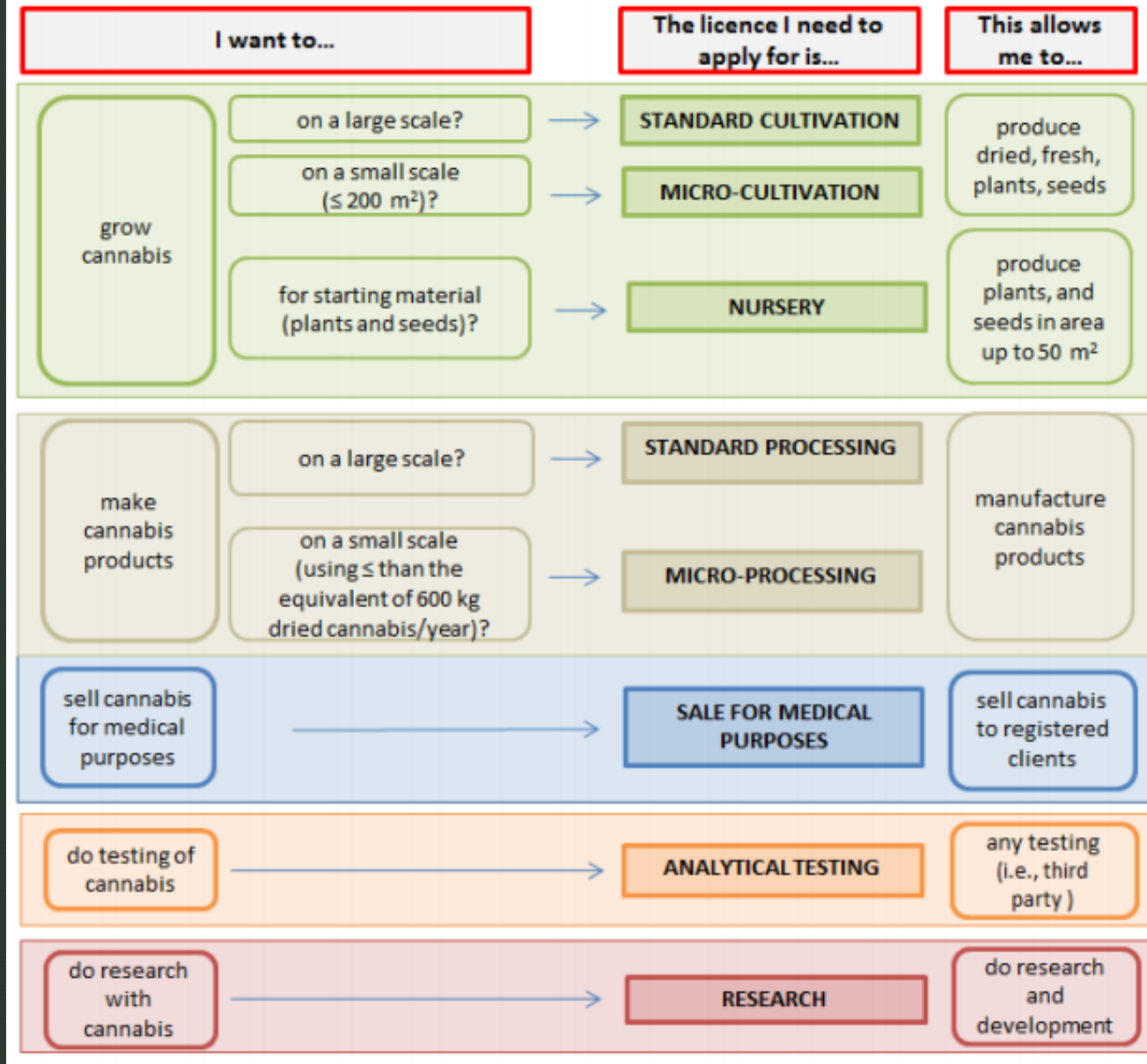


Introductions

- Introductions:
 - Me – Shannon Ross Community Futures Cannabis Business Advisor, Farmer, Educator
 - Community Futures Central Kootenay, Nelson BC - Cannabis Business Transition Program- funded by the Ministry of Social Development and Poverty Reduction
 - Local regional, municipal government support has been great, less stigma in the Kootenay region than many other regions.

Overview of Licensing

Figure 2: Cannabis Classes and Subclasses of Licences



Small Business in Cannabis Sector

- Running a cannabis business propagation/cultivation/processing/retail business yourself are only a few of the options. With legalization and scale comes specialization, opening up myriad possibilities!
- In 2018, 98% of all businesses in BC were considered small businesses
- This represents 508,700 small businesses employing approx. 1,090,700 people, and accounts for 44% of total employment in BC
- Micro businesses, those with less than 5 employees, comprised about 83% of small businesses
- Estimates place cannabis economic contribution to BC at \$1.3-2.5B. More than forestry production (excluding manufacturing).

