

C S M F O

YESTERDAY, TOMORROW AND FINANCE
2020 CSMFO ANNUAL CONFERENCE
JANUARY 28-31, 2020
DISNEYLAND CA



Yesterday-Cannabis, Tomorrow-Hemp, and Finance-Fiscal Trends





Cannabis in Vallejo

Joanna Altman

Assistant to the City Manager

AKA “Canna Czar”





Medical Marijuana History in Vallejo

- 1996 CA Compassionate Use Act
- 2003 CA Medical Marijuana Program Act
- 2011 City Ballot Measure C
 - Business License Tax Certificate
 - Up to 10 Percent on ALL Gross Receipts
- 2013 City Moratorium on Medical Marijuana Dispensaries
- 2015 City Ordinance providing Limited Immunity from Civil Prosecution





Actions Timeline

- 2016 City Medical Marijuana Stakeholder and Expert Group
- 2016 CA Prop 64
- 2017 CA Medicinal and Adult-Use Cannabis Regulation and Safety Act (and amended thereafter)
- 2017 City Land Use & Health and Safety Code - Intensive Use
- Feb 2018 Health and Safety Code - Adult Use Retail
- April 2018 Land Use & Health and Safety Code - Intensive Use on Adult-Use
- Dec 2018 Land Use & Health and Safety Code – All Cannabis Uses – Transition out of Limited Immunity
- Ongoing Community and Stakeholder Engagement



Cannabis Retail Code Text Amendment

General Plan Designations in Consideration

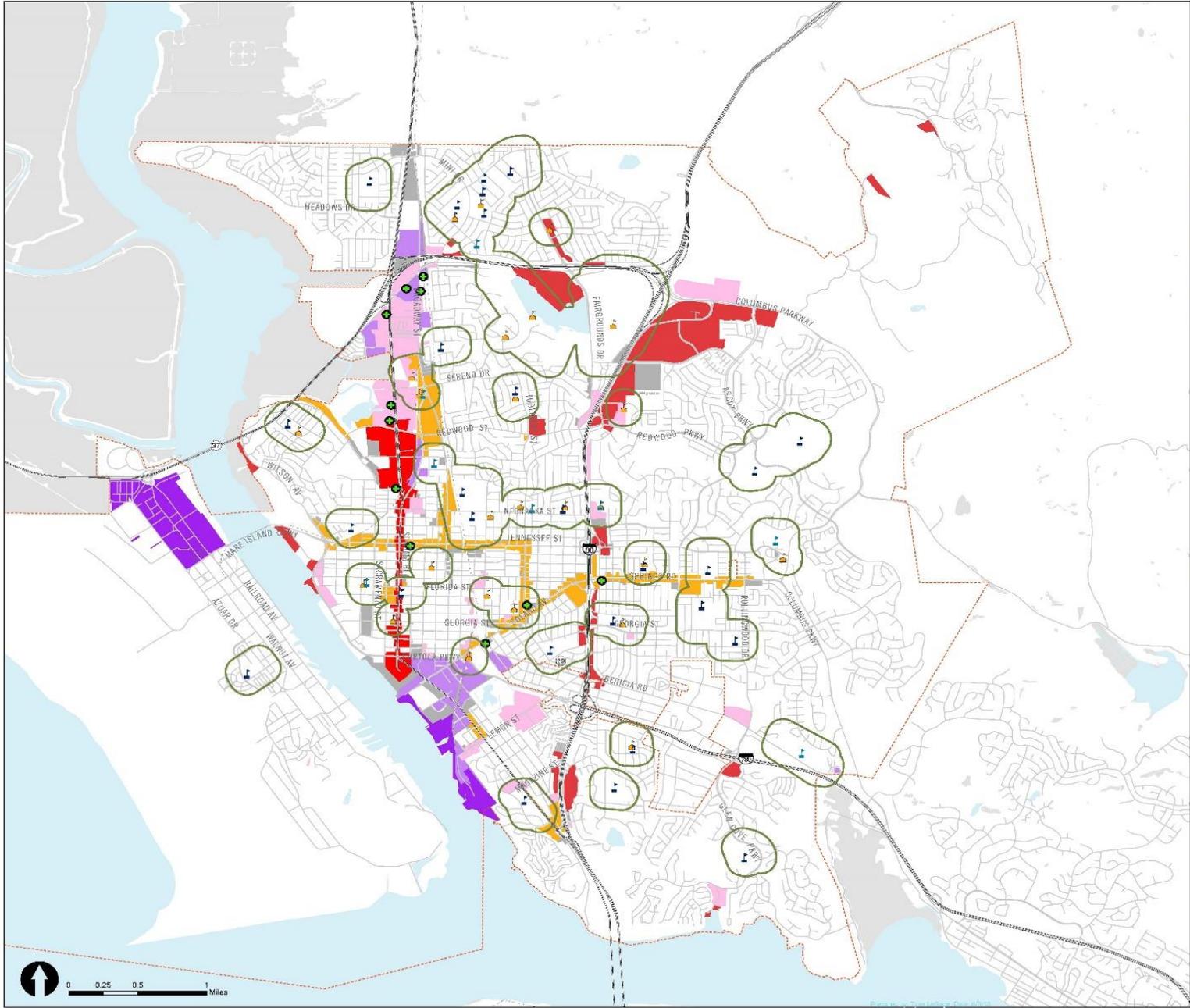
- Central Corridor
- Neighborhood Corridor
- Retail/ Entertainment
- Business/ Limited Residential
- Business/ Light Industrial
- Industrial
- Non-Consistent Zoning Designation

Marijuana Dispensaries

- Dispensary Location

Sensitive Land Use

- Public Schools
- Private Schools
- Child Care/ Youth Center Locations
- 600 ft. Sensitive Land Use Buffer





History of Measure C in Vallejo

- Measure C approved by Voters in November 2011
 - Allows the City Council to set the rate at or below the 10% limit
 - Allows the City Council to set different rates for different activities
- March 2012 City imposed a maximum tax rate of 10% of gross receipts
- Generated \$2.69 million in FY 217-18





Cannabis Tax Amendments

- HdL Completed a Cannabis Tax Analysis report to inform Council and staff ([link](#))
- Increased saturation in Vallejo's economic radius
- Vallejo's mature regulatory framework with low fees and an existing tax
- Vallejo industry opportunities

Cannabis Tax Rates Among Neighboring Jurisdictions	
Jurisdiction	Tax Rates
Berkeley	5% for adult-use (recently reduced from 10%), 2.5% for medical
Benicia	Up to 6% of gross receipts (no current retailers in operation)
Oakland	10% for adult-use, 5% for medical (likely to be reduced in near future)
Hayward	Currently set at 6%; allows up to 15%
San Leandro	Currently set at 6%; allows up to 10%
Emeryville	Up to 6% of gross receipts
Contra Costa County	Currently up to \$7/sf for cultivation; up to 4% of gross receipts for all others

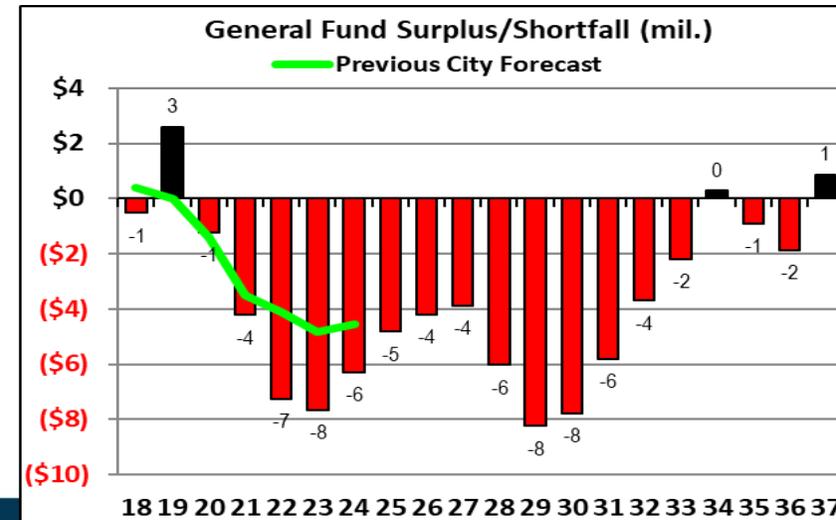
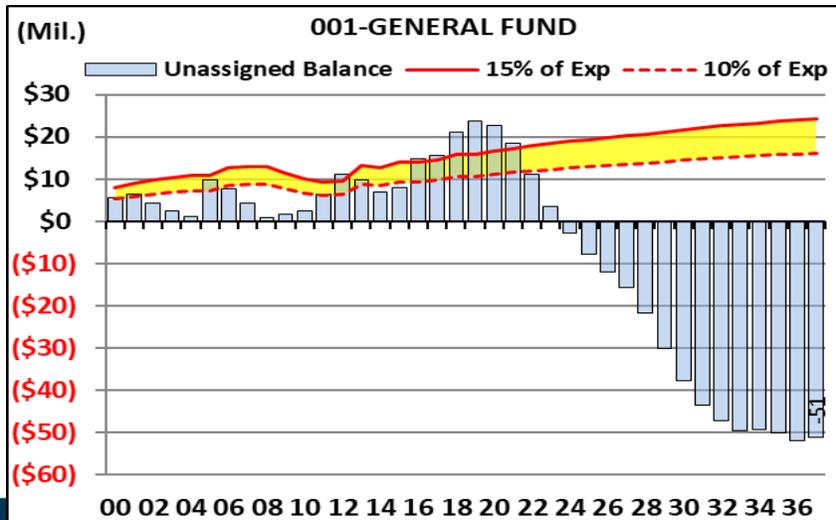




Adopted Tax Model & Long-Range Forecast

Industry Business Type	# of Licenses	Proposed Tax rate	Total Projected Revenue
Adult-Use Retail	11	7%	\$ 1,364,009
Medical Retail	11	0%	\$ -
Manufacturing	4	5%	\$ 400,000
Distribution	8	2%	\$ 160,000
Cultivation	2	5%	\$ 400,000
Laboratory Testing	-----	0%	-----
Total			\$ 2,324,009

\$1 Mil. less than current budget





Key Takeaways

- Build Relationships!
 - Cannabis Operators
 - Patients
 - School District
 - Residents
 - City Department Representatives
- Set-up an Ad-Hoc Committee of the City Council
- Be Flexible
 - Understand Industry and Evolving Impacts
 - Recognize Defeats and Move Forward





Port Hueneme Police Department

State of Cannabis Report

Fiscal Impact of Medicinal and Adult Use
Cannabis in Port Hueneme

Andrew Salinas
Chief of Police & Interim City Manager



Serving Our Community with Pride and Professionalism



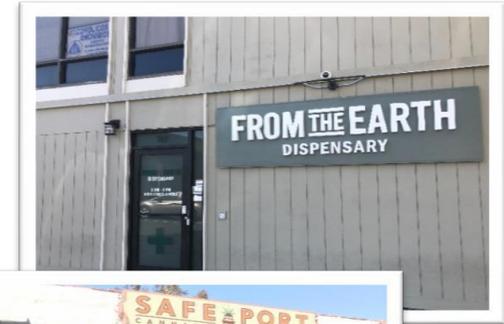


With the adoption of Ordinance No. 727 on July 5, 2017, the City of Port Hueneme became the first city in Ventura County to recognize and allow for the sale, distribution, manufacturing, cultivation, and delivery of medicinal marijuana. This would later be amended to include recreational use in January 2018.



