. This indicates that there is still a large amount of growth to take place within the cannabis industry.

1 McVey, Eli. "Exclusive: US Retail Marijuana Sales on Pace to Rise 40% in 2020, near \$37 Billion by 2024." *Marijuana Business Daily*, 2 July 2020, mjbizdaily.com/exclusive-us-retail-marijuana-sales-on-pace-to-rise-40-in-2020-near-37-billion-by-2023/.

2 Fleishman, G. (2019, January 15). States Hold Breath as Trump's Attorney General Nominee Says He Won't Prosecute Pot in Marijuana-Legal States. Retrieved July 30, 2020, from <https://fortune.com/2019/01/15/barr-marijuana-pot-cole-memo-legal-states/>.

INTRODUCTION (CONT.)



MAP OF U.S. DETAILING WHICH STATES HAVE LEGALIZED MEDICINAL AND ADULT-USE (RECREATIONAL) CANNABIS.

As the number of conditions accepted for treatment with medical cannabis expands, the industry will grow. Currently there are a large number of chronic conditions acceptable for treatment in most states including Post Traumatic Stress Disorder, cancer, and anxiety. As these lists expand in states in which medical cannabis is legal, the number of medical ID cards granted and clients to purchase will expand. In addition, market research conducted by Grand View Research predicts that the adult-use market will be the fastest growing cannabis market segment by 2027.

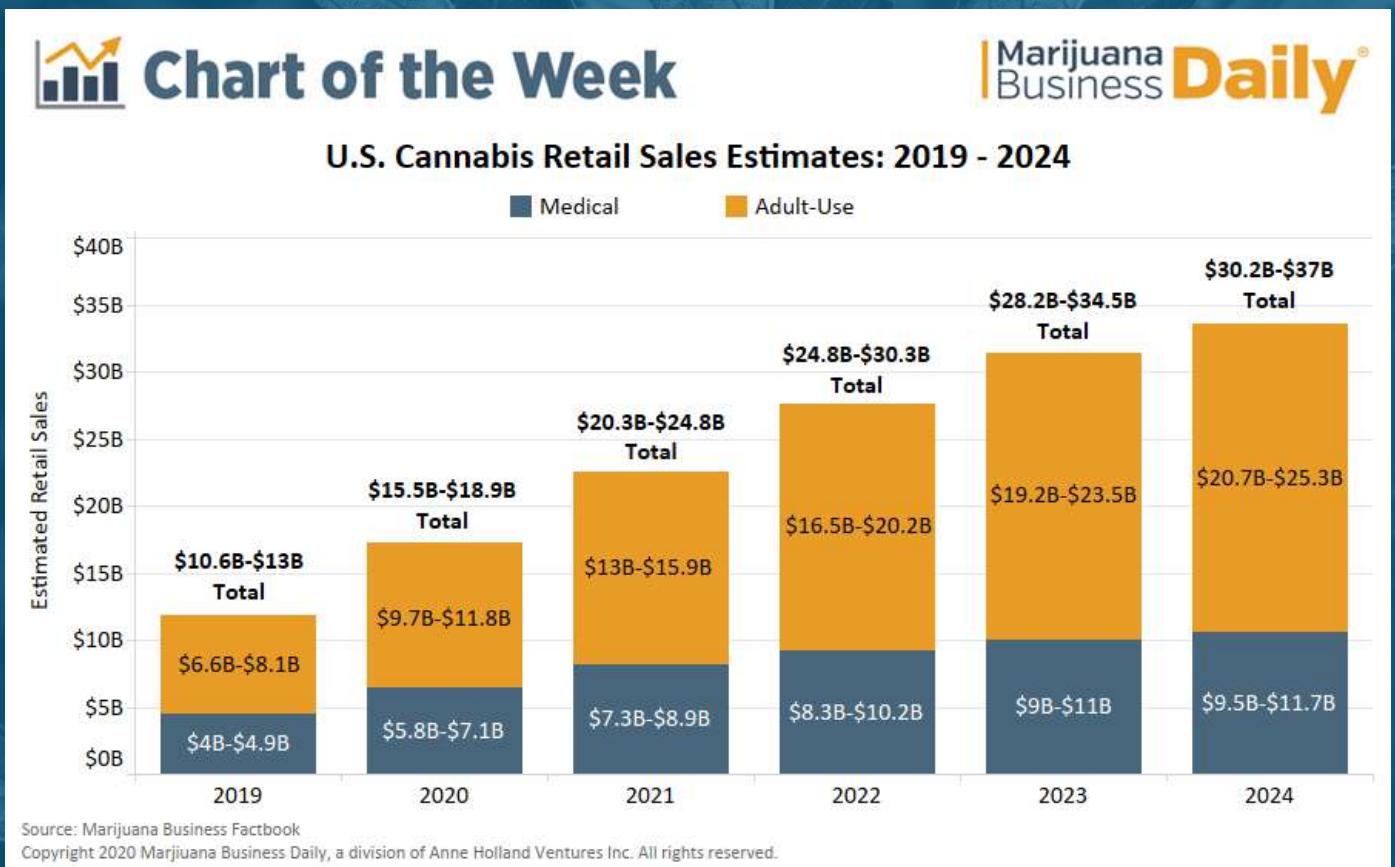
³ US Federal & International Cannabis Laws & Regulations. (n.d.). Retrieved July 30, 2020, from <https://weedmaps.com/learn/laws-and-regulations/>.

