

**SNAPSHOT**

# CALIFORNIA MARKET REPORT:

## Illicit Market Woes



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# CALIFORNIA MARKET REPORT: ILLICIT MARKET WOES



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Welcome to the second California report, produced by the research team at *Marijuana Business Daily*.

California's first year of legal cannabis sales, 2018, was rocky to say the least, and 2019 wasn't much easier. One of the biggest problems facing the newly legal industry is its illegal competition: Illicit growers, manufacturers and retailers that cater to any consumer who prefers cheaper marijuana than that which is available at licensed shops.

It's not as though this huge illicit market popped up overnight when legal sales began in January 2018. Rather, it evolved over decades. Many California insiders estimate the number of separate business entities in the supply chain could have been upwards of 100,000 separate operators before the new legal framework was implemented two years ago, thanks in large part to the extensive gray medical market that developed after 1996, when the state legalized medical cannabis.

In early 2018, the California Growers Association estimated there were more than 68,000 marijuana growers in the state. Contrast that with the roughly 1,900 cultivators currently licensed by the state.

As of February 2020, the state's Bureau of Cannabis Control had roughly 2,500 open investigations into reported illegal marijuana shops and delivery services. The state has only 918 licensed storefronts and delivery services. Even adding in the 150 microbusinesses that have either storefront or delivery licenses brings the total number of legal retailers to only 1,068, meaning the number of illegal retailers is almost certainly at least twice the size.

Throw into the mix small medical collectives, tiny edibles makers, independent concentrate producers and other types of businesses—including the underground criminal element—and the true scope of California's medical marijuana market could have easily been 100,000 or more businesses before 2018.

What Proposition 64 did in 2016, along with the ensuing regulations before the legal recreational market launched in 2018, was put up barriers to entry to the legal marketplace, effectively keeping out the vast majority of those gray-market operators.

Those operators didn't disappear, however. Some went to work for other legal marijuana businesses, some quit the industry in favor of other pursuits, but many just turned away from the protections of legally trafficking in marijuana in favor of higher profits promised by the illegal market.

"Our data doesn't suggest that the illicit market has grown," said Troy Dayton, the founder and chief strategy officer of San Francisco-based The Arcview Group. "It's just that the legal market hasn't grown as much as it should have, because (state officials) made the regulations and the taxes so onerous, and then they didn't enforce against the people who weren't playing by the rules."

The end of 2019 gave way to a disturbing trend, with many legal operators laying off employees, widespread reports of unpaid vendor bills and broad financial distress that created negative ripple effects up and down the marijuana supply chain.

And much of this can ultimately be traced back to the illicit market.

The landscape that's emerged has not been a profitable one for most legal businesses—yet. And many in the market don't expect a turnaround this year or even in 2021.

Still, the California market remains the largest in the world, so the riddle that's presented to industry insiders is how to find the right business formula to tap the incredible amount of demand for quality marijuana products.

The answer is going to be in a combination of factors, up to and including overcoming competition from illegal operators.

There's reason for optimism, despite how the market has underperformed to date. Not only are legal sales projected to increase steadily in coming years as more businesses come online and more customers begin to gravitate away from the illicit market, but the entire supply chain also will mature over time, meaning fewer inefficiencies and higher profit margins.

This report provides a macro perspective on how the illicit market is contributing to the underperformance of the legal market.

If you have any questions or want to provide feedback, please contact us at [johns@mjbizdaily.com](mailto:johns@mjbizdaily.com) and [elim@mjbizdaily.com](mailto:elim@mjbizdaily.com).

Best regards,

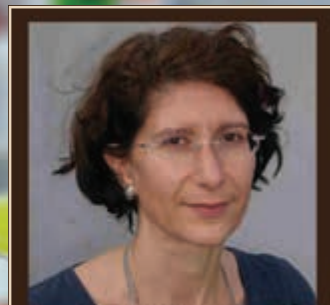
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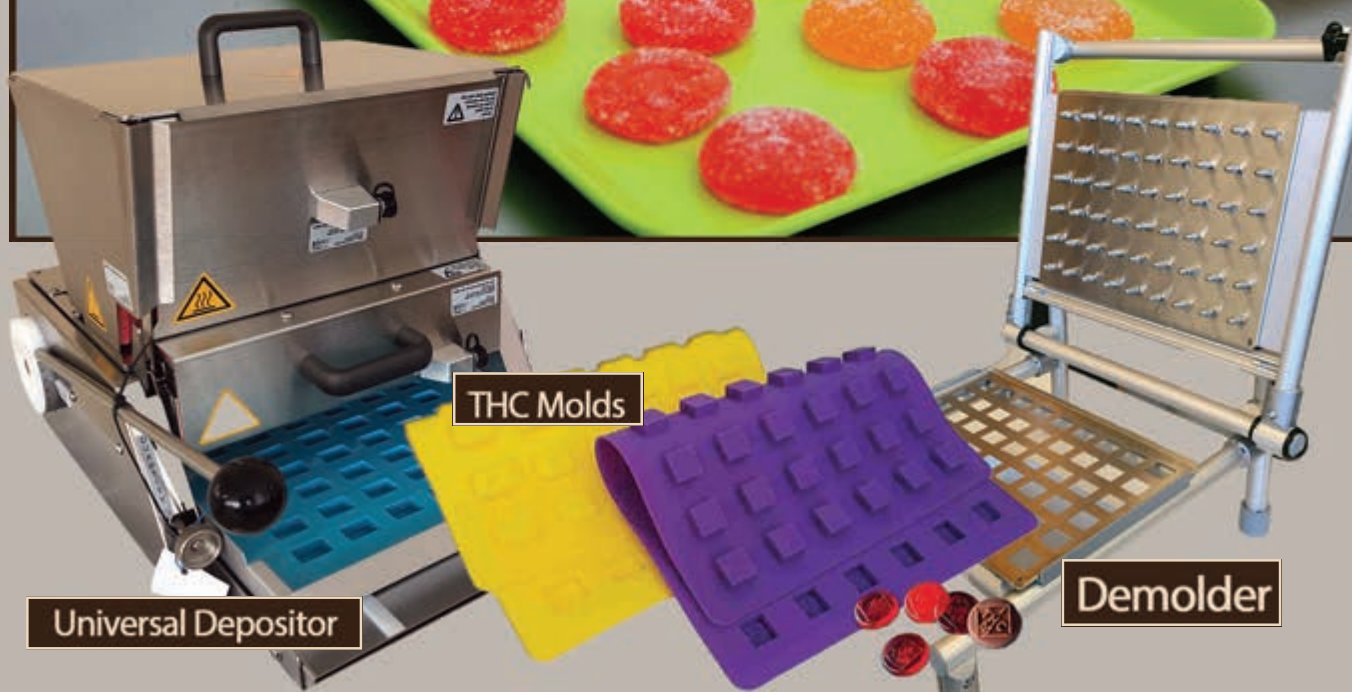


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- Asking Price: \$17M
- Recent appraisal \$15 million AS IS; \$22 million fully leased
- Space: 90,000 sqft total
- Onsite 24/7 armed security
- Licenses: CUP and Zoning approved for Indoor Cultivation, Greenhouse, Nursery, Manufacturing Type 6 & 7, Non-Storefront Retail, Distribution and 3rd Party Testing allowed.



