

Expertise for an Industry in Transition

The HBK Cannabis Industry Group



Businesses looking to capitalize on the opportunities of an emerging industry must act quickly and intelligently. Competition is fierce. The financial professionals of the HBK Cannabis Industry Group offer broad cannabis industry-specific expertise having been involved in all aspects of the industry. We are an established leader in providing financial and business counsel to the owners and operators of cannabis businesses to help them succeed and prosper.



HBK CPAs & Consultants is a “Top 100” firm that specializes in working with small and mid-size companies. We are entrepreneurs serving entrepreneurs; local offices with the resources of a large national firm, right-sized and right-focused to provide business counsel and critical accounting services to entities in all areas of this emerging field.

Our clients include cultivators, processors, wholesale and retail dispensaries as well as vertically integrated operations. We also have clients in traditional businesses that provide or are transitioning to provide support to the cannabis industry. We deliver tax, assurance, due diligence and valuation services, as well as consulting on the feasibility, structure, application and startup phases for businesses operating in cannabis and supporting industries in the U.S., Canada and Europe.

Challenges

Cannabis is a “transition” industry, gaining legal status gradually, jurisdiction by jurisdiction. In such a state of flux, businesses are confronting a mix of confusion and disorganization when dealing with governing entities.

Tax. One of the most difficult challenges that U.S. cannabis businesses face is navigating Section 280E of the Internal Revenue Code that addresses tax obligations for businesses characterized as illegal. Businesses with illegal federal income must file and pay taxes, just like their legal counterparts. But businesses dealing with controlled substances, including cannabis, are limited to deducting only their cost of goods sold.

Not being able to deduct expenses translates into effective tax rates that are significantly more than other business taxpayers.

The cannabis industry is changing on a daily basis, so working with professionals that have expertise in the industry and with the Internal Revenue Code is critical. Proactive tax advice and planning is a necessity for any business or individual touching the cannabis world. Our professionals find that the most effective planning occurs at the ground floor, working with our clients, their legal and professional advisors, during the start-up and throughout the life cycle of the business.



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Assurance. The cannabis industry is highly regulated, which means businesses may be required to provide periodic or annual agreed-upon procedures, audited or reviewed financial statements, or other reports prepared by independent CPAs. Our professionals have assisted clients in navigating this ever changing and developing environment.

Licensing. All states that have legalized the sale and use of cannabis have different rules, regulations and requirements. There is one common denominator: they will be confusing and challenging to navigate. New entities seeking operating licenses face particularly difficult challenges. The professionals of the HBK Cannabis Industry Group know and understand the various state regulations. We have assisted businesses

in all facets of the industry with the financial aspects of their license, from application to annual compliance. We understand what needs to be done to comply with these regulations. We have helped startups apply for licenses in multiple U.S. states, Canada, and Europe.

Valuation. As the industry matures, many of the private cannabis businesses will be looking to sell, bring in investors, or merge with another firm. You may find yourself needing to expand, raise capital, or be involved in litigation. Valuing your business is a first step in any of these types initiatives, and the HBK Cannabis Industry Group offers industry-leading expertise in the valuation of cannabis business entities. In fact, we wrote the book on valuation strategies for cannabis businesses, in addition to multiple articles and texts.

Services

Business Services:

- Business Operations Payroll Consulting
- Temporary CFO Services
- Mergers & Acquisitions Due Diligence
- Financial Projections & Analysis
- Budgeting & Expense Analysis
- Business Planning
- Corporate Governance
- Information Technologies

Tax Services:

- 280E Consulting
- Business & Individual Tax Preparation
- State & Local Tax Consulting
- Sales & Use Tax Consulting
- Planning & Projections
- Entity & Ownership Structuring
- Cost Segregation Studies
- International Tax Services

Accounting & Assurance Services:

- Financial Statement Preparation
- Client Accounting & Advisory Services
- Audit, Review & Compilation
- Agreed-Upon Procedures
- Fraud Risk Assessment
- Internal Controls & Fraud Prevention
- Regulatory Financial Reporting
- SOC Reporting

Valuation & Litigation Support Services:

- Estate & Gift Valuations
- Forensic Accounting & Fraud Investigations
- Divorce
- Bankruptcy
- Commercial Litigation
- Economic Damages
- Shareholder Disputes

Professionals

The HBK Cannabis Industry Group features the specialized expertise of an impressive organization of cannabis industry financial professionals.



Christopher Marrie, CPA, CCIFF
Principal, HBK CPAs & Consultants



Nick Odille, CPA, MBA
Principal, HBK CPAs & Consultants

Chris Marrie and Nick Odille have worked extensively with clients in all facets of the cannabis industry. Among their credits:

- Understanding of “care-giver” and licensing requirements for the State of Michigan from compliance and administrative standpoints, and engaged in prospect meetings with Michigan-based “care-givers” on the grandfather clause and their responsibilities for future licensing
- Understanding of the State of New Jersey licensing requirements from compliance and administrative standpoints
- Structuring agreed-upon procedures engagements for licensing requirements of the State of Michigan, which have been used successfully in the licensing process
- Structuring of agreed-upon procedures engagements for licensing requirements for Canadian citizens in the State of Michigan, which have been used successfully in the licensing process
- Review and analysis of corporate structures common in the industry to maximize efficiency and minimize administrative and regulatory issues
- Review and analysis of licensing and intellectual property agreements for genetics-based cannabis businesses developing and marketing new plant strains
- Consultation with oil pen cartridge manufacturers to refer supply chain agreements to legal counsel with industry knowledge and review tax implications and application of 280E to businesses indirectly supporting the cannabis industry



Stacey D. Udell, CPA/ABV/CFF, CVA
Director, HBK Valuation,
Litigation & Forensics

Stacey Udell is a business valuation professional and has helped cannabis entities develop strategies to maximize the value of their firms. She has authored or co-authored definitive texts and articles on the subject, including:

- Co-author of *The Cannabis Industry Accounting and Appraisal Guide*, July 2018
- Primary author of *Cannabis: A Budding Opportunity, Valuation Strategies*, March/April 2016
- “Goes by Many Names But Never The Same – Valuing Businesses in the Cannabis Industry” NACVA Annual Consultants Conference, June 2018
- “Cannabis Industry Update” Business Valuation Resources, August 2018



HBK CPAs & Consultants combines the technical resources, experience and intelligence of a large national accounting and professional consulting firm with the personalized attention of a local company. HBK is ranked in both *Accounting Today* and *Inside Public Accounting* magazines’ “Top 100,” supports clients globally as a member of BDO Alliance USA, and is a member of the National Cannabis Industry Association.