Cannabis in Port Hueneme

- Leadership position in Ventura County, combined with careful regulatory framework
- Our Goal was to be the model cannabis licensing program in the State and County. We would accomplish this through careful screening of each license application, combined with public input through our CUP Process, and our law enforcement initiatives
- Develop a Community Contributions Program whereby all cannabis businesses operating in Port Hueneme commit to giving 1% of gross sales to Community Programs and Organizations





Fees

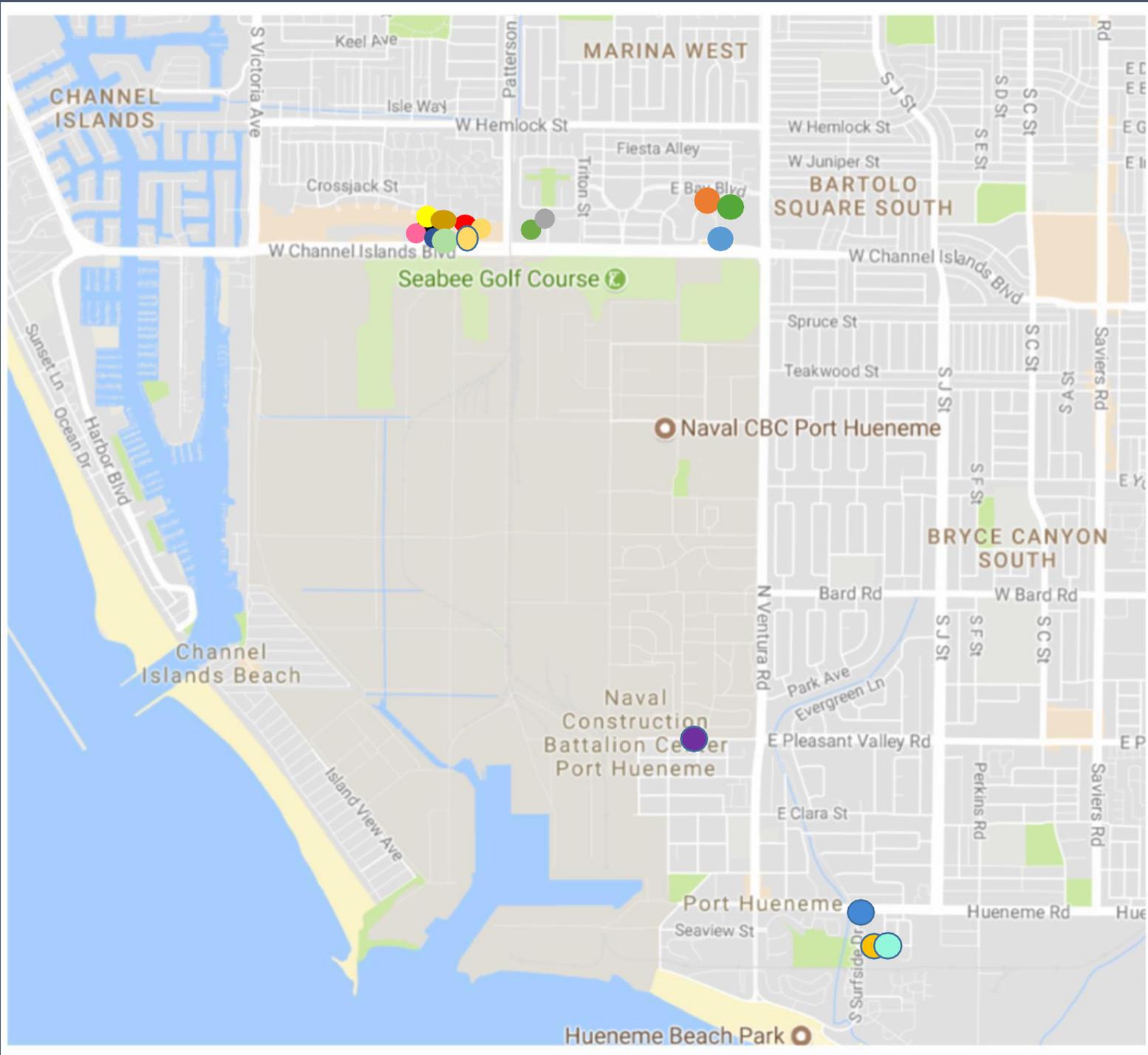
Application deposit	\$10K
Owner Background/ Live Scan	\$445.56/pp
CUP	\$4,411
Annual Business License	\$2,365 (based \$2.5mil gross receipts)
Building & Safety / Tenant Improvements B/P/E/M Plan check/permits	\$2,500 (based on \$85K project)
Certificate of Occupancy	\$201
Annual Review/Audit	\$10K
TOTAL:	\$30,000





Cannabis Update – Where are we?





1	HPC	R
2	Wheelhouse	R
3	Skunkmasters	R
4	From the Earth	R
5	Safe Port	R
6	Emerald Perspective	R
7	PH Green	R,MB
8	Tradecraft Farms	R, MB
9	Leaf & Lion	R
10	Harvest Bloom	D
11	Green Ocean	C
12	Bleu Diamond	D
13	Tech Delivery	D
14	High Farms	D
15	Red Mule Group	MB
16	California Labs	M
17	Fire Garden	R
18	Advocate Society	M
19	Element 7	R



City Revenue and Forecasting



Sales

Gross Cannabis Sales

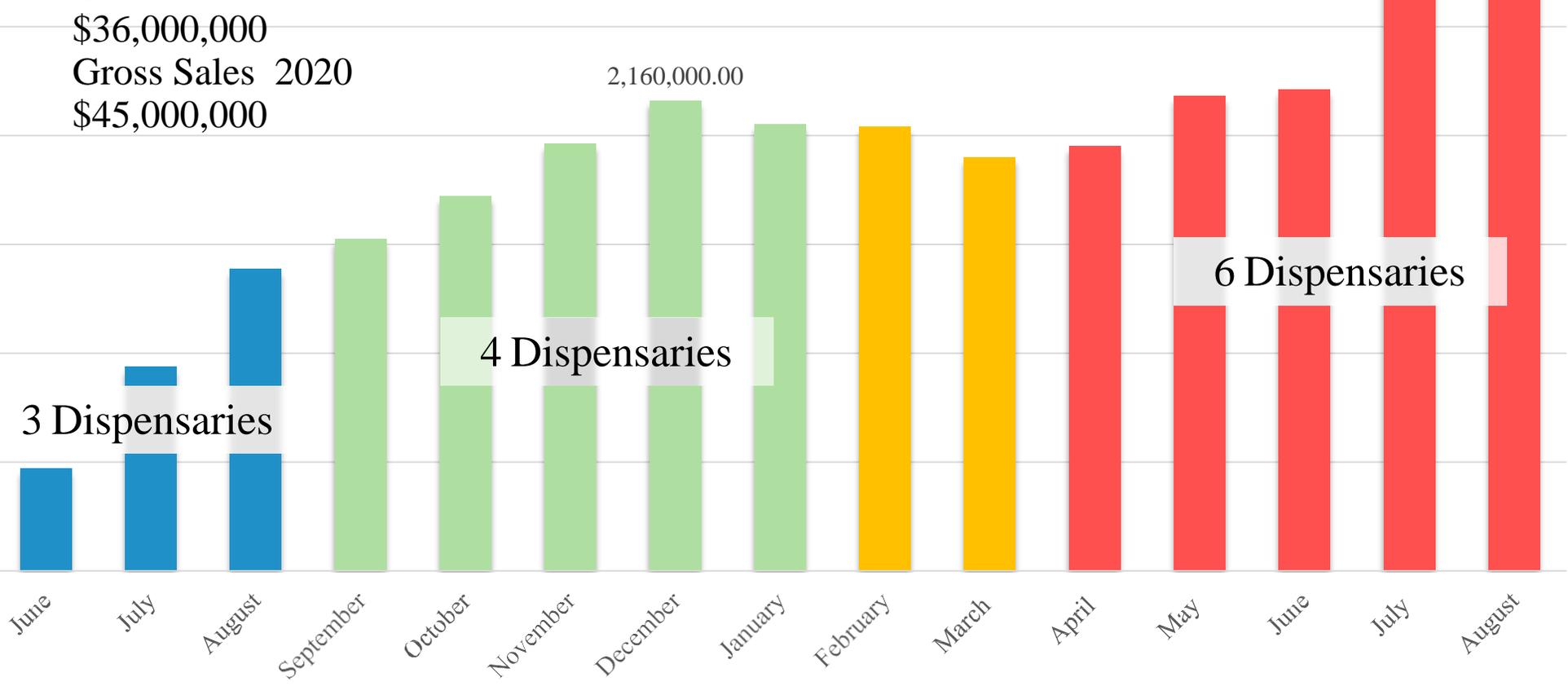
June 2018 – August 2019

3,500,000.00
3,000,000.00
2,500,000.00
2,000,000.00
1,500,000.00
1,000,000.00
500,000.00
0.00

Calendar Year 2018
\$11,000,000
Gross Sales 2019
\$36,000,000
Gross Sales 2020
\$45,000,000