**#2 - Turn Key Dispensary Retail, Distribution For Sale Includes Real Estate (Vallejo, CA)**

- Asking Price: \$7.9M w/Real Estate included
- Lot Size: 19,000 sqft
- Building Size: 995 sqft
- Medical & Recreational Sales Allowed
- 2018 Gross Revenue: \$2.65mil
- 2019 Gross Revenue: \$5.9mil
- Licenses: Retail & Recreation, Medical, Distribution



**#3 - Cannabis Manufacturing & Distribution Licenses For Sale (La Mesa, San Diego County)**

- Asking Price: \$749,000
- Space: 2520 sqft
- Licenses: Manufacturing & Distribution



**#4 - Cannabis Dispensary, Cultivation, Manufacturing Type 6 & Distribution Licenses #235 (Palm Springs, CA)**

- Asking Price: \$649,000
- Space: 5,000 sqft
- Rent: \$15,000.00/month
- Licenses: Dispensary, Cultivation, Manufacturing & Distribution



**#5 - Cannabis Delivery General License For Sale (Oakland, CA)**

- Asking Price: \$200,000
- Space: 600 sqft
- Safe included, alarm system with cameras already installed
- Licenses: Non-Storefront Retail Delivery: Off-Premises Sales, Direct-To-Consumer

## A few highlights about Green Life Business Group, Inc.

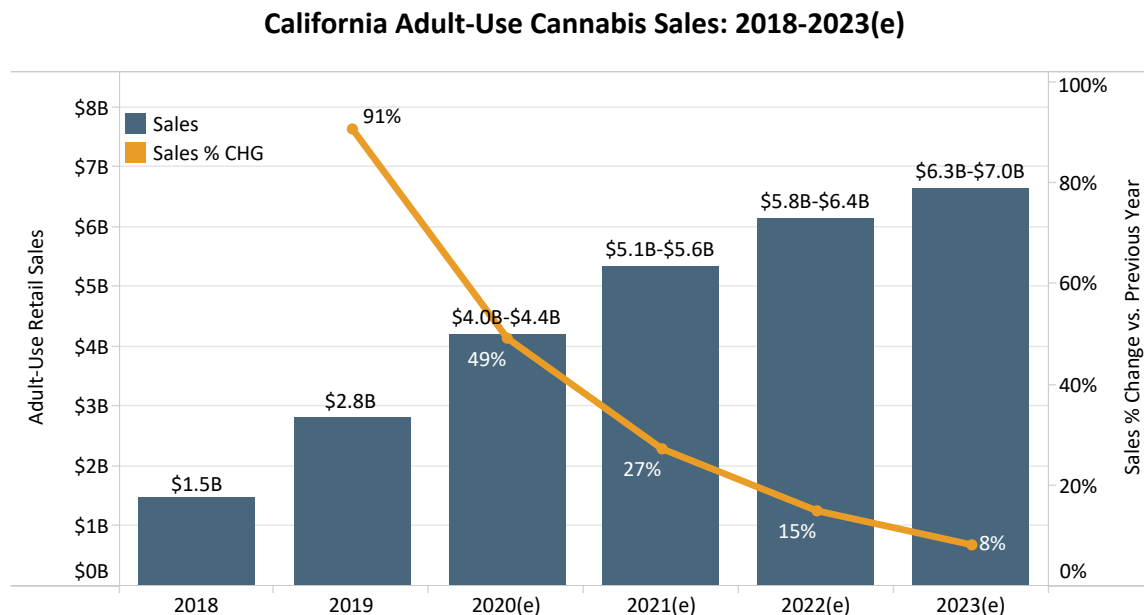
We have over 84 exclusive cannabis businesses for sale ON and OFF market Listings. We have more exclusive listings and have sold more cannabis businesses than any other company for California.

We also made history selling the very first marijuana recreational store in Los Angeles history. We vet all of our listings and will help you find the right opportunity for you. We have Turn Key Fully operational businesses that gross between \$1M - \$50M plus per year, to Licenses ONLY, and also Real Estate included with businesses or licenses.

# CURRENT SITUATION IN CALIFORNIA

## LARGEST ADULT-USE MARKET IN U.S.

Chart 1: California Adult-Use Cannabis Sales: 2018-2023(e)



Note: 2018 and 2019 sales figures from Headset. Sales estimates for 2020 through 2023 from Marijuana Business Daily.

Source: Headset, Marijuana Business Daily

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Despite the turbulence of the past two years, legal cannabis sales in California managed to nearly double from 2018 to 2019, reaching nearly \$3 billion.

Although that's still a fraction of the overall market demand, it's a sign that California is headed in the right direction, and it's one of the biggest handles that legal operators can hold on to for hope that business conditions will improve.

Legal marijuana sales—which in the first few years of legalization tend to be driven by consumers migrating away from illicit channels and into the legal market—are expected to top \$4 billion in 2020 and exceed \$6 billion by 2023.

By 2024, the legal market could surpass the illicit market, which still accounted for roughly 80% of cannabis transactions in the state in 2019, according to a report by BDS Analytics.

