

# Rhode Island Cultivation License Fact Sheet

The Rhode Island Class B cultivation and manufacturing license is the largest license size currently available, which allows for 10,000 sq ft of cannabis production footprint. Non-cannabis spaces such as offices, bathrooms, and break rooms do not count towards the 10,000 sq ft limit. There are currently no restrictions on vertical space or canopy size, adding the opportunity to stack flowering rooms for a vertical grow.

We have built a small and efficient 1200 sq ft place card holder where the license currently operates in a leased building. The intention was to secure the license and operate with a positive cash flow until the market dictated a need for further buildout and expansion. That time has come with rec sales starting December 1 of this year. The facility could also serve as a perfect headhouse for genetics to stock a new facility, reducing time to first harvest. Rhode Island regulations allow licenses to be relocated elsewhere in the state.

Currently there are 22 other Class B licenses (10,000 sq ft) , 23 Class A licenses (5,000 sq ft) and 18 Micro licenses (2,500 sq ft) in the state. A very high percentage of these licenses have either not been built out yet, or are “cannabis 2.0” operations with single-tier HPS facilities and outdated, inefficient technology. Many of these facilities are in aging buildings not suited for cultivation, adding to the challenge of producing cannabis that passes Rhode Island’s stringent testing requirements. Most of these facilities will have to be gutted and/or retrofitted to stay competitive in a recreational market, further reducing future competition.

Rhode Island is a limited license state. It is written in statute “there shall be a moratorium on the issuance of new cannabis cultivator licenses for two (2) years following the final issuance of the commission's rules and regulations.” As of today the commission is yet to be formed and it may take up to a year before the final issuance of the rules and regulations. This effectively extends the moratorium on new cultivation licenses, allowing for a long runway to become established before any new cultivation licenses will be issued, if any. It is our plan to lobby for allowing existing licenses to expand in size if a market analysis would require a larger cultivation footprint to meet demand needs in the state.

We have spent in excess of \$150K on lobbying efforts and many tens of thousands of dollars at fundraisers over the last four years to establish strong relationships with the Senate, House, and Governor’s office. The primary objective has always been to keep Rhode Island a limited license state in order to retain license values and reduce competition.

With the recent passage of the Rhode Island Cannabis Act, recreational sales are due to begin on December 1st of this year. 6 new retail licenses have been awarded, 4 of which are due to be up and running this year, with the 2 additional Q1/Q2 2023. 24 Additional retail licenses will also be awarded as per statute after the formation and confirmation of a new Cannabis Commission.

## About the Founders

The cultivation license is owned by two partners. There is a clean ownership structure with one LLC with both partners being the only members/managers. All annual license renewal fees of 35k paid and facility inspected for license renewal as September 2nd, 2022. Hybrid adult use cultivation and manufacturing license, which was available August 1, 2022, has also been granted.

The partners have previously owned other Rhode Island cultivation licenses since their inception, having built out a Class A (5000 sq ft) company, which was in the top three largest grossing sales in the state for three years running. They sold the Class A license and recently acquired this Class B license. They have extensive transactional and variance request experience within the Cannabis space with the RI regulatory division and OCR.

Their flower received multiple first place awards in a blind competition against other top cultivators in Rhode Island, a highly competitive state (winning 4 out of 5 categories including best overall). They maintain close, long-standing relationships with multiple contacts at the three existing dispensaries, and have established relationships with the 6 new dispensaries currently under construction.

They have cultivated an excellent working relationship with the Rhode Island Department of Business Regulation (DBR) and Office of Cannabis Regulation (OCR.) They realize that a cannabis business is truly a compliance business, and thus always work strictly within the guidelines of established regulatory and compliance frameworks to ensure success.

Before being acquired by the partners, the application for the cultivation license was getting close to being terminated due to non-compliance. The two partners were able to come to an agreement with the DBR/OCR in order to acquire the license – this speaks volumes to their good standing with Rhode Island state regulators. They also have years of experience with local ordinance issues, permitting, zoning and planning boards (having been issued a special use permit to operate in their current jurisdiction), and have worked closely with the state fire marshall and local zoning and building officials.

Partner #1 has been involved with the legal cannabis industry since 2012. He has worked as a consultant in multiple states and with multiple entities, helping with all aspects of licensing and cultivation. He excels at writing applications, operational SOPs, compliance SOPs, obtaining permitting, dealing with inspections, zoning approvals, and working with contractors, architects and engineers to keep projects on track. He is also proficient at designing cultivation and manufacturing facilities including HVAC systems, engineering systems, irrigation systems, etc.

Partner #2 has worked full time in the legal cannabis industry since 2012. He has designed and built multiple cultivation facilities from the ground up. He has experience in all things cultivation including facility design, building and managing teams, optimizing production schedules, refining irrigation strategies, and has extensive compliance and regulatory experience. He currently works as a consultant, advising facilities nationwide.

## Asking Price 2.45MM

Conservative cash flow forecast numbers for a Class B cultivation license in the Rhode Island adult use market forecast 7.2MM+ gross annual income minimum, assuming 300 lbs. of flower per month at a conservative number of \$2000 per lb. This conservative estimate does not include trim, byproduct, concentrates or an edibles kitchen which typically have much higher margins than flower, which would result in a much higher cash flow forecast.

Now accepting and reviewing all offers. Please feel free to contact our attorney Lisa Holley at [lisa@lisaholleylaw.com](mailto:lisa@lisaholleylaw.com). NDA and proof of funds required.