Small Business in Cannabis Sector

- Facility architectural consultants and production/processing facility engineering
- Land use planners
- Legislative & licensing consultants
- Construction workers
- Plumbers and Electricians
- Concrete production, pouring and finishing
- Excavation, wastewater treatment, site prep
- IT Infrastructure and Management

Small Business in Cannabis Sector

- Local industry associations & co-ops
- Fencing contractors
- Alarm and video security contractors
- Payroll administration (no longer a cash-based system)
- Bookkeeping (financial and volume documentation)
- Accounting (financial management and financial/volume audit)
- Loans and Financing for large facilities (small facilities may present a poor business case & too little return for risk)

Small Business in Cannabis Sector

- Contract Facility Operations Management (B2B)
- Agronomists (for soil & plant health, IPM, and cultivation science)
- Biologists & Chemists (QA/QC analytical testing, genetic development)
- Horticulturist / Master Grower (crop growth and nursery propagation)
- Sanitation/janitorial workers (required facility sanitation)
- Input and equipment sales (Irrigation, nutrients, lights, soil & non soil media, seed and clones, greenhouse materials, heating, ventilation, mechanical control systems, odor and moisture mitigation equipment, controlled environment storage, processing equipment, packaging)
- Freight (secured, document transport for inputs, outputs and residues)

Small Business in Cannabis Sector

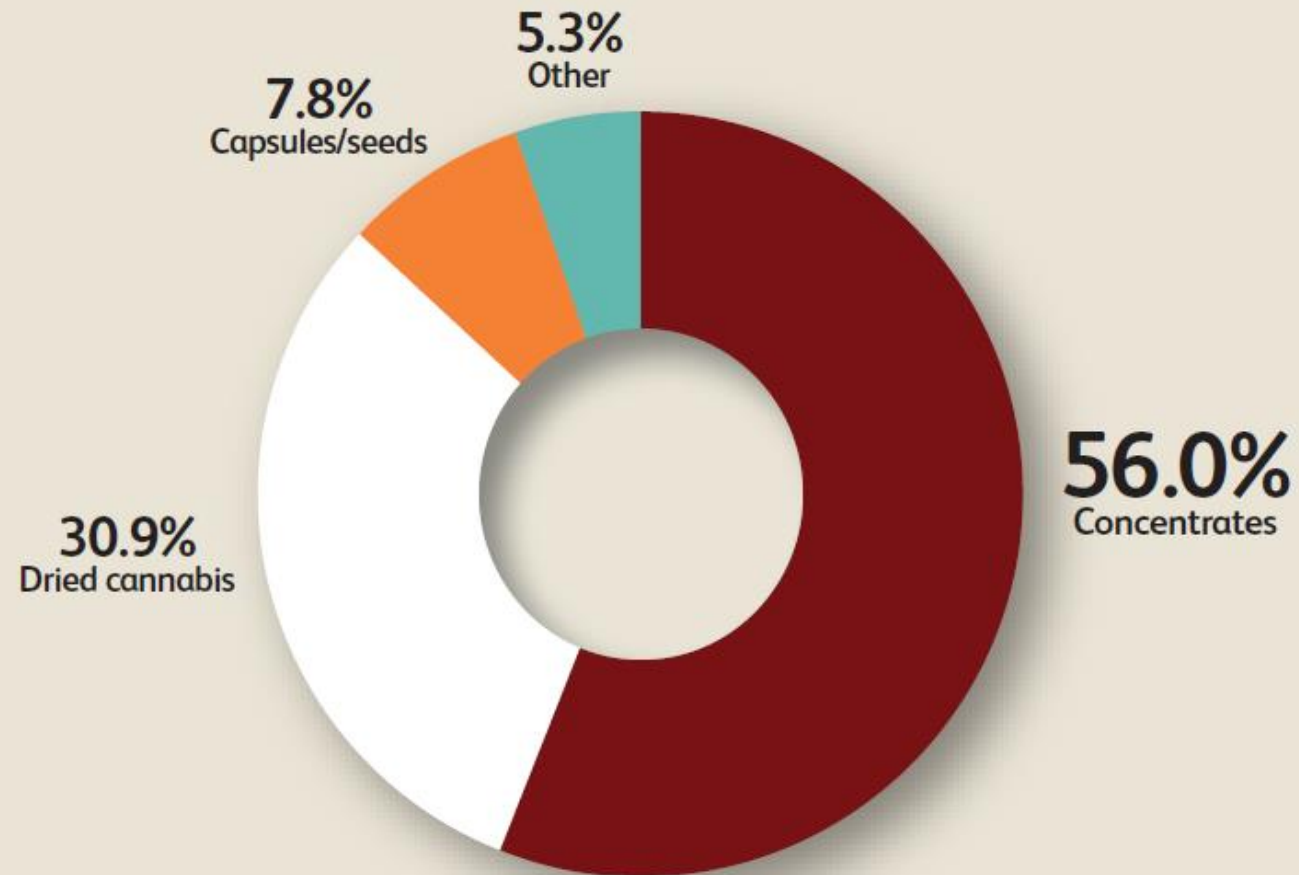
- Farm equipment sales, financing, servicing (tractors, tillers, harvesters, buckers, etc.)
- Contract farm services (contract tilling, weeding, trimming, harvesting, application of soil amendments, manure, etc.)
- Fiber processing (industrial engineers, plant operators, material handling, freight, warehousing, sales)
- Organic, HACCP, ISO, other certification inspectors & consultants
- Crop and processing residue destruction/composting services
- BC Distribution centre staff
- Educators