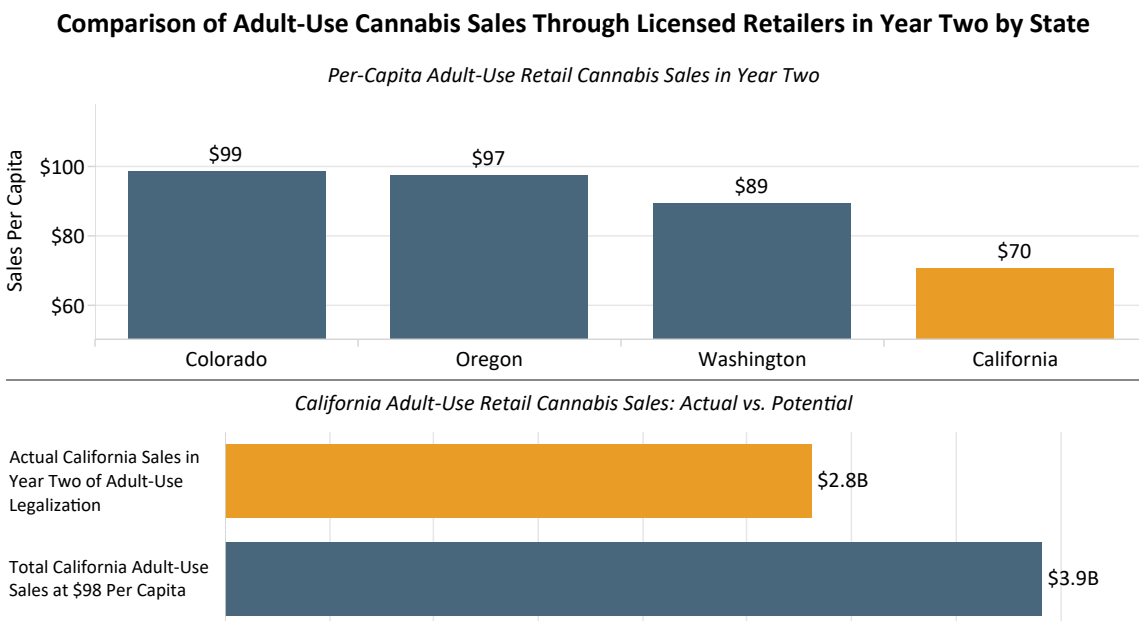
A number of forces are likely to combine to drive such growth, including:

- Slow but steady business license opportunities expanding throughout the state.
- Ongoing enforcement efforts against illegal operators.
- Market consolidation, which will likely drive down prices for customers.

Gov. Gavin Newsom has predicted it will take the better part of a decade for the state to completely shift its longstanding illegal cannabis sector into a completely legal framework, and many operators have agreed that the transition will take years. This means patience and perseverance are going to be keys to success for marijuana entrepreneurs in California.

## SALES HAVE DISAPPOINTED THUS FAR

**Chart 2: Per-Capita Adult-Use Cannabis Sales Through Licensed Retailers in Year Two by State**



Note: Data current as of 2/11/2020.

Source: Headset, Marijuana Business Daily, U.S. Census Bureau

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Compared to other adult-use marijuana markets in the United States, California is way behind in sales totals. Per-capita sales by the second year of operations in California added up to only \$70 per customer, contrasted with \$99 in Colorado, \$97 in Oregon and \$89 in Washington state.

If California was more on par with the performance of other state cannabis markets, it would have likely seen an additional \$1 billion in sales in its second year.

The discrepancy can be attributed to many factors, including:

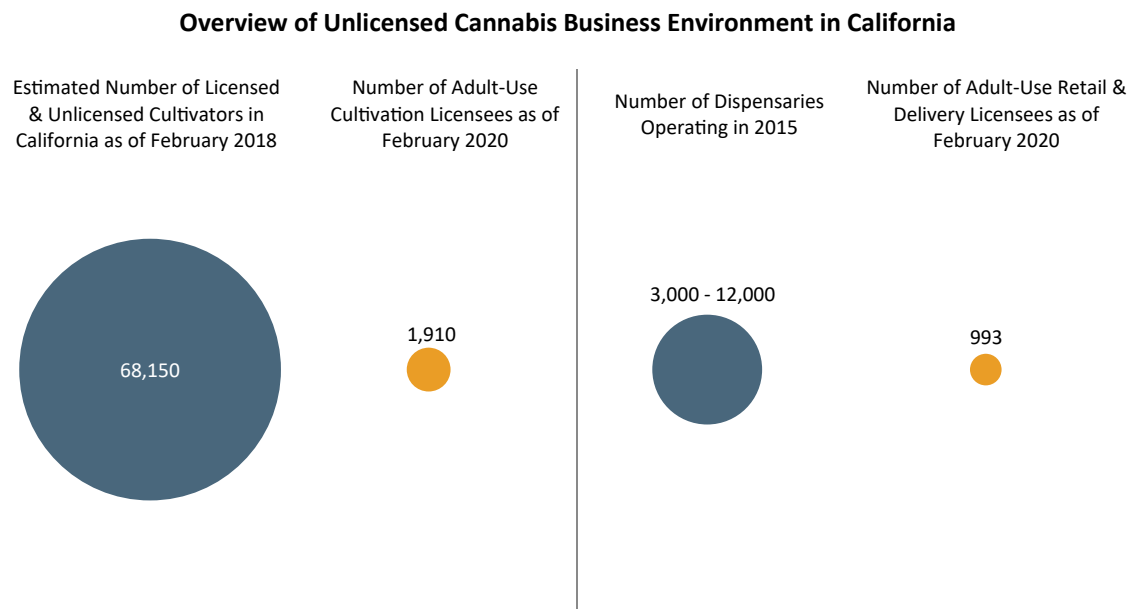
- The strength and resilience of the illicit market in California.
- Price difference between legal and illegal cannabis.
- Limitations on where cannabis businesses can operate.

If these hurdles can be overcome, there's a significant runway for growth in the California market.

# DRIVERS OF CALIFORNIA'S THRIVING ILLICIT MARKET

## HUGE NUMBER OF BUSINESSES OPERATING BEFORE ADULT-USE LEGALIZATION

Chart 3: Overview of Retail Cannabis Landscape in California



Source: California Growers Association, California Department of Food and Agriculture, third-party analysis of retail listings on Weedmaps platform, HDL Companies, California Bureau of Cannabis Control  
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The size of the illicit market in California is impossible to quantify, since all of those businesses operate outside of the law and can't be tracked or identified in any reliable way. But there are plenty of indicators that give industry watchers clues as to the scope of the problem.

For instance, in early 2018, the California Growers Association—a coalition of marijuana farmers that were all hoping to make the jump into the legal market—estimated in a report that there were over 68,000 individual growers of various sizes.

But as of February 2020, there were only 1,910 state-licensed cannabis cultivators, which suggests there are still tens of thousands of illegal grows operational in the state. And estimates of marijuana retailers in California prior to the legal market launch in 2018 range from 3,100, according to BDS Analytics, to over 10,000, according to some longtime industry insiders. State-licensed marijuana retailers as of February 2020 numbered just 993, however.