3,100,000.00

2,160,000.00



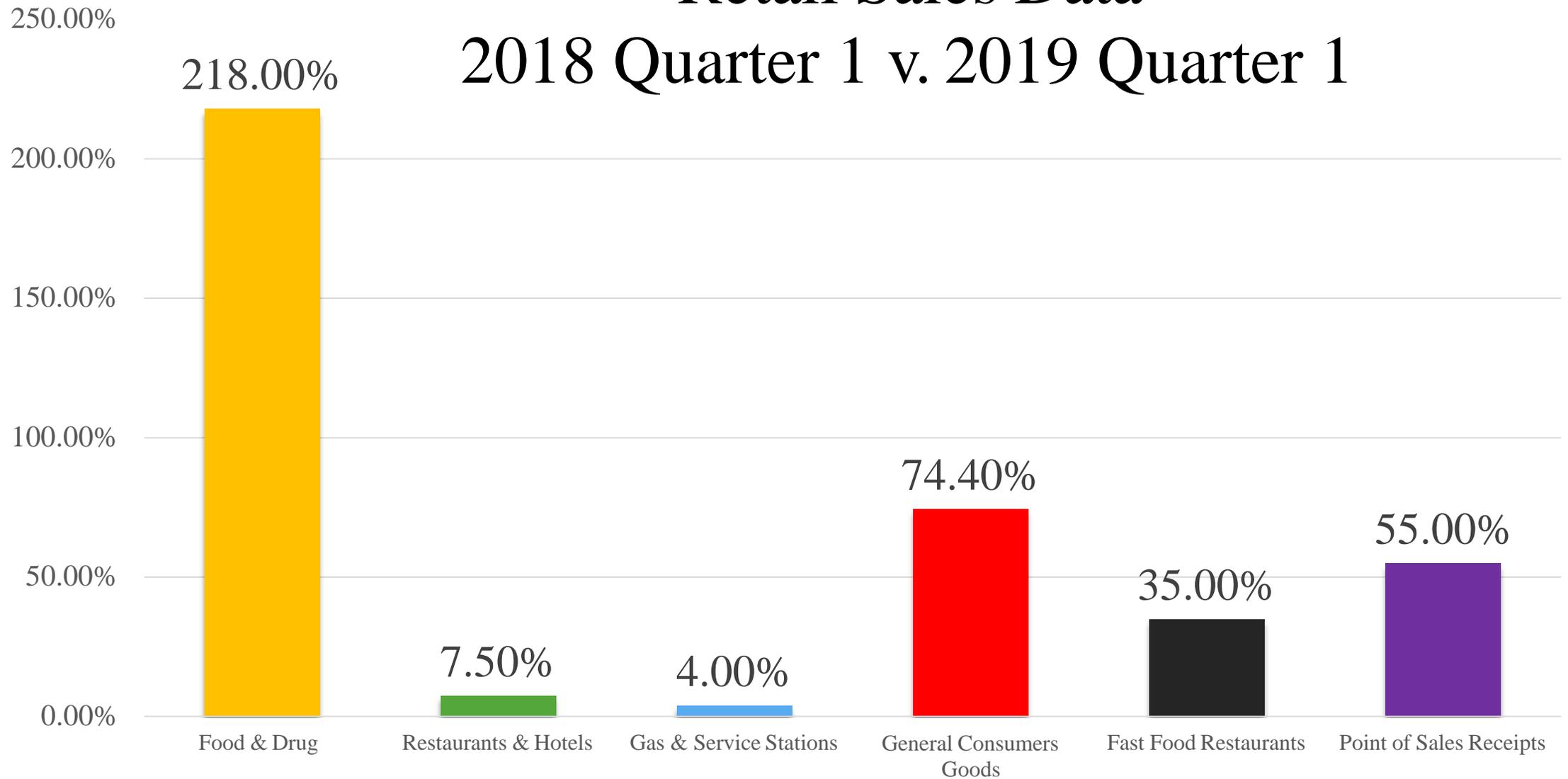
3 Dispensaries

4 Dispensaries

6 Dispensaries

Retail Sales Data

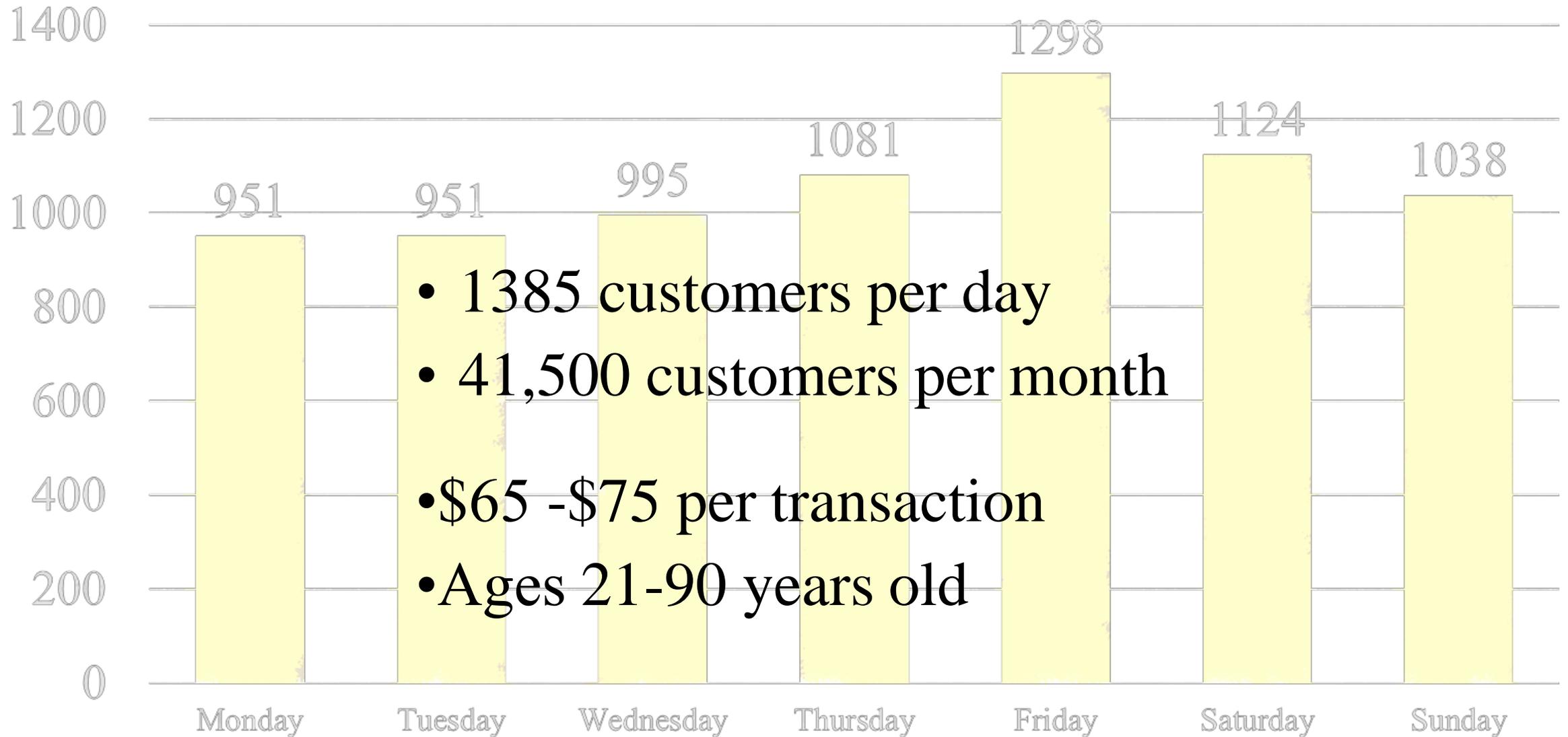
2018 Quarter 1 v. 2019 Quarter 1





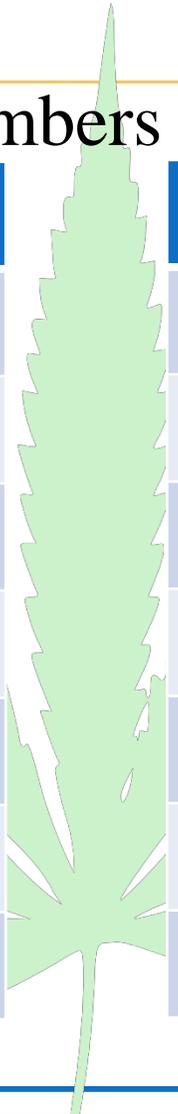
Customer Data



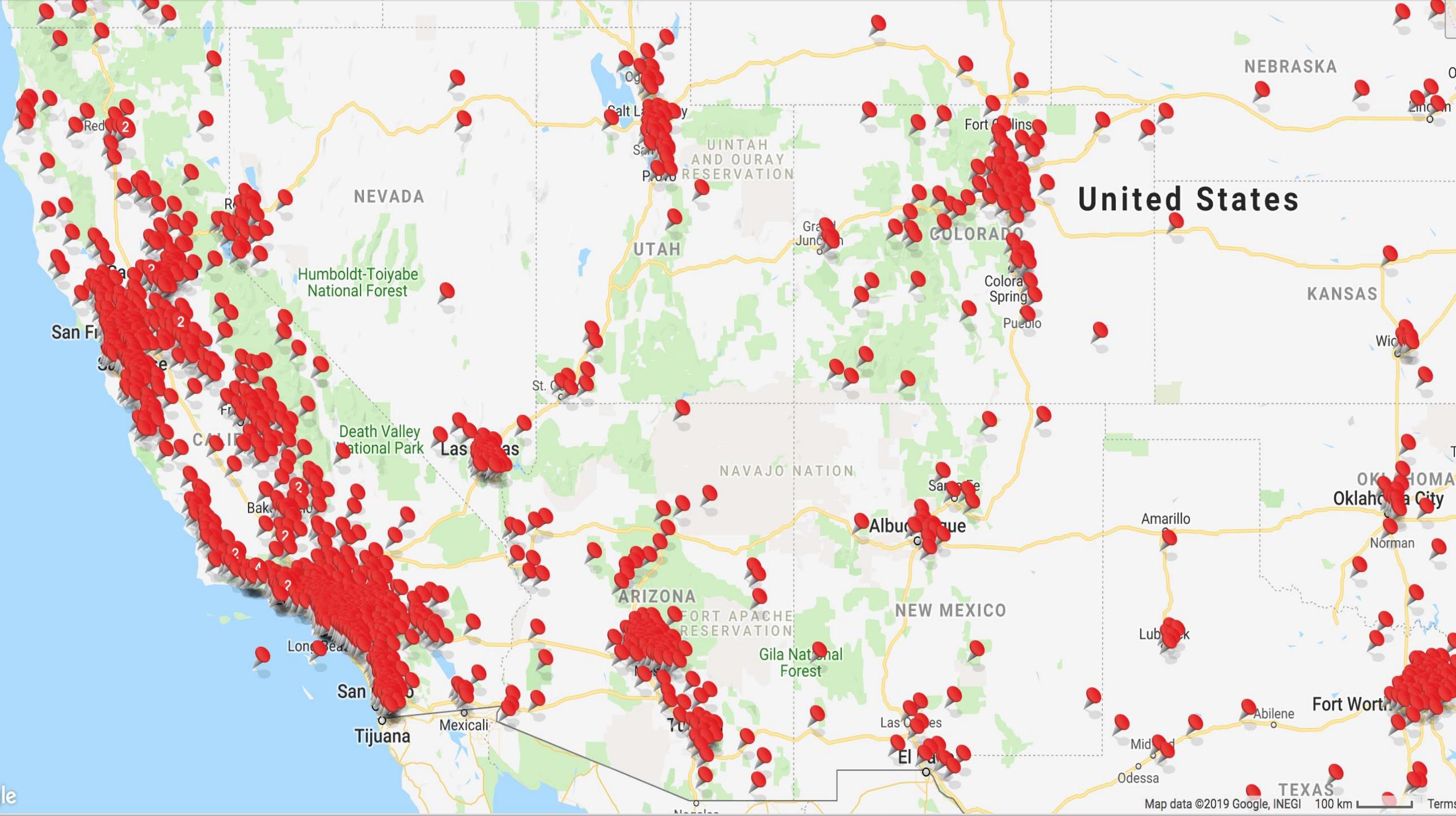


- 1385 customers per day
- 41,500 customers per month
- \$65 - \$75 per transaction
- Ages 21-90 years old

Cannabis by the Numbers in Port Hueneme



Place of Residence	Percentage	Place of Residence	Percentage
Port Hueneme	10 %	California	87 %
Oxnard	42 %	Arizona	1.5 %
Ventura	19 %	Texas	1.3 %
Camarillo	9 %	Florida	.70 %
Santa Paula	3 %	Washington	.70 %
Thousand Oaks	2 %	Nevada	.60 %
Other	15 %	New York	.56 %