⁴ Legal Marijuana Market Size, Share & Trends Analysis Report By Marijuana Type (Medical, Adult Use), By Product Type, By Medical Application (Cancer, Mental Disorders), And Segment Forecasts, 2020 - 2027. (2020, February). Retrieved July 30, 2020, from <https://www.grandviewresearch.com/industry-analysis/legal-marijuana-market>.

INTRODUCTION (CONT.)

As Congress looks to pass the Secure And Fair Enforcement Banking Act of 2019 (the SAFE Banking Act), larger banks will feel more confident and comfortable participating in the cannabis space, further legitimizing this industry and allowing for businesses to function on a cashless basis. This will make it easier for investors and operators to participate profitably in the industry when they can have merchant accounts.

A complex and frequently changing regulatory structure makes some investors and operators hesitant to enter the cannabis space. However, as states work to unify and model their regulatory framework after other states it is becoming easier to enter the cannabis space. In addition, depending on the country, the international market is prime for involvement in the cannabis industry and can end up being more profitable than the United States' market in some cases.



INTRODUCTION (CONT.)

The cannabis industry offers opportunities that would entice even the modestly interested individual to enter the cannabis industry. Marijuana Business Daily reported in July 2020 that the industry is projected to grow to \$37 billion by 2024. The image below highlights these current projections. The growth, even while accounting for the COVID-19 pandemic's impact on the industry, is encouraging.

It is an exciting time to become a part of one of the fastest growing industries in the United States. As with approaching any investment opportunity, it is important to complete your research and reach out to those with direct ties to the industry. The cannabis industry is a complex one, and you want to be able to choose the correct entry point for yourself.

CANNA BUSINESS SERVICES

offers consulting hourly packages for individuals interested in learning about how to get started in the industry and how to best establish their next best steps. Call us at _____ or email us info@CannaBusinessServices.com for more information.

TYPES OF BUSINESS

There are many different types of businesses within the cannabis industry. It is important to recognize the differences between each one so that you can pursue a license for the type of cannabis business you can effectively operate. Some general categories of businesses in the cannabis industry are retail, cultivation, extraction, infusion, laboratories, and transportation. Sometimes states have slight alterations on the name for each, but the general categories are listed and defined in the following list:

Retail: A retail dispensary can be either adult-use or medical. Different states permit you to apply for different types of licenses. Currently, more states have legalized cannabis for medical use than for adult-use. Medical dispensaries require that only registered patients and designated caregivers purchase cannabis from their retail operation. Adult-use dispensaries can sell to those over 21 years of age, who present proper identification. Either type typically offers a variety of cannabis products, including, but not limited to flower, edibles, capsules, vape pens, tinctures, and infused products, and paraphernalia.