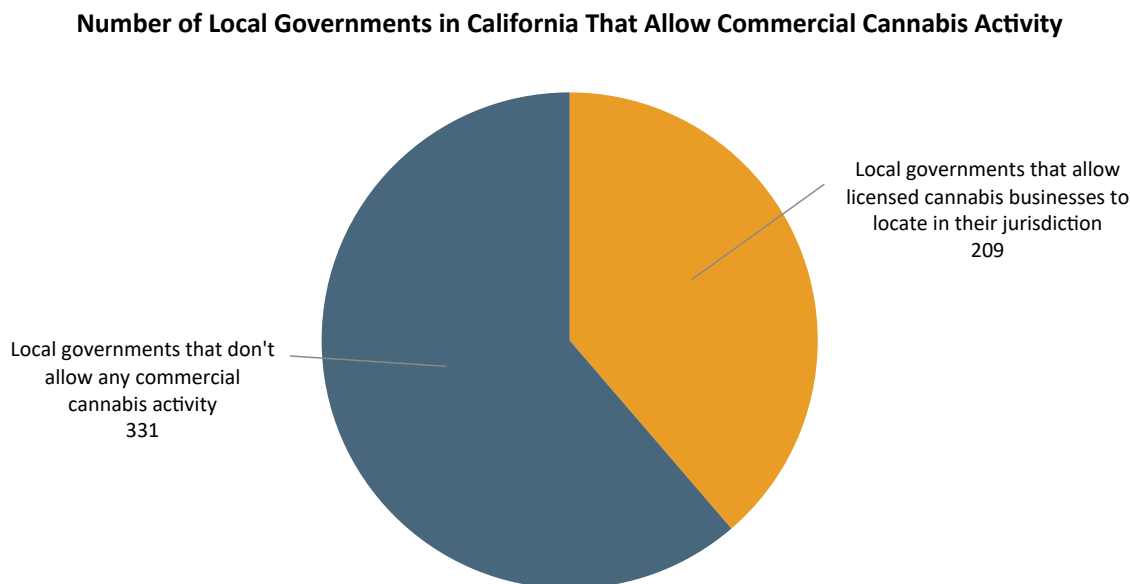
The bottom line is the immense illegal MJ trade in California easily dwarfs the legal trade, and that's a reality that most in the legal market came to grips with quickly in 2018 as the high barriers to entry prevented many, if not most, legacy operators from obtaining state business permits.

Given that many of these operators—which include longtime family farms in various parts of the state—don't really know how else to make a living other than the cannabis trade, it's highly unlikely that they'll all choose to exit the illegal trade unless forced to do so, either by law enforcement or because it ceases being profitable. The latter is unlikely until federal prohibition ends and interstate commerce begins for marijuana, which means officials will have their hands full for the time being, trying to shut down a trade that has long withstood efforts to eradicate it.



## HARD OR IMPOSSIBLE FOR BUSINESSES TO TRANSITION TO THE LEGAL MARKET

Chart 4: Number of Local Governments in California That Allow Commercial Cannabis Activity



Note: Data current as of 2/19/20.

Source: CannaRegs

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Another major driver of the illicit market around California is how few cities and counties have opted to allow the legal industry to have any presence within their borders.

Before any cannabis company can obtain a state permit, it must first have a local business license—and bans across most of the state have precluded that option for thousands of operators. If they wanted to continue growing or selling marijuana, their only option is the illicit market.

As of February 2020, only 39% of California's 540 cities and counties allowed some type of licensed marijuana business to set up shop in their jurisdictions, according to data from CannaRegs.

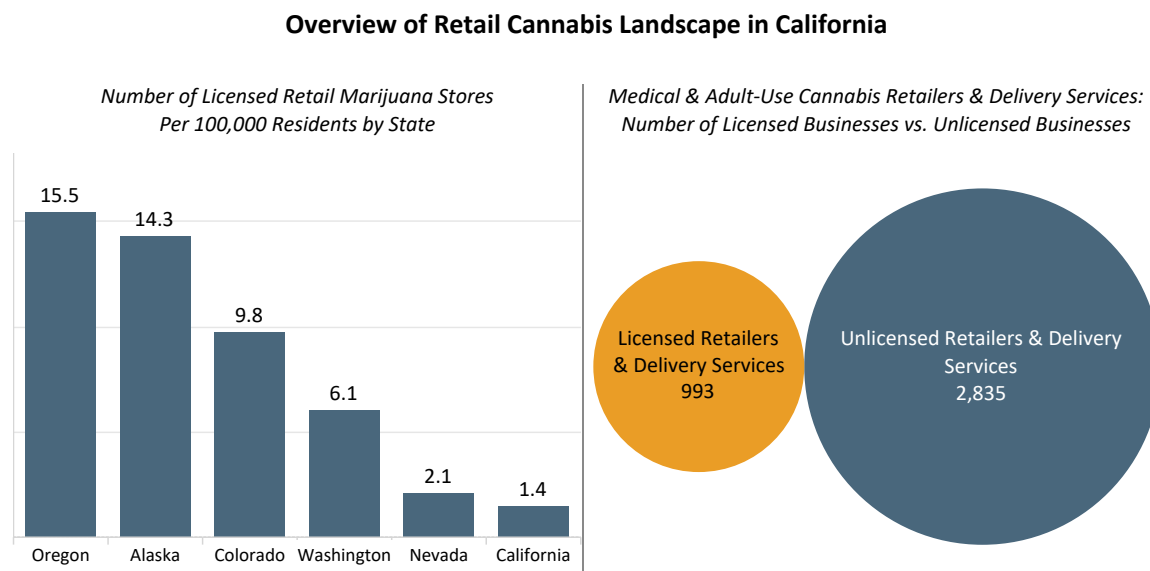
Even less—31%—allow for any kind of marijuana retail business, whether storefront or delivery. And many of those allow only medical marijuana, shrinking the recreational retail footprint even more.

Of course, the bans haven't eliminated marijuana from those communities, only *legal* cannabis.

The argument that legal and lab-tested cannabis is safer and that the licensed market is the best way to keep marijuana out of the hands of minors is a likely avenue for expanding market opportunities.

## LIMITED ACCESS TO LICENSED ADULT-USE CANNABIS STORES & EASY ACCESS TO ILLICIT CHANNELS

**Chart 5: Overview of Retail Cannabis Landscape in California**



Note: Unlicensed retail and delivery services figures current as of September 2019. Licensed retail and delivery service figures current as of 2/25/20.