United States

NEVADA

UTAH

COLORADO

NEBRASKA

KANSAS

Humboldt-Toiyabe National Forest

Death Valley National Park

NAVAJO NATION

ARIZONA

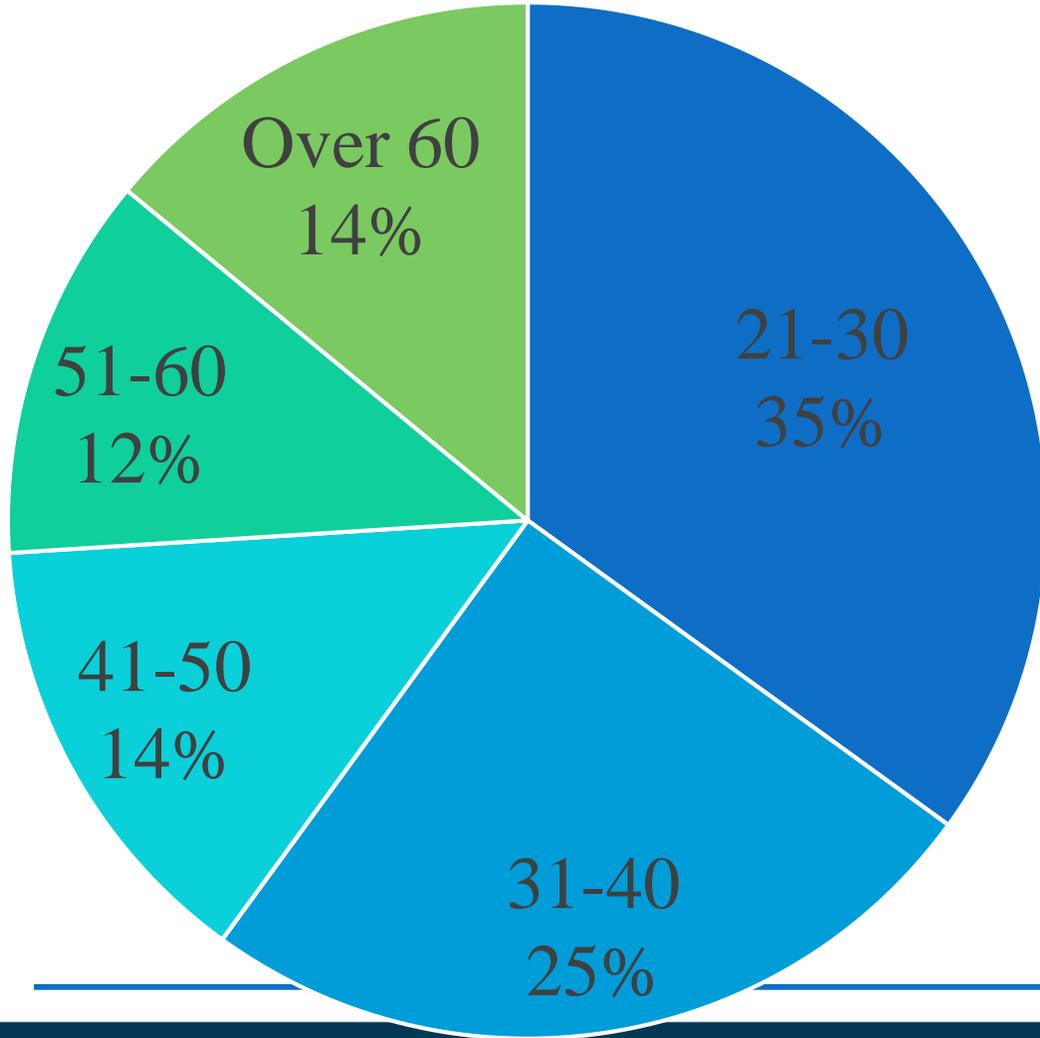
FORT APACHE RESERVATION

Gila National Forest

NEW MEXICO

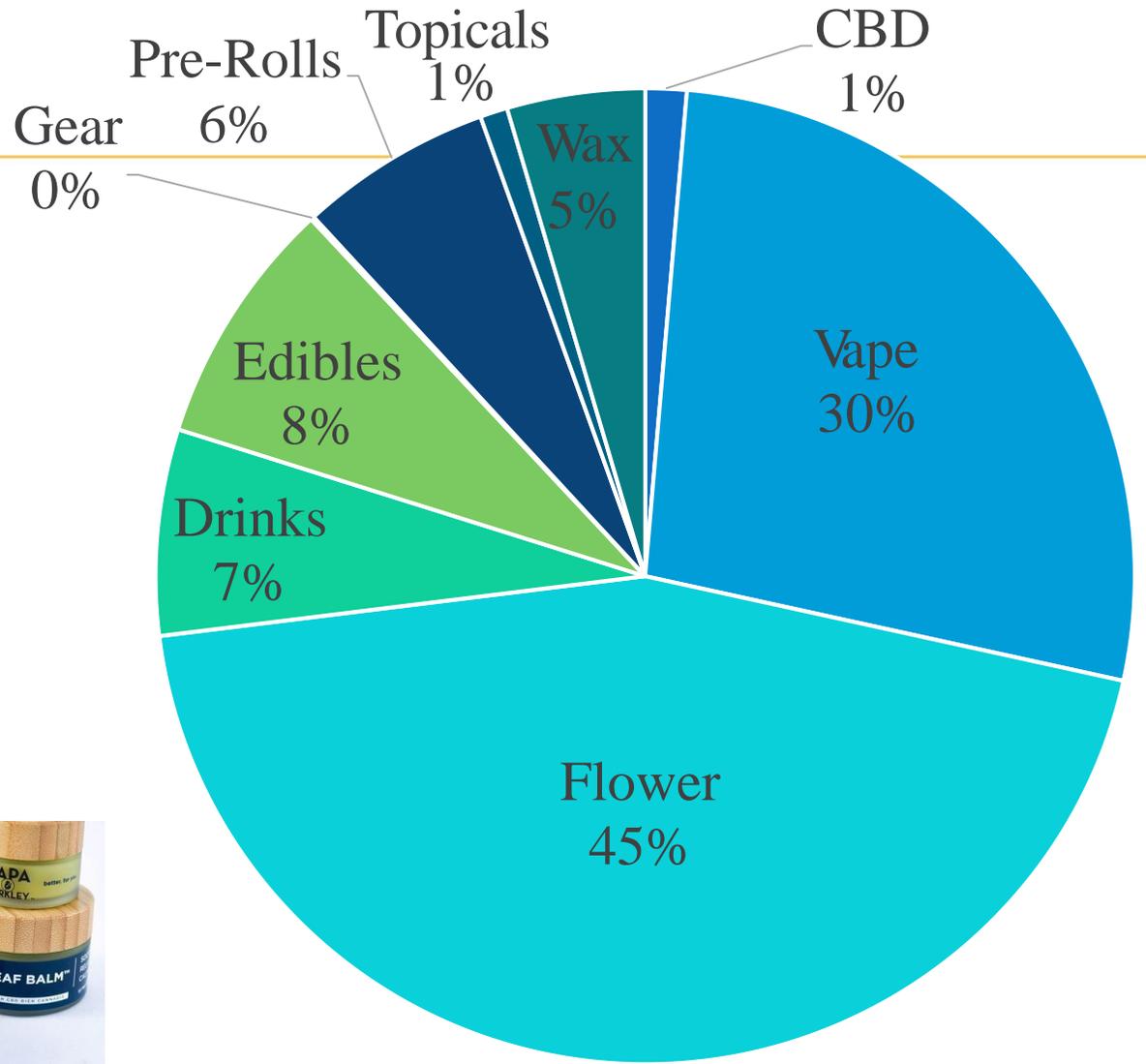
OKLAHOMA
Oklahoma City

TEXAS



Customer Age Demographics

C S M F O





California Cannabis Taxes

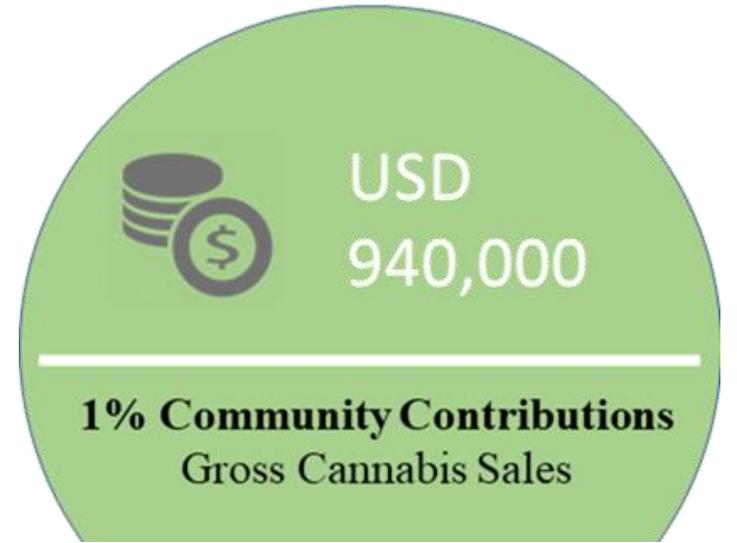


City	Cannabis Tax Rate	Sales Tax Rate	State Tax	Total Tax Rate	Per \$100
San Diego	8%	7.75%	15%	30.75%	\$130.75
Los Angeles	10%	9.5%	15%	34.5%	\$134.50
Bakersfield	7.5%	7.25%	15%	29.25%	\$129.25
Santa Barbara	6%	8.75%	15%	29.75%	\$129.75
Santa Ana	5%	7.75%	15%	27.75%	\$127.75
Long Beach	12%	10.25%	15%	37.25%	\$137.25
Port Hueneme	5%	8.75%	15%	28.75%	\$128.75
Carson	18%	9.5%	15%	42.5%	\$142.50
Cathedral City	10%	8.75%	15%	32.75%	\$132.75
Sacramento	4%	8.25%	15%	27.25%	\$127.25
Palm Springs	15%	9.25%	15%	39.25%	\$139.25



Community Benefits & Economic Impacts





		2018	2019	2020	3 YEAR
Gross Revenue		11.3	36.0	45.0	92.3
5% City Revenue		.56	1.8	2.25	4.61
1% Community Contributions		130,000	360,000	450,000	940,000



Cannabis Tax

2018 - .56 million

2019 - 1.8 million



Community Contributions

2018 - \$44,000

2019 - \$206,000



Jobs

- 210 Jobs Created
- \$18 /hr average salary
- \$38,000/Yr





Identification Cards





Mead W.

Owner / ID# 0122

FROM THE EARTH



DANIEL Z.

GENERAL COUNSEL

ID # 0181



SKUNKMASTERS

A Higher Experience®



GENESIS P.

STAFF / ID # 0046



KIRK R.

ID # 0117



SAVANNAH S.

CANNABIS CONSULTANT

ID # 0179



ROBERT M.