Cultivation: A cultivator grows cannabis. Cultivation operations can vary widely in size depending on state regulations. Some also fall under the Craft Grow category in which smaller quantities of cannabis are grown, but it might be of a higher quality than the large cultivation operations can maintain. A plant touching business will often have higher start up costs than a non-plant touching business, depending on how you set up your business. A successful cultivation operation requires that one employ a Master Grower who has experience in

TYPES OF BUSINESS

horticulture or the cannabis industry, is familiar with different growing strategies, and best practices regarding nutrients and pest-prevention.

Extraction and Infusion: A type of cannabis business in which extraction and infusion take place is typically a manufacturing facility; however, sometimes it is permitted along with a cultivation license depending on the state. In the extraction process, the plant is stripped away leaving a cannabis concentrate that can be combined with other products that are edible or able to be vaporized. During the infusion process, cannabis extracts are infused into items that are edible or drinkable. The extraction and infusion process also encompasses packaging and labeling. There are often strict regulations outlining requirements for packaging and labeling of cannabis products.

Laboratory: Laboratories specialize in cannabis analysis and development work for the benefit of their clients as well as the end consumer. Cannabis labs conduct testing experiments to analyze potency and terpenes as well as work in product development. The laboratory findings assist those in retail, cultivation, or the manufacturing of cannabis in complying with state regulations by determining these components. Security and cleanliness are two of the most important factors when considering opening a cannabis laboratory, and it is important to consult and hire experts to build out your lab.

Transportation: Cannabis transportation companies help resolve the bottleneck issue that occurs in transporting cannabis to and from cultivators and manufactures, retailers, and laboratories.

TYPES OF BUSINESS

Security is the key to operating a successful cannabis transportation business. Vehicles transporting cannabis are enticing targets for theft or diversion. Like all operations, this operation is heavily regulated. However, due to the vulnerability that can occur during transport, states require incredibly stringent SOPs for these operators.

The following sections describe the most common mistakes made when one is entering the cannabis industry. It is important to invest a lot of work in researching, preparing, and completing an application for any type of license in the cannabis space.

MISTAKE #1: FAILURE TO RESEARCH

The first mistake many people looking to get involved in the cannabis industry make is to neglect researching extensively into the industry. You should spend time looking into and familiarizing federal laws, state laws, the types of operation licenses available, application requirements, emergency rules, and local political changes.

Cannabis is still categorized as an illegal drug on the federal level. It was classified as illegal to use or possess in the Marijuana Tax Act of 1937. This opinion has not altered on the federal level. Cannabis cannot travel across state lines. Be sure you are familiar with all federal regulations regarding cannabis so you can effectively apply for a license without making statements that potentially violate federal regulations.

States have been determining whether or not to make cannabis use legal. States typically start by legalizing cannabis for medical use, and then often the work begins to decriminalize small amounts of cannabis, as well as offering expungement for prior cannabis offenses. The trend then has been to subsequently legalize adult-use. This process is often more complex and time consuming than prior legislative work. The states frequently have implemented a tax on cannabis products that they use to benefit their state budget. It is important to familiarize yourself with all state laws surrounding cannabis use and regulation. This familiarization will help you to complete your application and gain a successful outcome.

MISTAKE #1: FAILURE TO RESEARCH

Next, you should become familiar with each type of license being offered by the state. Once a Request for Applications (RFA) is implemented by the state, you will have to decide which to apply for. Some states only offer one type of license and others can offer many more. It is important that you conduct research to determine which type of license would work best for you should you be awarded one.

Next, as soon as they become available, research and learn all application requirements and emergency rules for the state in which you plan to apply. These regulations must be addressed in your application. You should be familiar with all requirements and be sure to address all of them in each exhibit of the application that calls for them. The emergency rules are often written in a technical manner and also must be accounted for within your application.