Source: Oregon Liquor Control Commission, Alaska Alcohol & Marijuana Control Office, Colorado Marijuana Enforcement Division, Washington State Liquor and Cannabis Board, Nevada Department of Taxation, California Bureau of Cannabis Control, United Cannabis Business Association  
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California loves to regulate industry, and marijuana is no exception. But one thing that has set California apart from every other state that's legalized cannabis is its decades-old underground market, which has long supplied much of the world with illicit marijuana.

That fact, along with the power of local governments in California to set their own industry regulations, led to a key political compromise in 2015 and 2016 when business rules were being drafted: Cities and counties would retain the power to regulate—or ban altogether—marijuana companies of all stripes.

That, combined with the state requirement for a local license before any business could obtain a state permit, caused a major contraction of existing storefronts in 2018.

The upshot is that California, compared to such predecessors as Colorado, Oregon and Washington state, has far fewer marijuana retailers per capita, only 1.4 shops and delivery services per 100,000 residents.

That relative lack of retail sales points has had an immense impact on the supply chain, with growers and manufacturers often competing for shelf space and even paying premium slotting fees to get shops to carry their goods.

It's also yet another factor that's helped keep alive the underground market. Although delivery operators are technically allowed to send drivers anywhere they wish in California, the lack of accessible storefronts combined with the ease of finding illicit cannabis has helped illegal businesses remain profitable in many parts of the state.

There is no precise number to be had when it comes to the underground California marijuana market, but there are a few data points that suggest it's easily in the thousands:

- An audit of Weedmaps.com in the autumn of 2019 by the United Cannabis Business Association found 2,835 listings for unlicensed marijuana retailers.
- The state Bureau of Cannabis Control as of February 2020 had roughly 2,500 open investigations into allegedly illegal cannabis businesses, which are “predominantly” shops and delivery services, an agency spokesman said.
- Neither figure includes estimates about how many illegal growers and manufacturers remain active in the state, which could easily be in the tens of thousands, according to insider estimates.
- In the Los Angeles metro area alone, longtime consultant Avis Bulbulyan estimated, there are still 10 illegal retailers for every licensed one, with a likely of 900 to 1,100.

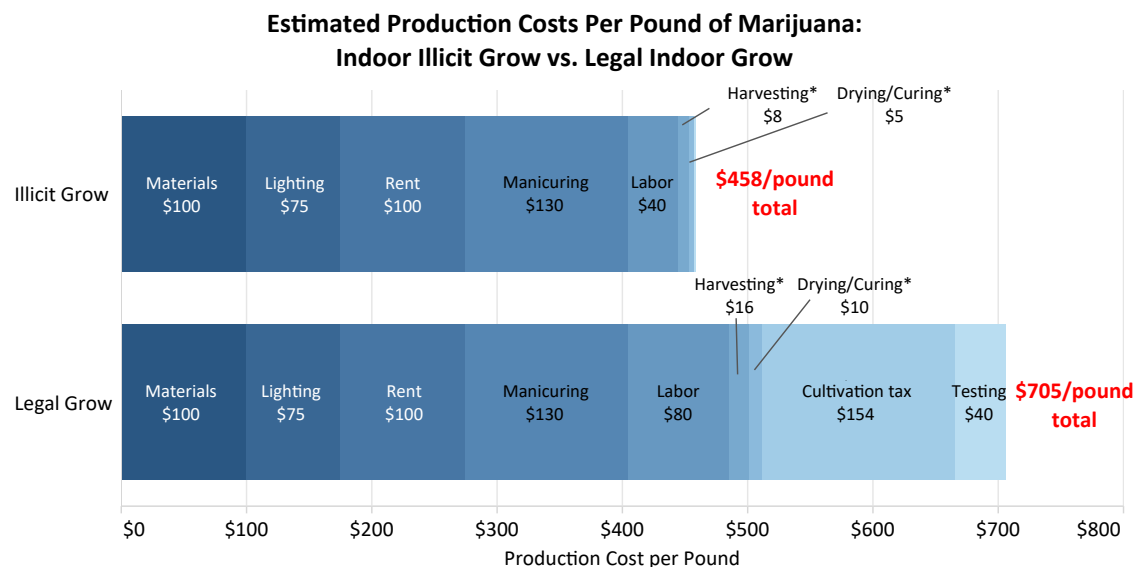
Enforcement has been compared to a game of “Whac-a-Mole” by those who have watched illegal storefronts pop back up within days of being shuttered by law enforcement. That has arguably been exacerbated by the repeal of most felony penalties for engaging in unlicensed cannabis sales, a change wrought by Proposition 64 in 2016.

And while those in the industry don't want a Drug War 2.0, the question about how to effectively discourage illegal operators from continuing to break the law remains an open one.



## INCENTIVE FOR SUPPLIERS TO CONTINUE PROVIDING PRODUCTS TO THE ILLICIT MARKET

**Chart 6: Estimated Production Costs Per Pound of Marijuana: Indoor Illicit Grow vs. Legal Indoor Grow**



Note: Prices based on Caulkins 1,500-foot indoor model. Assumes 10,000 square feet of cultivation space producing 4,200 pounds of cannabis per year.

\*Labor-intensive processes are estimated to cost roughly double for a legal grow because of the time-intensity involved in tagging each plant with RFID tags, logging nutrients and measurements at various stages of the growing and harvesting cycles.

Source: Reason Foundation Marijuana Taxation and Black Market Crowd-Out report

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Part of the fundamental problem with the illicit market has also been the high barriers for entry to the legal industry, including compliance costs with various state laws that easily run into the hundreds of thousands of dollars.