STAFF / ID# 0190

City of Port Hueneme Best Practices

- ❖ No Automatic Renewals of Permits - Annual Inspections
- ❖ Responsible Cannabis Server Certification Training Program
- ❖ Community Cannabis Educational Forums
- ❖ Security Recommendations – Development Agreements
- ❖ Deposit Meetings with Owners
- ❖ Community Contribution Program – 1% Gross Sales
- ❖ LiveScan Employees – Identification Card Program
- ❖ Undercover Minor Decoy Operations
- ❖ Mandatory Owner/Manager Meetings twice a year
- ❖ Implement Marijuana/Cannabis in Social Host Ordinances
- ❖ Mandatory Literature in all Retail and Non-Retail Storefront

TALK TO YOUR HEALTHCARE PROVIDER

At your next prenatal visit, talk about your possible marijuana use. Being honest will help you get the best care for you and your baby.

- If necessary, ask for help to quit marijuana while you are pregnant or breastfeeding.
- Medical marijuana isn't safer than recreational marijuana. There is no safe amount during pregnancy and breastfeeding.
- Learn about different ways to treat nausea and pain.
- Talk about any other medications you might be taking.

FOR MORE INFORMATION:
Call (805) 981-5115 or Toll Free (800) 781-4449 (press 2 then 1)
www.mjfactcheck.org/pregnancy

VENTURA COUNTY PUBLIC HEALTH
VENTURA COUNTY BEHAVIORAL HEALTH

Clearing the smoke

CANNABIS AND DRIVING DON'T MIX

DID YOU KNOW? IT'S ILLEGAL...

- ...TO DRIVE AFTER USING CANNABIS. You can get a DUI for cannabis, alcohol, prescription medication or any other drug that can impair your ability to drive.
- ...TO HAVE AN OPEN CONTAINER IN A VEHICLE, not in the trunk.
- ...TO SMOKE OR CONSUME IN A VEHICLE.

A DUI CAN COST YOU:

- More than \$16,000 for a first conviction.
- A criminal record.
- Loss of driver's license.
- Additional jail time if there are inquiries.

IT'S RISKY:

- Reduces reaction time.
- Slows coordination.
- Distorts perception.
- In combination with alcohol, affects driving more than either alone.

PLAN AHEAD. Get a ride, not a DUI.

KEEP CANNABIS AWAY FROM KIDS

CANNABIS CAN MAKE KIDS VERY SICK

- Accidental use by children includes inhaling and eating.
- Cannabis edibles can be confused with regular food or candy.
- Symptoms in children may include: sleepiness, trouble breathing, difficulty walking or sitting up.

STORE IT SAFELY

- Keep it in a childproof container.
- Lock it up where it can't be seen or reached.
- Adjust how cannabis is stored: kid-proof for a young child may not stop older, curious kids and teens.

IF YOU THINK YOUR CHILD HAS EATEN OR INHALED CANNABIS PRODUCTS

- CALL POISON CONTROL: 1-800-322-1222
- Calls are free and confidential.
- For immediate attention, call 911.

PLAN AHEAD. Keep your kids safe.

C S M F O



FOLLOW US



asalinas@cityofporthueneme.org / (805) 986-6572





Yesterday-Cannabis, Tomorrow- Hemp, and Finance-Fiscal Trends

David McPherson
HdL Companies





hemp in

CALIFORNIA



What is Industrial Hemp

“Industrial hemp” means a crop that is limited to types of the plant *Cannabis sativa* L. having no more than three-tenths of 1 percent tetrahydrocannabinol (THC) contained in the dried flowering tops, whether growing or not; the seeds of the plant; the resin extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds or resin produced therefrom.





Federal Food Drug and Cosmetic Act

- The FD&C Act defines a “drug” as any product intended to treat a disease, have a therapeutic or medical use. Any product (other than food) that is designed to affect the structure or function of the body of humans or animals is also considered a drug.
- To date the FDA has not approved any CBD products other than Epidiolex.





Federal & California Hemp Laws

2016-2018

2018-2019

2020-2021

- AUMA- 2016-Hemp Law H&S Code 11018.5 Defines Hemp
- Food & Agriculture Code 8100-810010
- Farm Bill Act of 2018 was updated from the Farm Bill Act of 2014 (Pilot Program and Research)

- AB 228-Hemp can be in food, and cosmetics. Bill was suspended until 2020
- SB 153-Established a State Hemp Plan
- USDA develops interim rules-Oct 2019

- CDFA will submit a state Hemp Plan in compliance with SB 153
- USDA will finalize Hemp Regulations
- Hemp Banking Guidelines Developed





Why Are There Hemp Operators Today?

- The Cooperative and Collective model for cannabis is no longer permitted without a local & state license so businesses are looking for alternatives to operate.
- Hemp has been removed off the Controlled Substance Act and can cross state lines.
- Most cities do not have a land use ordinance in place prohibiting hemp activities.
- Opportunity to develop new products which the consumers are demanding.





Hemp Economic Trends





Is Hemp Legal in California?

- Hemp is prohibited from being manufacturing or sold in licensed commercial cannabis businesses.
- The state has not officially adopted a single law that expressly outlaws Hemp (CBD) processing, sale, or consumption.
- CDPH states that hemp (CBD) can not legally be added to foods, beverages, dietary products and animal foods.
- Currently there are no state regulations on cosmetics, smokable hemp, or hemp (CBD) vapes under state law but they are prohibited under the Sherman Food, Drug & Cosmetic Law especially if it makes medical claims.
- FDA cracks down on 15 companies making illegal product claims of which 5 are in California.





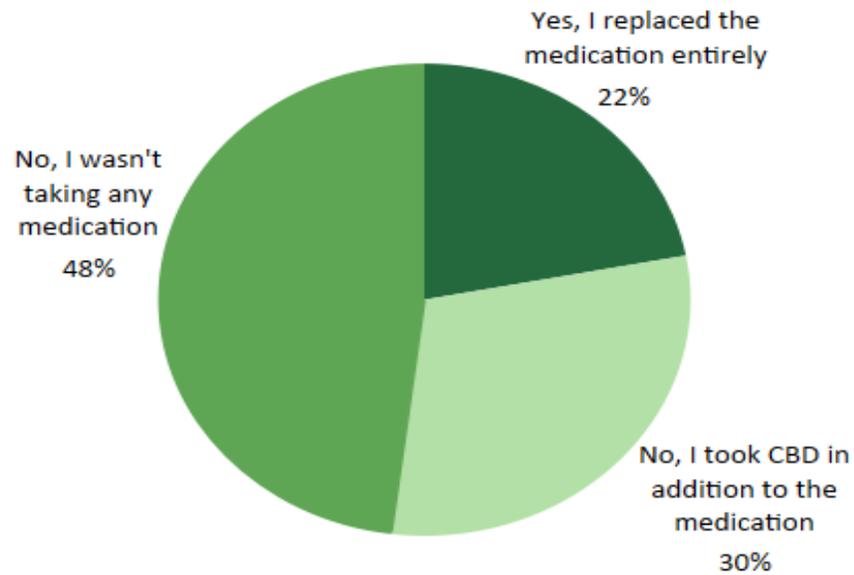
Hemp Products

- Tinctures
- Balms & Salves
- CBD Gumdrops
- CBD Soft Gels
- Water Soluble Liquid
- Water Soluble Powder
- Vape Cartridges
- Protein Hemp Powder
- K9 Soft Chews
- Hemp Pellets
- Isolate
- CBD Sports Cream
- Vape & E-Liquids
- Cellulose Face Mask

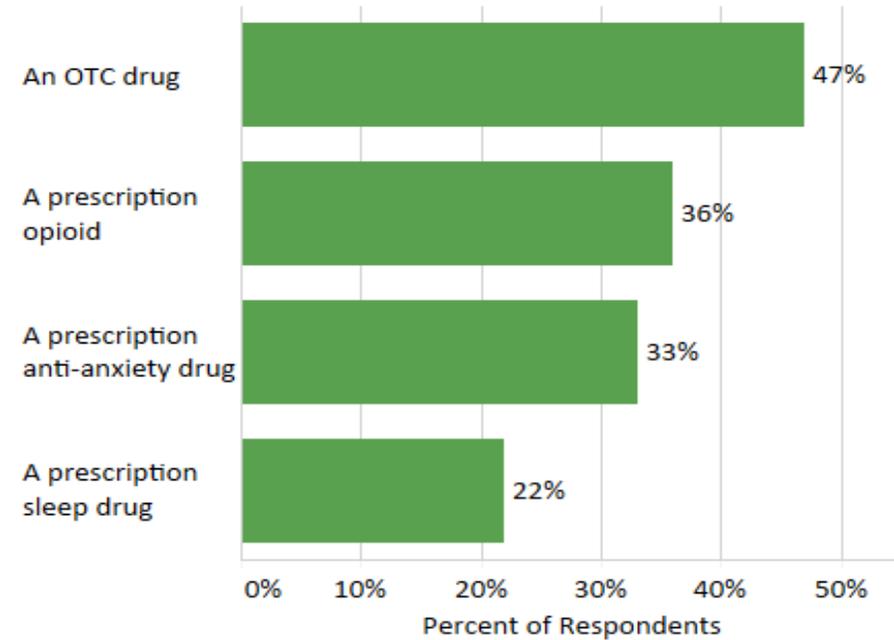


Survey: Consumers Replace Prescription & Over-the-Counter Drugs With CBD

Did You Use CBD to Replace a Prescription or OTC Drug?



What Drug Did You Replace With CBD?



Source: Consumer Reports

Copyright 2019 Hemp Industry Daily, a division of Anne Holland Ventures Inc. All rights reserved.