Look into the area of the state in which you plan to open your cannabis operation should you be awarded a license. Familiarize yourself with local and community politics. Research the backgrounds of local leaders who will be determining whether or not your business will be welcome in the community. Review all zoning regulations and local ordinances to ensure your proposed location will be accepted.

In order to be scored highly with the state it must be evident that you have conducted extensive research into all of these areas detailed above, and that you have considered and plan to address all application requirements, regulations, and emergency rules.

MISTAKE #2: FAILURE TO PROPERLY PREPARE

Once you have invested the time and resources into fully researching the industry, it is important to completely understand the entire application process. Prior to beginning the application process, you should determine what you need to do to apply, what is involved, costs, team structure, and experience. Our team has had years of experience in preparing competitive cannabis applications for clients and can tell the NUMBER ONE mistake teams make that can cost them their dreams.

Most people make the monumental mistake of beginning to assemble foundational information and items DURING the application process. Waiting until the application window opens to begin taking the steps to apply is often too late. It often wipes would-be great business owners out of the race because they end up spending this short window of time putting together their team, finances, and location instead of pulling their application together with their consultant.

So how do you avoid this costly mistake?

First, you must determine what you need to do to apply for a license and what is involved for the application process. Use the regulations published by your state to determine this information. These regulations will give extensive details on the components a state expects to see when reviewing applications. Begin to gather this information as soon as possible. Also determine where your team has the experience to demonstrate you can exceed the regulatory requirements.

MISTAKE #2: FAILURE TO PROPERLY PREPARE

Second, start putting together your investor team that will help support your costs to hire a consultant, obtain a property, and the other costs associated with applying for a license.

Third, assemble your team.

This is extremely important to solidify prior to the application processes. Be sure you have included operators and other people on your team whom you trust and have experience that will show the application evaluators that your group has the experience to operate a successful cannabis operation. If your company does not have this relevant experience, be sure to seek out those in the industry who do in order to make your application stand out. Highlight your team's experiences throughout the application in order to demonstrate your team's commitment to success.

Be sure to take the time, prior to the application window to conduct research, pull your finances together, and to assemble your team. Having each of these components set prior to beginning to write your application will set you up for success.

Hiring a consulting firm can help you organize all of these items and assist in filling in any holes that might be appearing as you begin to line up your application requirements.

MISTAKE #3: TRYING TO --- COMPLETE AN APPLICATION ON YOUR OWN

Applications for cannabis licenses are long, tedious, complex, and challenging to accurately complete. In addition, the state will immediately disqualify applications in which any information is submitted incorrectly or left out. Each application is broken into numerous narrative and non-narrative parts. It is in no way brief and can add up to hundreds of pages of original content.

The best analogy we can provide to truly encapsulate what this process is like, combines the feedback we've received from our clients who saw the amount of work our team and their team put into preparing a competitive application: It is a full time job, on top of your already-existing job, that combines the competitiveness of a coveted grant application + the incredible intricacies of drafting legal documents + the pressure of buying a six- or seven-figure property + while navigating a field full of landmines that takes out many would-be applicants....all while competing against behemoth multi-state operators who have been preparing for over a year to win the license you're going after....**and you have one shot to get it right.**

Most applicants plan to invest their savings, retirement, hopes, and dreams into their cannabis application hoping to open and operate a successful business. Winning a license is extremely competitive with just a small percentage of those who apply actually being awarded one.

MISTAKE #3: TRYING TO --- COMPLETE AN APPLICATION ON YOUR OWN

Even if you are fortunate enough to win a license, that is just the beginning. Completing an application with a strong team in place will further aid you in opening a successful operation. You should not risk the enormous amount of capital needed to start this venture by not engaging experts who have traveled this tumultuous path before.

We have experienced our share of clients who did not believe us, took this on themselves, and came back with little time left before the deadline after realizing they were not prepared to take on the tasks alone.