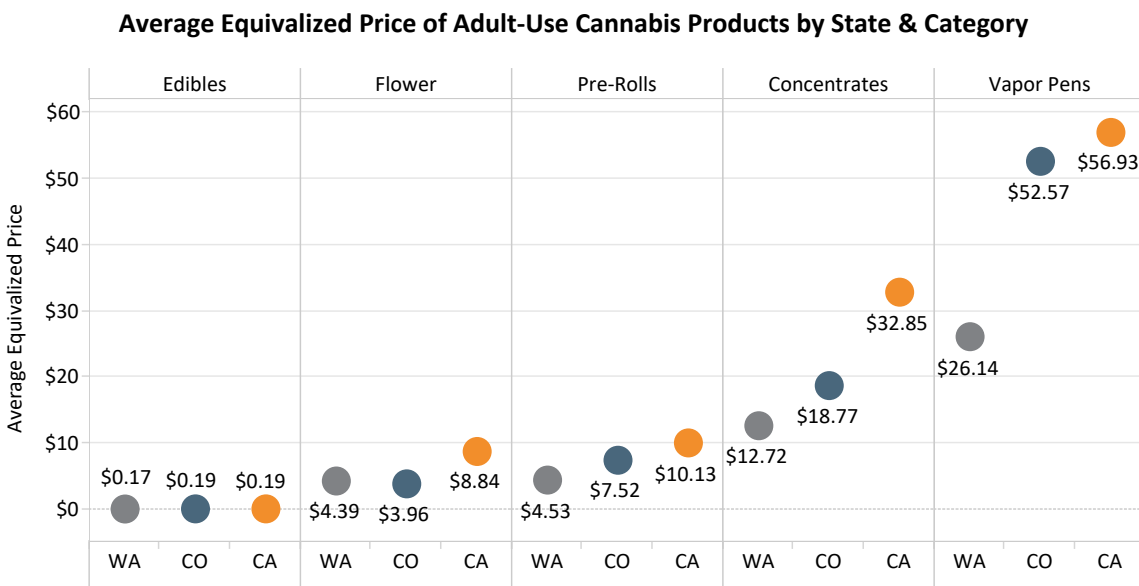
The costs of doing business legally are quite clear, particularly upstream in the supply chain. The average cost of producing an illegal pound of cannabis indoors is only \$458, contrasted with the average cost of \$705 per pound for legal indoor growers.

That means there's very little financial incentive for operators who have a solid footprint in the underground market—including out-of-state buyers for flower in places such as Texas, Georgia and New York, which are all major destinations for illegally grown California cannabis—to even try to participate in the legal market.

And because enforcement has failed for decades to stamp out the illegal marijuana market, there's no good reason to think that any new wave of police tactics will work. Rather, what most in the California market are hoping for is to quash the illicit market through economics. If legal retailers can get decent price parity with illegal operators, they might be able to take the profit motive out of the illicit market over the long term, thereby turning the tables on their underground competitors and removing any solid reason for them to continue doing business.

## HIGH PRICES DISSUADE CONSUMERS FROM PURCHASING IN THE LEGAL MARKET

Chart 7: Average Equivalized Price of Adult-Use Cannabis Products by State & Category



Note: Equivalized price is the price per equivalized volume. For flower, pre-rolls, concentrates, and vapor pens, this is the price per gram of the product. For edibles, this is the price per milligram of THC in the product. Prices are averages for the past 365 days ending 2/11/20.

Source: Headset

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Price is always a key consideration for customers looking for goods to buy, and marijuana is no different than any other commodity. That's another advantage the illicit market has over legal companies.

Compliance costs, taxes, insurance and a host of other factors have helped drive up the prices of legal cannabis for consumers, and many immediately cited "sticker shock" in January 2018 when California retailers opened their doors to the general public. That sticker shock has not dissipated yet, and prices remain prohibitively high for many customers that instead opt for tax-free illicit marijuana.

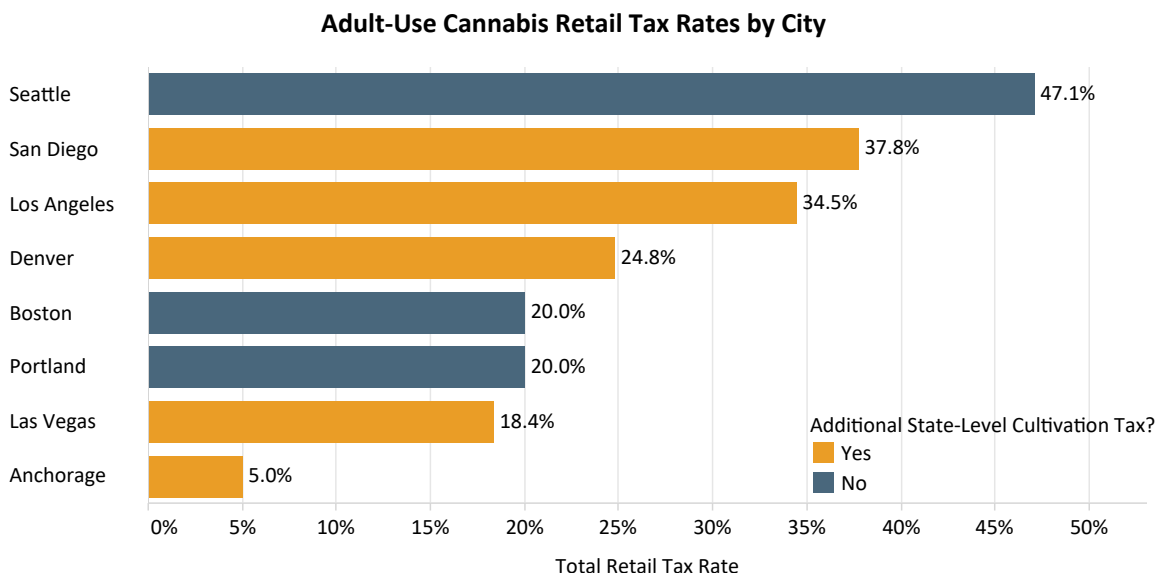
In almost every product category, California exceeds prices in Colorado and Washington state—the first two recreational marijuana markets in the United States, with the most dramatic example being concentrates. In California, the average price for concentrates is nearly twice as much as what a similar product costs in Colorado and almost three times as much as it costs in Washington state.

There's a similar price difference with vape pens and every other product, with the exception of edibles.

As long as those prices remain where they're at, lower-cost illicit products will always be a draw for price-conscious consumers.

## HIGH TAXES RELATIVE TO OTHER LEGAL ADULT-USE CANNABIS MARKETS

Chart 8: Adult-Use Cannabis Retail Tax Rates by City



Note: Retail tax rate includes excise, state and city taxes on the sale of retail marijuana.

Source: Los Angeles Times, Colorado Department of Revenue, Oregon Liquor Control Commission, Nevada Department of Taxation, Washington State Liquor and Cannabis Board, Massachusetts Cannabis Control Commission

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High tax rates at both the state and local level have been an industry complaint since Day One of legal adult-use sales in January 2018. Customers cited high prices—driven in large part by the high taxes—as a reason for skipping licensed retailers in favor of cheaper marijuana that can be bought on the street.

While some local governments in California have lowered their cannabis taxes in response, others have simply ignored industry pleas and tried to milk sales taxes for all their worth. San Diego has gone so far as to levy tax bills to distributors that ship goods to local retailers from outside the city, even when the distributors aren't based in San Diego, leading to claims of double taxation.