Small Business in Cannabis Sector

- Commodity brokers & sales representatives
- Retail storefront staffing agency, Inventory staffing
- Law & regulatory enforcement agents
- Lawyers specializing in regulatory compliance
- Impairment detection equipment R&D, manufacturing, sales, service.
- Niche nutraceutical processors

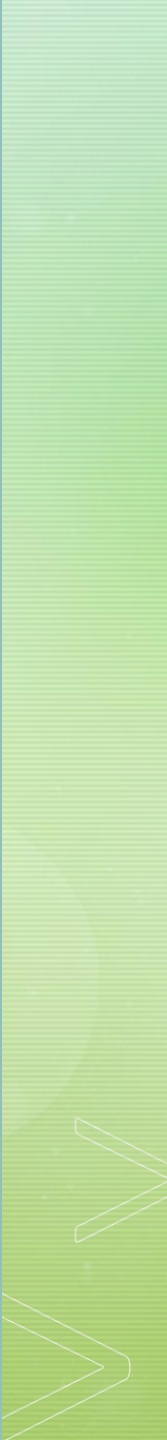
Dried flower is only one product What will you supply?

Products and services segmentation (2018)





Where will you fit in?

- Consider outdoor cultivation vs. indoor cultivation, research the various models, operating costs.
 - Indoor facilities is capital intensive, high risk, and requires a broad suite of business skills. Indoor model provides year round income and stable employment
 - Outdoor cultivation can support farm activities and requires less capital. Scale up as you can.
 - Market hype means many firms enter the market, but efficient operations and regulatory compliance will create *sustainable* enterprises.
- 



Licensing Checklist

- Things to know before you go too far on a piece of property:
 - Zoning
 - Water & Power
 - Building Suitability & Renovation Cost



Professional Services

- Accountants and lawyers are important for setting up business structures in partnerships, corporations, societies, NP, and Co-ops.
 - Help reduce your tax burden
 - Ensure agreements are binding and represent interests of their clients.
 - They have seen THOUSANDS of businesses contracts and tax returns, and know what works and what doesn't and how to create structure for success. Important for shareholder or partnership agreements, leases, purchase contracts, etc.
 - Bookkeeper
 - Project Manager- for start ups

Excise Duty



- This is the “Sin Tax”
- Applied and remitted by licensed processor upon packaging
- CRA license required to sell to distribution, consumer.
- Requires Background Check
- Requires Business Plan submission
- CRA Bond is required \$5K for micro cult., and up to \$5M for standard proc. Careful tracking on duty stamps and inventory required.
- See CRA Duty information here: <https://www.canada.ca/en/revenue-agency/campaigns/cannabis-taxation.html>

Possible Sources of Capital

- Love Money: Savings, friends and family are the most common source of investment for small business –Need CLEAN sources.
- Sell assets! Property, etc.
- Community Futures
- Charter Banks (i.e. BMO) and Credit Unions?
- Private investment (Securities Rules Apply)

Risk & Risk Mitigation

- Failing to comply with regulation is a MAJOR risk for this business –Stay on top of bookkeeping and inventory management to prevent issues with regulators. Seed to Sale tracking.
- Analytical Testing: unable to pass QA/QC (pathogens, residues)
- Pesticide residues, moving genetics from ACMPR/MMAR to recreation license
- Structure fires and wildfire:
 - Ensure building and operations meet fire code & best practices.
 - Get a Firesmart prescription for your property, treat it, and ensure upkeep!
- Insufficient start-up capital. Remember in addition to construction budgets, you need operating capital, bond for duty if processing, and contingency for off-spec or failed crops, etc.
- <https://www.thecannabischannel.ca/article/business-and-legal-issues/stirring-the-pot-mitigating-hazards-in-marijuana-facilities-13665/>