What is a CBD Retailer



CBD Retailer



CBD Retailer

Major Retailers Step Into The CBD Realm

RETAILERS SELLING CBD PRODUCTS CONSERVATIVELY

amazon

WHOLE
FOODS
MARKET

Walgreens

RITE
AID
PHARMACY RITE AID

♥CVS

ULTA
BEAUTY

Neiman Marcus

DSW
DESIGNER SHOE WAREHOUSE®

B A R N E Y S
N E W Y O R K

URBAN OUTFITTERS

SEPHORA

YET TO ENTER THE MARKET

COSTCO®
WHOLESALE

Walmart 

TARGET®

Albertsons®





Hemp Market Projections

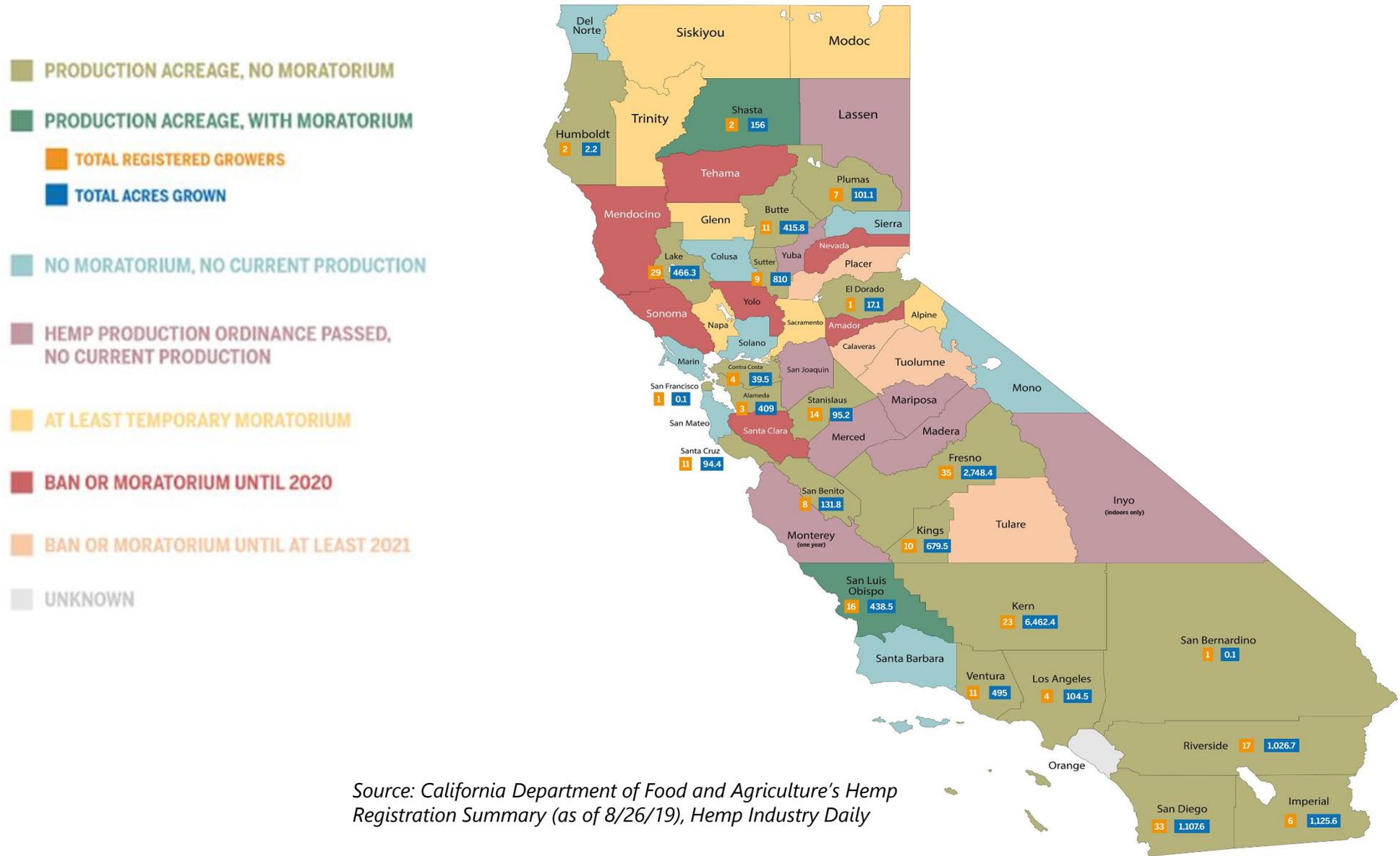
- The USDA estimates that the nation's hemp producers collectively will sell \$25.5 million worth of hemp next year. That figure should raise to \$64.5 million in 2021 and \$104 million in 2022.
- There has been an increase of production licenses issued from 817 in 2016 to 6,787 in 2019.

The three drivers of hemp sales:

- The rate at which hemp acreage has increased in recent years from 9,649 in 2016 to 155,688 in 2019.
- The number of states whose hemp pilot programs produced a crop in recent years.
- How many states have passed legislation following the signing of the 2018 Farm Bill.



Hemp: Current Production Status



Source: California Department of Food and Agriculture's Hemp Registration Summary (as of 8/26/19), Hemp Industry Daily



Cannabis Fiscal Trends





State Program Social Equity Funds

- City of Los Angeles (\$1,834,156.38)
- City of Oakland (\$1,657,201.65)
- County of Humboldt (\$1,338,683.13)
- City & County of San Francisco (\$1,338,683.13)
- City of Sacramento (\$1,197,119.34)
- City of Long Beach (\$913,991.77)
- City of San Jose (\$560,082.30)
- County of Santa Cruz (\$560,082.30)
- City of Coachella (\$500,000.00)
- City of Palm Springs (\$100,000.00)