The compounding effect of the California taxes, on top of steep retail prices, has kept that sticker shock very much alive for consumers and remains one of the primary drivers of the illicit market.



# EFFECTS OF THRIVING ILLICIT MARKET

## JOB CUTS AND LAYOFFS

Chart 9: Recent Job Cuts & Layoffs By California-Based Cannabis Companies

	California-based MedMen Enterprises, a multistate marijuana operator, announced in November it would lay off more than 190 employees. In December, the company issued layoff notices to an additional 20% of its corporate-level employees.
	California distributor Flow Kana disclosed in November that it reduced its workforce by about a fifth, although the company didn't disclose the exact number of employees involved.
	California-based CannaCraft, which runs several retail shops and distributes multiple well-known marijuana brands, said in November that it laid off 40 employees, or about 16% of its staff.
	Grupo Flor, a California company that runs multiple cannabis storefronts as well as cultivation operations, disclosed in November that it let go 30 employees, or around 35% of its workforce.
	California-based marijuana tech company Weedmaps announced in October it laid off more than 100 employees, or 25% of its workforce.
	Pax Labs, a California vape manufacturer, said in October it issued pink slips to 65 workers.
	California delivery technology firm Eaze said in October it laid off 36 employees, or 20% of its workforce.
	CannDescent, a commercial cultivator based in Desert Hot Springs, California, laid off 16 employees in September and froze hiring for an additional six positions.

The real-life impacts of the illicit market began truly hitting home in late 2019, when widespread layoffs in California made headlines. While the layoffs can't solely be blamed on the illegal market—some companies blamed investors who got cold feet, for instance—the root of the problem most definitely can be traced back to it.

The rosy picture of California's legal market after rec legalization in 2016, and the resulting influx of investor money and expansion plans by legacy companies, gave rise to an easily overturned apple cart of business plans in California.

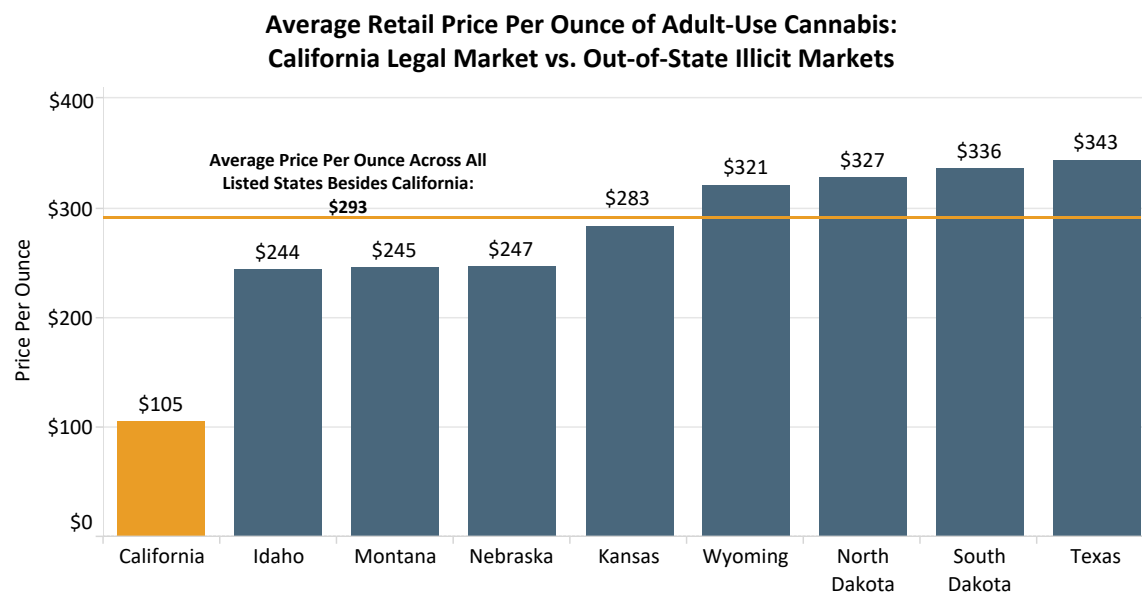
If the illicit market were not as strong as it is—and was—and if most cannabis transactions were done in the fully legal market, companies would be cashing in on an unprecedented scale.

Instead, California has a fragile ecosystem that's ripe for wealthy entrepreneurs and investors who might be looking to take over existing companies that are at the end of their ropes.

Insiders have been steadily predicting for months that 2020 will be the year of distressed assets, and more than one company has already set about acquiring startups that have run out of money and are being forced to either sell, go under or take on loans at exorbitant interest rates.

## LICENSED BUSINESSES OPERATING IN BOTH THE LEGAL AND ILLICIT MARKETS

**Chart 10: Average Retail Price Per Ounce of Adult-Use Cannabis: California Legal Market vs. Out-of-State Illicit Markets**



Note: Data current as of 2/11/2020. California pricing data refers to average pretax price of one ounce of cannabis purchased from a licensed retail store. Figures for all other states describe the price per ounce for medium quality adult-use cannabis purchased on the illicit market.

Source: Headset, Price of Weed

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Relatively low wholesale prices for cannabis farmers around the state have also provided an obvious incentive for many growers to play in both the legal and illegal markets—or to stay completely in the illegal market.

The Emerald Triangle in particular—comprised of Humboldt, Mendocino and Trinity counties—has been the source of illegal marijuana sold around the U.S. for decades. Given how much those farmers can still sell their cannabis for in states that maintain prohibition, such as Texas, that's not likely to change any time soon.

Plenty of illegal operators still ship marijuana to East Coast markets, such as New York, where they can often fetch even higher prices than marijuana grown in nearby Massachusetts which has a legal rec market, simply because of the California brand and quality.

## LACK OF CASH AND UNPAID BILLS

After Canada legalized marijuana at the federal level in 2018, there was a rush by U.S. companies to get listed on Canadian stock exchanges as a way to raise more capital for expansion and to solidify market shares in their operating states. California was no exception.

But when the stocks began crashing in 2019 after the failure of many of those companies to meet overly optimistic sales forecasts, investors began beating a hasty retreat, and many financial deals that had previously been agreed to were terminated. That trend—combined with a lack of traditional banking and business loans to the industry, hefty state and federal tax burdens and poor managerial decisions—led to a huge cash crunch in California and a swath of unpaid bills as companies were forced to decide where to spend the little money they had left on hand.

Noncore employees, such as marketing departments, were largely slashed, and more importantly, many vendors have not been paid for their services, including attorneys, consultants and even suppliers of inventory such as growers and manufacturers.