Things to consider for cultivators

- If you are considering hiring someone to write your business plan be mindful and take the time to understand your business. Understand your start up budget and your operating budget. Plan to have financing in place to operate until revenue comes in. A generic business plan is difficult to approach lenders with.
- Talk to your neighbors! Honesty goes a long way. Have a plan to share and discuss common concerns such as traffic, light pollution, air pollution and how you will mitigate the risks.
- There is a lot of education that still needs to be done. Many people have grown up in the age of “reefer madness”. Educate your community if you can. Write articles, host educational workshops.
- Form an alliance. The Kootenay region has Kootenay United Cannabis Association. This non-profit organization has hosted cannabis symposiums and has been a powerful resource.

Things to consider for cultivators

continued...

- If you have an existing medical cultivation license and are building a facility to incorporate a recreational license you have an opportunity to transfer your genetics into the new recreational license. Prepare for this! If you have pests or disease you need to prioritize cleaning up your genetics. Possible tissue culture? Contact labs. Research and make a plan so when its time to transfer your plants you are not contaminating your new facility. Analytical tests are stringent about pesticide residues.
- Good Production Practices (GPP) and Good Manufacturing Practices (GMP): When preparing to produce cannabis under the Cannabis Regulations start with reading the GPP. Good Production Practices are the foundation that many of the regulations are built upon.
- Print the Cannabis Act and the Cannabis Regulations and read it, highlight it!

Things to consider for cultivators

continued...

- HVAC systems and environmental controls are key to successfully growing indoors. This is costly, budget correctly for this! Consider servicing HVAC equipment, it's better to have extra equipment in case one fails. Large fluctuations in temperature and humidity create an environment for pest and disease and could lead to crop failure. How long will it take for a company to fix a broken air conditioner? Use technology to monitor your environment.
- Lighting: Do your homework on lighting. Ask questions, ask for references, talk to people who have experience with the lighting company you are considering.
- Be positive, obtaining your cultivation license is possible!
- Consider outdoor cultivation and scale up, risk what you can afford to lose. Light deprivation greenhouses are an affordable way to enter into this market

Things to consider for governments

- Acknowledgement of the legacy industry. It is necessary for trust to be developed between the government and legacy industry to move forward. There is still a lot of stigma. “A 2011 federal Department of Justice report studied a random sample of 500 marijuana production cases and only 5% of the files yielded any indication that the offender was affiliated with organized crime or street gangs.” – Canadian Drug Policy Coalition report 2016 . The legacy industry consists of good people and very few are affiliated with organized crime.
- The cannabis industry has a huge economic impact.
- The Cannabis Act and Regulations are designed to mitigate common public concerns and risks. Read it! Cannabis production should not be feared.
- The barriers are high for micro-cultivators and processors. It has been difficult for small independent craft cultivators to enter into this industry. This is mainly because Health Canada requires a fully built facility before accepting a license application. Financing is difficult to obtain because of this, traditional lenders are risk adverse.
- It is important to focus on education regarding cannabis. This is a plant. It has many uses which include medicine, fiber, food, building materials. It is a renewable resource. We need to be progressive and consider the many applications and use of this plant. There is still a lot of fear and stigma around cannabis production, and this must be addressed through education and research.

Further Resources

- Bizpal –Guide to local business regulations, licenses and permits (not cannabis specific) <http://www.bizpal.ca>
- Health Canada –Cannabis overview
<https://www.canada.ca/en/services/health/campaigns/cannabis/industry.html>
- Health Canada –Cannabis licensing
<https://www.canada.ca/content/dam/hc-sc/documents/services/publications/drugs-health-products/cannabis-licensing-guide/cannabis-licensing-guide.pdf>
- Revenue Canada Excise Tax on Cannabis
<https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/edn55/calculation-cannabis-duty-additional-cannabis-duty-cannabis-products.html>
- BC PST
<https://www2.gov.bc.ca/assets/gov/taxes/sales-taxes/publications/pst-141-cannabis.pdf>
- MJ Business Daily
<https://mjbizdaily.com>

Further Resources

- Community Futures
<https://futures.bc.ca/>
- Small Business BC
<https://smallbusinessbc.ca/resources/howtos-checklists/>
- BC Employment Standards
<https://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards>
- Industry Canada
<http://www.ic.gc.ca/eic/site/icgc.nsf/eng/home>
- Womens Enterprise Centre
<https://www.womensenterprise.ca/>
- Kwantlen Polytechnic University <https://www.kpu.ca/cps/cannabis>