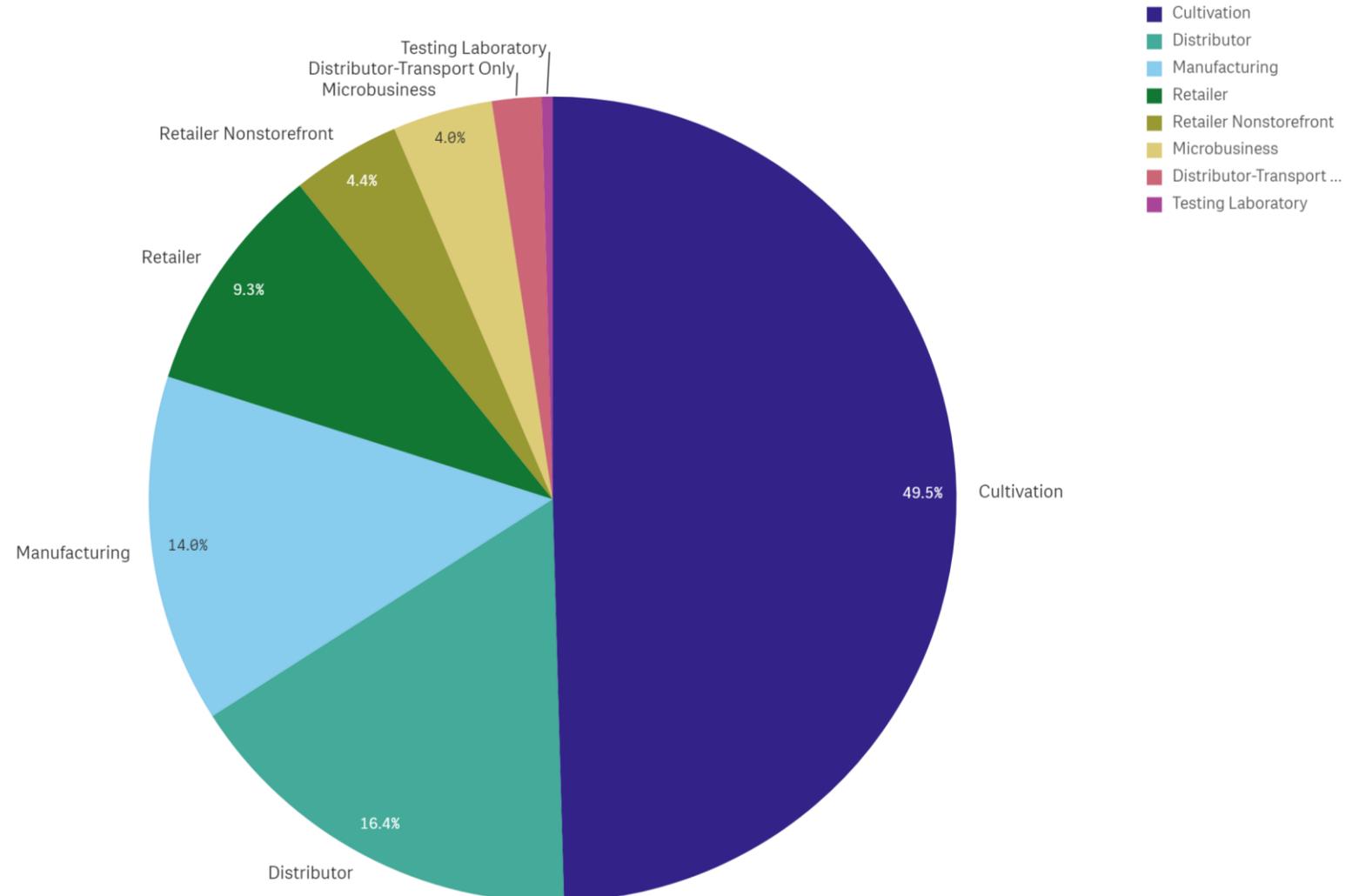


License By Type AS OF SEPTEMBER 11, 2019

Licenses Issued

as of September 11, 2019

6551

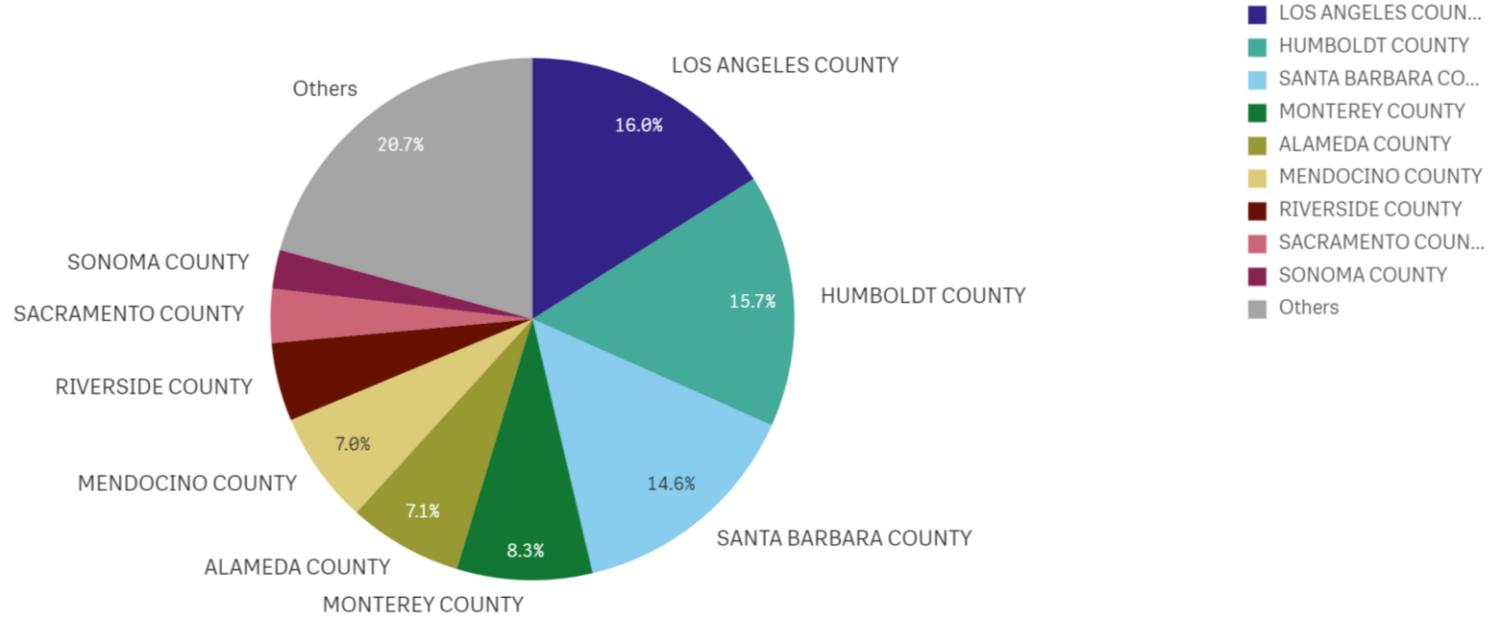


License By County AS OF SEPTEMBER 11, 2019

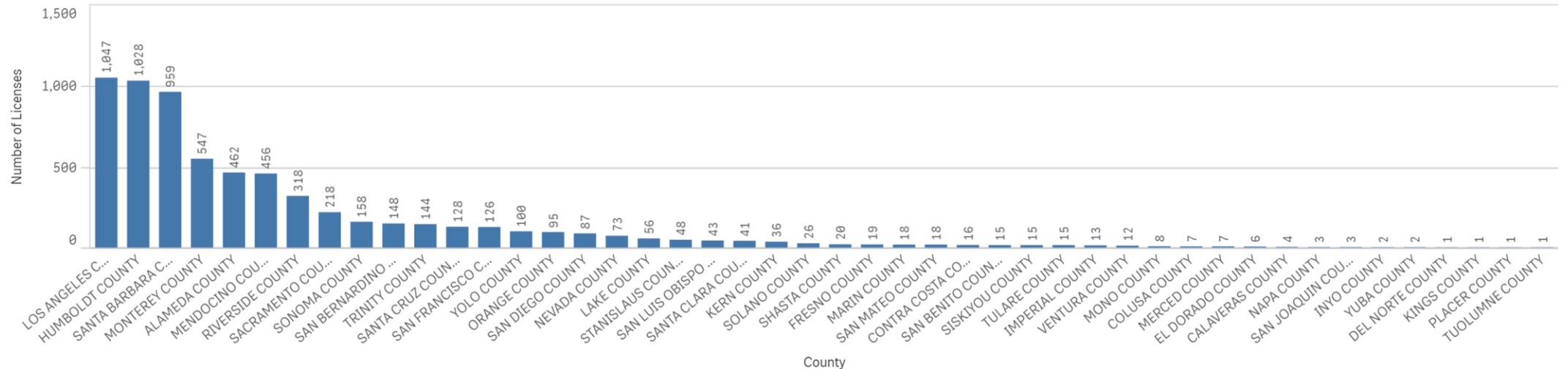
Total Licenses

as of September 11, 2019

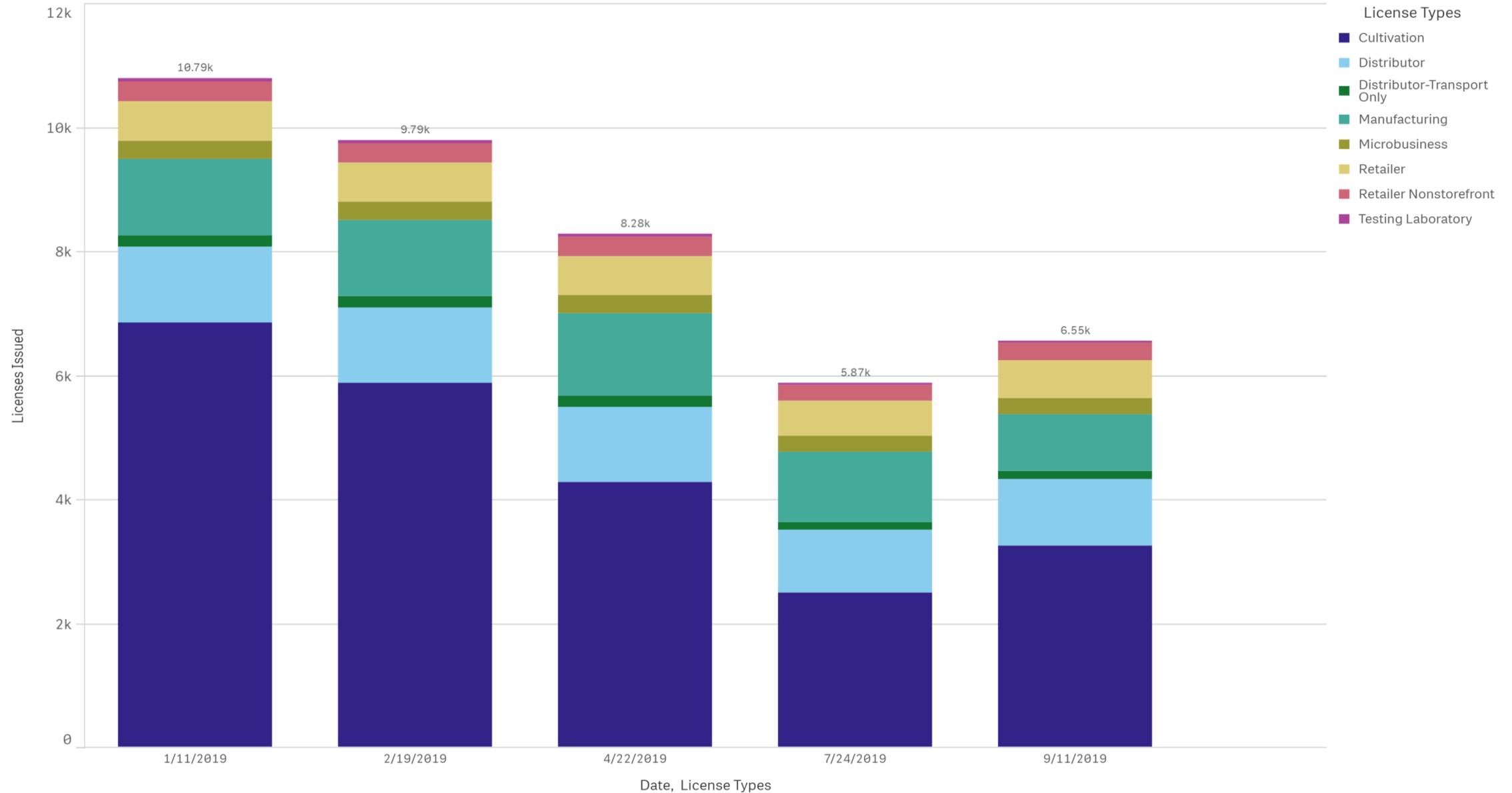
6551



Licenses by County



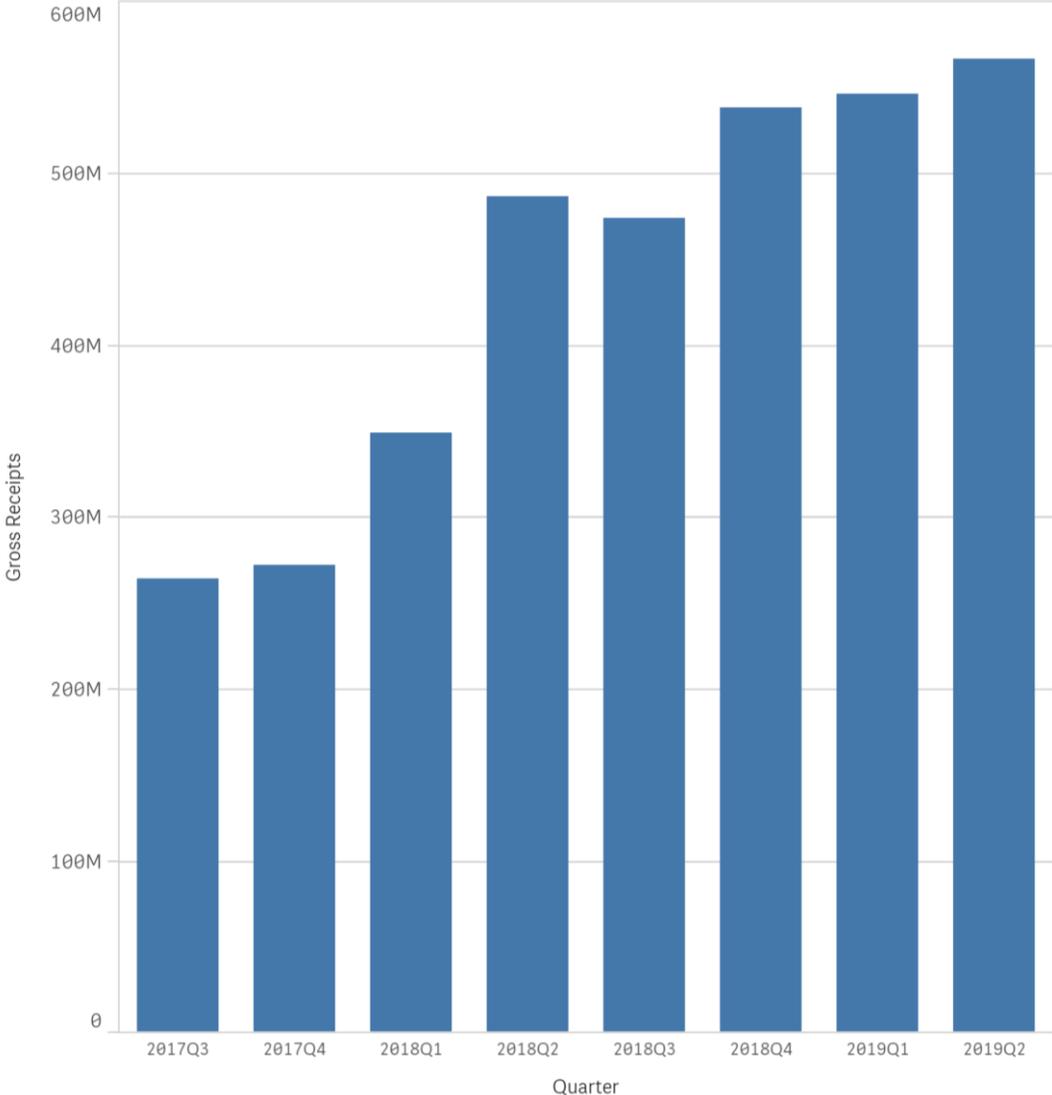
License By Date and Type - 2019



Gross Receipts: 8 Quarters 2017 Q3 to 2019 Q2

Gross Receipts
\$3,492,207,611

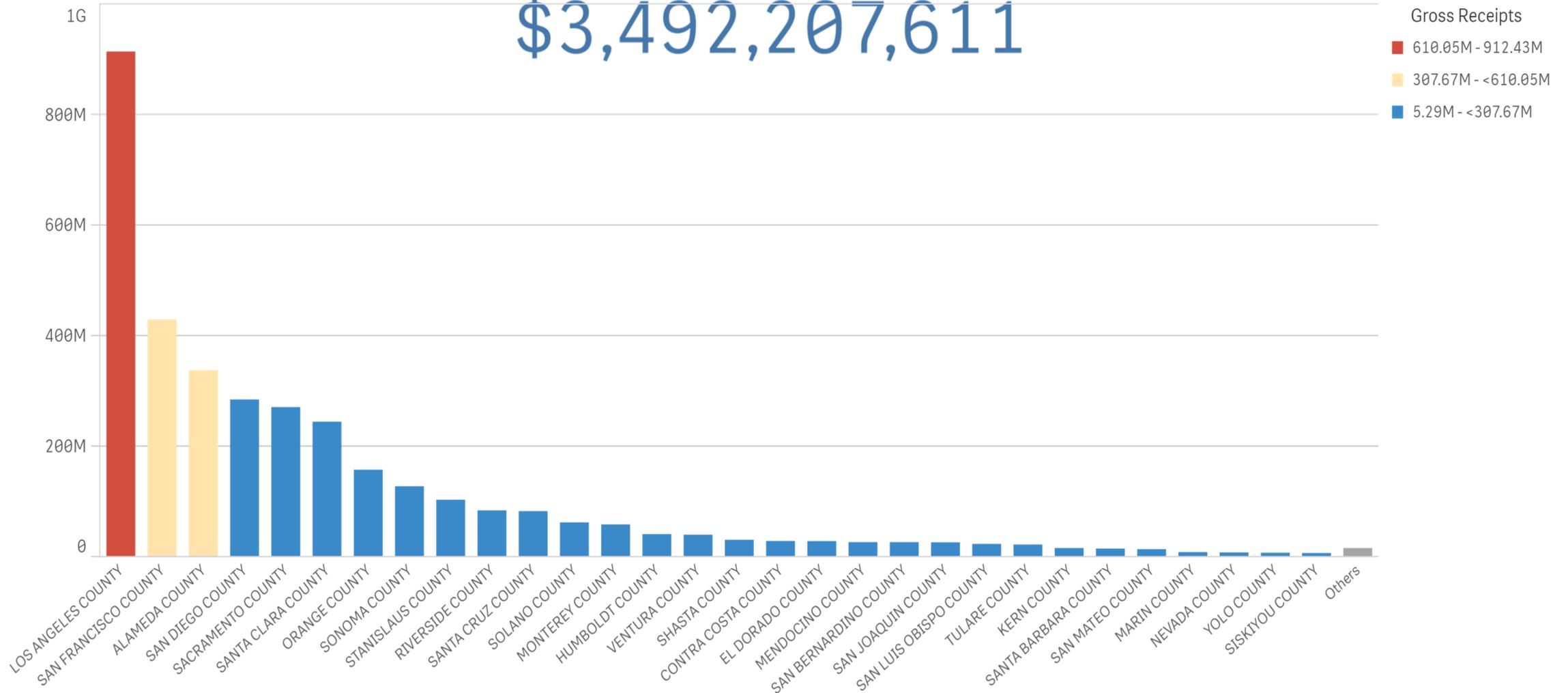
Local Tax Allocation (1%)
\$34,922,076



Gross Receipts By County 2017 Q3 to 2019 Q2

Gross Receipts (Retail)

\$3,492,207,611



Fiscal Impacts on California Cannabis Industry?





Financial Impacts on Cannabis Businesses

Fiscal Impact

- There are 29 major cannabis business on the stock market
- A majority of the cannabis stock value continue to drop 40%-60%
- Venture Capitalist are renegotiating the terms of funding agreements
- Business are downsizing due to high cost and less revenue than expected
- Multistate State Operators (MSO's) are holding onto their cash
- Business are not paying their bills and aged receivables are getting higher
- Banking is still a major issue for operators which is affecting their ability to obtain loans



Top Cannabis Business Stocks

U.S. Dollar Reporting

Updated for filings through 12/30/19

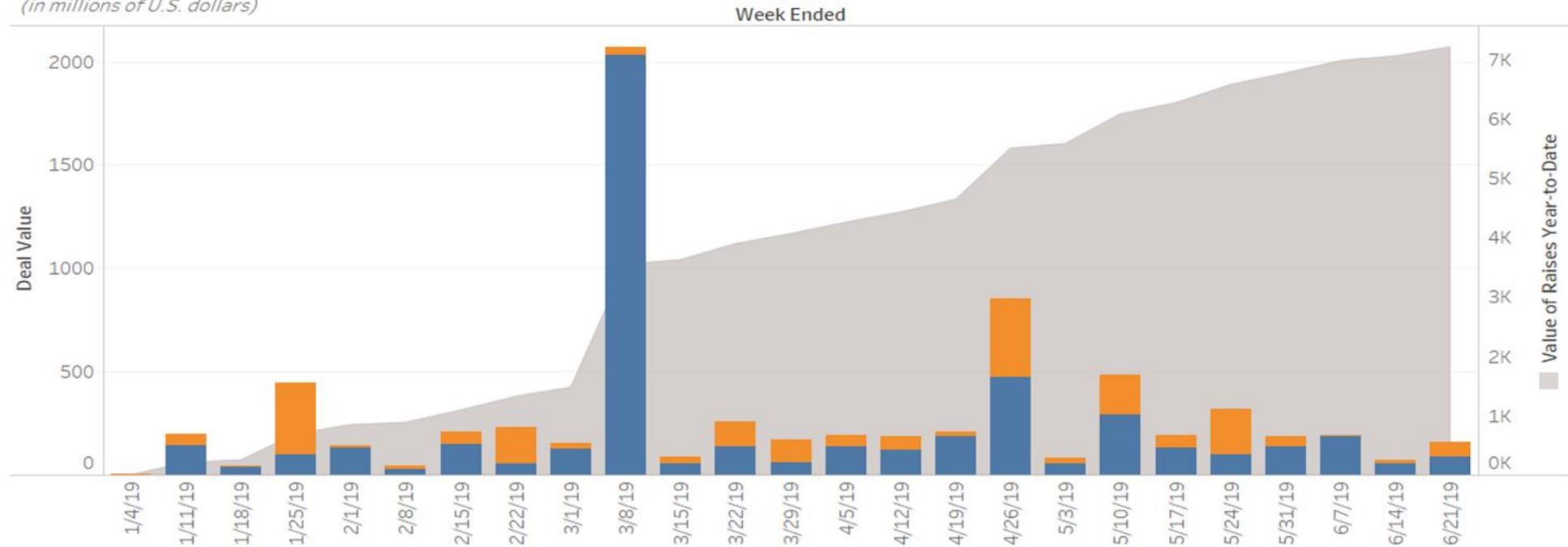
Company Name	U.S. Symbol	Non-U.S. Symbol	Qtr Ended	Qtrly Sales (USD)	Q/Q Growth	Y/Y Growth	Adj. Op. Income	Next Financials
GW Pharma	NASDAQ: GWPH		09/30/19	\$91.0	26%	3659%	-\$17.7	~03/16/20
Trulieve	OTC: TCNNF	CSE: TRUL	09/30/19	\$70.7	22%	150%	\$23.4	~04/29/20
Green Thumb Industries	OTC: GTBIF	CSE: GTII	09/30/19	\$68.0	52%	296%	-\$1.9	~04/29/20
Curaleaf	OTC: CURLF	CSE: CURA	09/30/19	\$61.8	27%	189%	-\$12.4	~04/29/20
KushCo Holdings	OTC: KSHB		08/31/19	\$47.0	13%	135%	-\$11.8	~01/14/20
TILT Holdings	OTC: TLLTF	CSE: TILT	09/30/19	\$46.1	18%		-\$4.7	~04/29/20
