



# Cannabis Checklist for NY Entrepreneurs

## Assemble Your Team

- Attorney – must be experienced in financing & cannabis
- Chief financial officer
- Accountant – tax (280E traps) and GAAP
- Application writer or consultant
- Security experts
- Labor experts – MRTA requires labor peace agreements
- Real estate brokers
- Insurance brokers

## Make Sure Key Agreements are in Place

- Employment and vendor agreements and non-competes
- Provisions for future investments, limits on equity dilution
- What happens if there are multiple, competing licensing arrangements or overlapping relationships with vendors?
- When can an investor be bought out?
- What veto rights do outsider investors have?
- What process must be followed for buy outs of social equity partners?

## Get Prepared

- Fill key positions in management team
- Button down all regulatory and application issues
- Develop social responsibility plans – required for non-social equity applicants
- Should you apply as a social equity applicant?
  - Social equity licenses not transferable for three years other than to another social equity licensee
  - Non-social equity applicants need to develop a social responsibility framework, adherence to which will be a determining factor in license renewal after two years
- Locate real estate
- Lobby for municipal support
- Secure financing to last at least a year without revenue; expect a high cost of capital
- Select investors with experience in cannabis and contacts and skill sets that enhance the application and the chance for lasting business success

## Address Real Estate Concerns

- Owned or leased real estate are essential for on-site consumption licenses and soon after license grant for retail
- Make sure that a tenant's cannabis business won't violate landlord's loan covenants
- Research municipal opt outs and "time, place and manner" restrictions on cannabis
- Landlords must reject percentage rent
- Review boilerplate lease provisions such as landlord access clauses

## Package the Applicant

- Anyone can write a letter of support for or against an applicant
- Line up your allies and defuse foes
- Appear financially sound
- Vet your financial and operational partners



**James Rieger | Partner**

[Rieger@thsh.com](mailto:Rieger@thsh.com) | 212-508-6728

For the past four years, James has been the go-to outside counsel for some of the country's most significant cannabis investors. A frequent author of articles about the business and finance aspects of cannabis, James regularly speaks about cannabis at cannabis industry (CWBC Expo and MJBizCon) and legal (NYSBA, PLI, NY City Bar, IBA) conferences.



**Paul Sarkozi | Partner**

[Sarkozi@thsh.com](mailto:Sarkozi@thsh.com) | 212-508-7524 The former Chair of the New York State Bar Association's Commercial and Federal Litigation Section, Paul has played a leading role in NYSBA's Committee on Cannabis Law, serving as a frequent lecturer on NYSBA panels. Paul has written and spoken about current trends in Cannabis and CBD Litigation, as well as NY's Marijuana Reform and Taxation Act.