In the words of Michael Jordan,

“TALENT WINS GAMES,
BUT TEAMWORK AND
INTELLIGENCE WINS
CHAMPIONSHIPS.”

This quote could not be more true for the cannabis industry. This industry is riddled with pitfalls and many great applicants have failed because of the mistakes they made while applying. It can be costly to make those mistakes, and unfortunately, can take an applicant years to wait for a new round to open to re-apply. By that point the market will have already shifted and may be far less lucrative. It is important to engage experts in the cannabis industry to assist in completing your application.

READY TO JUMP IN?

HERE ARE THE 5 THINGS
YOU CAN DO TO
PREPARE:

SOLIDIFY YOUR TEAM

Many people struggle with this part, changing their team structure up until the day of filing causing a fragmented application or one that is insufficient. One pitfall to avoid is choosing friends and family, simply because they're...friends and family. We have found that many people choose friends or family whether or not they are qualified, simply because they have a close relationship with them. Not only can this hurt your chances of winning, but it can harm your relationships. We provide strategy sessions for our clients to help them understand what the ideal team looks like and what qualifications will stand out on an application. Be sure to choose individuals on your team who are qualified.

FINANCIALS

Prior to beginning your application, line up investors who are willing to assist in supporting your financial requirements and payments for items such as consulting, property, financials, and background checks.. Be sure to engage in a legal agreement to protect all interests. Gain proof of liquid capital in accordance with your state's regulations. Many clients begin with our team by purchasing our Business Plan package where we provide an overview of the business, application process, and capital requirements. If done in advance of an application round opening, teams are better equipped with the financial resources they need throughout the application preparation process. We highly suggest preparing a business plan and obtaining your investors well in advance of a round opening.

LEGAL STRUCTURES

Set up ownership agreements and other relevant legal structures under the guidance of a cannabis lawyer. Be sure everything is signed and properly organized. Be sure to choose attorneys who are not new to the industry. We see a lot of companies swindled by attorneys who use your projects to learn the industry or who charge an enormous fee for subpar work.

OPERATOR

Research the cannabis industry and engage, with a legally binding contact, operators to assist in guiding your business to success. You will need their expertise on how to run a retail or cultivation operation or any other aspect of the cannabis industry. There are many pitfalls that teams run into when attempting to find an operator. We implore you to do your due diligence, because hiring the wrong operator...or one who does not disclose license suspensions, fines, or revocations due to lack of compliance...can break your application. We provide our clients with a Directory of product and service providers who we have vetted and trust. This is often a great starting point of research for our clients when searching for the right partners.

LOCATION

The location is often one of the most difficult aspects of an application to solidify. Determine a location and engage a letter of intent with a rental or purchase agreement in order to prove to the state that you have engaged a proper location. Follow all ordinances and contact the local leaders in order to capture proper community support.

BONUS CONSIDERATIONS

Social Equity & Diversity

Many states have decriminalized cannabis possession and use. As they do this, they look to rectify past injustices regarding their citizens' use of cannabis. Many states have implemented elements of social equity and diversity in order to increase the number of applicants from economically disadvantaged backgrounds or who were negatively impacted by prior cannabis laws able to participate in the cannabis industry.

Historically, a social equity provision either was not included in an applications' requirements or was sometimes offered as a bonus section. Now states see cannabis as an opportunity to provide meaningful futures for citizens who have struggled with prior cannabis convictions or other social equity issues that have had a negative impact on their forward economic movement.

Increasing diversity in the cannabis industry has come to the forefront. Now many applicants look to add someone to their team who qualifies for the social equity benefits that states have added to many applications. Many teams attempt to employ a “token” social equity member for their team. We not only highly advise against it for ethical reasons, but many states see right through this. You should choose people that you intend to actually provide meaningful opportunities to. Often, this person must have a certain percentage of ownership, and you must be sure to adhere to all regulations set by the state.

You also will want to consider the percentage of minority and women leaders and owners of your business. Having a higher percentage of diverse ownership will help your application to stand out. Consider these options carefully as you move forward in the cannabis industry.

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