MedMen Enterprises	OTC: MMNFF	CSE: MMEN	09/30/19	\$44.0	5%	105%	-\$44.3	~04/29/20
Cresco Labs	OTC: CRLBF	CSE: CL	09/30/19	\$36.2	23%	184%	-\$13.6	~04/29/20
Tilray	NASDAQ: TLRY		09/30/19	\$35.5	36%	253%	-\$23.3	~03/30/20
Harvest Health & Recreation	OTC: HRVSF	CSE: HARV	09/30/19	\$33.2	25%	197%	-\$34.5	~04/29/20
AYR Strategies	OTC: AYRSF	CSE: AYR	09/30/19	\$32.1	196%		-\$7.9	~04/29/20
Charlotte's Web Holdings	OTC: CWBHF	TSX: CWEB	09/30/19	\$25.1	0%	42%	-\$1.7	~03/30/20
Acreage Holdings	OTC: ACRGF	CSE: ACRG	09/30/19	\$22.4	26%	307%	-\$43.9	~03/30/20
iAnthus Capital	OTC: ITHUF	CSE: IAN	09/30/19	\$22.3	16%	2279%	-\$26.5	~04/29/20
Columbia Care	OTC: CCHWF	NEO: CCHW	09/30/19	\$22.1	15%	123%	-\$28.5	~03/30/20
GrowGeneration	NASDAQ: GRWG		09/30/19	\$21.8	12%	159%	\$1.1	~03/30/20
Planet 13 Holdings	OTC: PLNHF	CSE: PLTH	09/30/19	\$16.7	1%	241%	\$0.5	~04/29/20
Harborside	OTC: HSDEF	CSE: HBOR	09/30/19	\$14.1	11%	22%	-\$5.5	~04/29/20
Green Growth Brands	OTC: GGBXF	CSE: GGB	09/30/19	\$12.7	77%		-\$21.8	~03/02/20
CV Sciences	OTC: CVSI		09/30/19	\$12.6	-25%	-7%	-\$1.7	~03/16/20
Innovative Industrial Properties	NYSE: IIPR		09/30/19	\$11.6	34%	194%	\$6.8	~03/16/20
Marimed	OTC: MRMD		09/30/19	\$11.2	-56%	231%	\$1.0	~03/30/20
C21 Investments	OTC: CXXIF	CSE: CXXI	10/31/19	\$10.6	7%		\$1.2	~6/01/19
Indus Holdings	OTC: INDXF	CSE: INDS	09/30/19	\$10.1	4%	94%	-\$17.9	~04/29/20
cbdMD	NYSE American: YCBD		09/30/19	\$9.5	18%		-\$3.4	~01/14/20
Village Farms	NASDAQ: VFF	TSX: VFF	09/30/19	\$9.0	-12%		\$4.6	~03/30/20
Vireo Health	OTC: VREOF	CSE: VREO	09/30/19	\$8.0	11%	62%	-\$7.3	~04/29/20
MJardin Group	OTC: MJARF	CSE: MJAR	09/30/19	\$7.6	0%	-17%	-\$3.7	~04/29/20
4Front Ventures	OTC: FFNTF	CSE: FFNT	09/30/19	\$7.5	74%	1160%	-\$7.3	~04/29/20

American Cannabis Operator Index

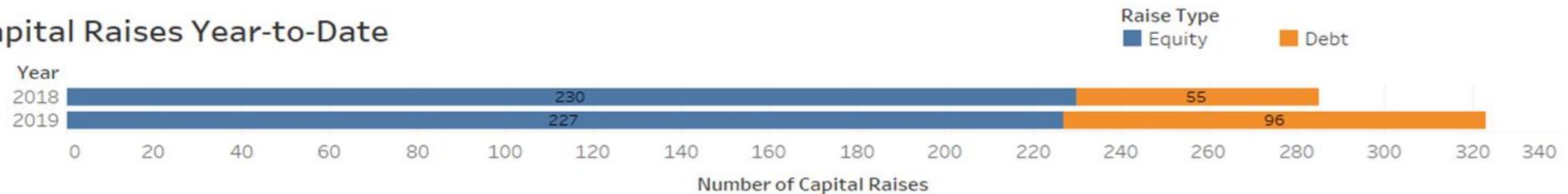


Mergers & Acquisitions 2019 YTD

2019 Capital Raises by Type & Week
(in millions of U.S. dollars)



Capital Raises Year-to-Date



Source: Viridian Capital Advisors
© 2019 Marijuana Business Daily, a division of Anne Holland Ventures Inc. All rights reserved.



Questions!