The most high-profile example of job cuts as a fiscal adjustment to date has been MedMen, a California-based multistate operator that ousted its CEO and its president at the end of January 2020, as the company desperately tried offering stock options to vendors in lieu of cash for unpaid bills. MedMen's stock price, which hit a high of \$6.50 in October 2019, was trading at just 43 cents per share in mid-February 2020.

The silver lining in the California situation is that for anyone in the industry looking to expand, there will be a wide array of acquisition opportunities in the very near future.

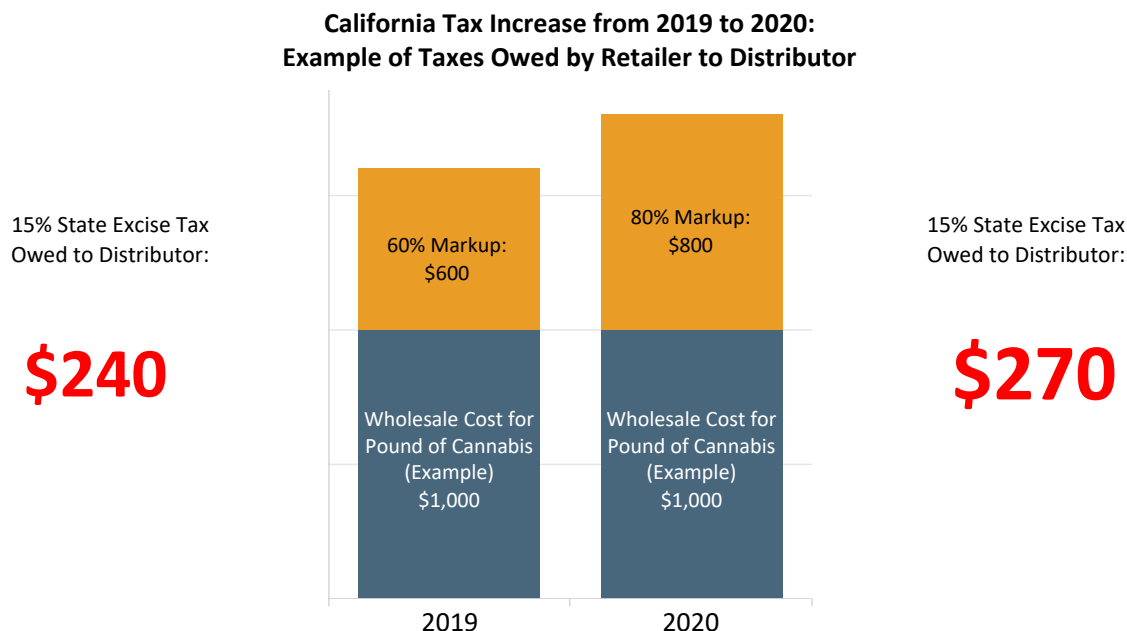
That's what happened with The Guild in San Jose in 2019. That retailer was put up for auction after it couldn't settle debts with creditors, and a court-appointed receiver was brought in to manage the shop until it could be auctioned off to the highest bidder.



# WHAT TO WATCH

## HOW TAX INCREASES WILL AFFECT LEGAL MARKET SALES

**Chart 11: California Tax Increase from 2019 to 2020: Example of Taxes Owed by Retailer to Distributor**



Source: California Department of Tax and Fee Administration  
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The next year will see several developments for the marijuana business landscape in California, ranging from new local markets slowly coming online to an acceleration of mergers and acquisitions.

A new tax increase could come to pass in July; the state Department of Tax and Fee Administration raised the markup rate from 60% to 80% as of Jan. 1, 2020, and is required under state law to recalculate that rate every six months based on the average market price of wholesale cannabis. Some in the industry are expecting the markup rate to go up again in summer 2020, perhaps to 100%.

The tax hike isn't discretionary for state officials, several sources told *Marijuana Business Daily* in 2019, but is a result of a state law approved in 2017. That means if the state law goes unchanged between now and summer, state regulators' hands might be tied when it comes to a new tax increase.

The required tax recalculation simply didn't become a hot potato until it resulted in a tax hike at the start of 2020, at which point the industry began raising attention to the issue. But the industry has been clamoring at the state capitol for tax relief since 2018, and it's quite possible that lawmakers will oblige businesses with a tax-rate decrease, or at least ensure that rates won't go up again so quickly.

A few items to keep an eye on include:

- A lawsuit brought against the state by several local governments goes to trial in April and will address the policy of allowing marijuana products to be delivered anywhere in California, regardless of local bans on commercial cannabis activity. If the suit succeeds, the legal customer base will shrink considerably, particularly for delivery companies.
- Many industry insiders predict major brands will fail this year because of the capital crunch, the retreat of investors, the lack of bankruptcy protections and the inability to get standard business loans from banks. The silver lining is that new acquisition opportunities will arise for companies looking to expand in the market.
- Illicit operators have been learning to spread their advertisements around, from Weedmaps to other online sources such as Yelp, Tripadvisor, Craigslist and Instagram. But since Weedmaps changed its policy as of Jan. 1 and now requires a state business license number to identify any retailer as a marijuana shop or delivery service, that site is no longer the go-to source for customers that it once was for illicit operators.

More licensing opportunities also will become available as cities and counties continue to regulate the industry and decide how many and which types of businesses they want to allow. Los Angeles, for instance, still has hundreds more business permits to issue; the city has simply been slow to move on most of them, and the timeline remains unclear.

The situation is fluid and ongoing, since city councils and county boards have a lot of discretion to shape their own cannabis industry landscapes, with license caps, zoning setbacks and other regulations.

There also might be restrictions placed on who's eligible for many licenses, since local social equity programs—designed to get those victimized by the war on drugs more involved in the industry—are still coming online in various areas, including Sacramento.

The best option for new market entrants hoping to win licenses is to do as much research as possible and perhaps hire a local consultant to help navigate the process.

According to CannaRegs, some of the California cities and counties that are likely to have licensing opportunities in 2020 include:

Arcata	Concord	Nevada City	Santa Clara
Bell Gardens	El Centro	Redwood City	Stockton
Brisbane	Lake Elsinore	Sacramento	Suisun City
Calaveras County	Los Angeles	Santa Ana	Thousand Oaks

This is not an exhaustive list of all licensing opportunities.

Another way to get into the market is to simply buy an existing company that's already done the heavy lifting of obtaining state and local licenses, given that the secondary market in California has been hot for quite some time and more distressed assets are going to be looking for acquisition deals this year.