

Hi Again-

I have been keeping a kind of journal of my experience of navigating cannabis licensing. I was told it might be beneficial to the task force to share my experience. I am following up on a previous email. I hope this is helpful. See below.

Best,

Trevor Jackson

11/30/20

After having no success locating a license, I have hired a broker. There are 4 that I have personally consulted with that offer the services of acquisition and sale. They generally charge anywhere from about \$1700-\$3000 up front plus a percentage of the final sale price, which is in the ballpark of 3-5% of the selling price. They employ different tactics - direct mail, social media engagement, web advertising, etc. At this particular time in the license acquisition market, they wield quite a bit of influence. All available licenses that I have encountered have been attached to a broker.

Tier 2 producer/processor licenses are currently selling for about 200k. I have found a Tier 2 producer license for sale for 195k. Such licenses are often sold as both producer and processor licenses, so should I acquire the one that I am currently pursuing, I will still need to acquire a processing license as well. From what I have seen they are being advertised for between 30-50k. Thus the price of acquiring a producer/processor license for my company could exceed 200K. This is partially the result of what appears to be a change in LCB policy regarding the option to simply apply directly to the LCB for a processor license to be added to an existing producer license. I think there was a fee of approximately \$250 that a holder of a producer license could pay to have the processor license added. As I understand it, the LCB has terminated this option although the website has misleading language that suggests that the option is still available. Yet the web page that was the resource for downloading license applications, says that the application to add is no longer available. My broker corroborates this. He apparently called and spoke with someone at the LCB, who said that those licenses are no longer available. My attorney says otherwise, which brings me to my next point. *(As I understand it producer/processor licenses are often decoupled when an established producer decides to expand his operation, and in acquiring another producer license for the expansion, finds himself without the need for the additional processor license. They often sit unused.)*

It is essentially a pre-requisite of making a license purchase offer that an attorney now be involved. The demand is so high, and supply so low, the seller's market now encourages bidding wars and the screening of applicants applying to purchase. This ends up being a significant barrier to entry for the following reasons.

First, hiring an attorney is costly. Furthermore, there are a limited number of attorneys that practice Cannabis law. I went through an expedited process of locating and hiring a lawyer in order to submit a rushed offer to a seller. Hiring an attorney requires a retainer fee, and all the uncertainty of cost and time spent that comes with these type of negotiations. As it turns out, after having begun a type of negotiation with the seller, my lawyer became aware of a conflict of interest as another attorney in his firm was representing a potential buyer in pursuit of the same license. In short, I lost that attorney and

the momentum, although I have since found another. It is a small community. I imagine that part of the reason the pool of available attorneys remains relatively small is because discussions and purchases are illegal under federal law.

Second, the seller will tend to favor people who have experience in the Cannabis industry, particularly if they have already been through the LCB vetting process. There is a better chance that a person who has already been vetted will not be rejected. Furthermore, people in the industry tend to have deeper pockets to pay the higher fees and prices.