

November 7, 2017

Medical Marihuana Facilities: Capitalization

The purpose of this bulletin is to advise the public and potential licensees of the Bureau of Medical Marihuana Regulation's intention as to the capitalization requirement. This bulletin is only for advisory purposes and is subject to change.

According to the Michigan Medical Marihuana Facilities Licensing Act (MMFLA) in determining whether to grant a license the Medical Marihuana Licensing Board may consider the sources and total amount of the applicant's capitalization to operate and maintain the proposed marihuana facility. An applicant could be an individual, a corporation, LLC, partnership, limited partnership, LLP, LLLP, trust or other legal entity

Applicants will be required to demonstrate capitalization amounts to operate and maintain the proposed marihuana facility as follows:

- (a) Grower: Class A - \$150,000
- (b) Grower: Class B - \$300,000
- (c) Grower: Class C - \$500,000
- (d) Processor: \$300,000
- (e) Provisioning Center: \$300,000
- (f) Secure Transporter: \$200,000
- (g) Safety Compliance Facility: \$200,000

The capitalization sources can be demonstrated as follows:

- At least 25% is in liquid assets. Liquid assets include assets easily convertible to cash. Examples of liquid assets may include, cash, marihuana inventory (in compliance with the Michigan Medical Marihuana Act, 2008 IL 1 or administrative rules), CD's, 401k, stocks, and bonds.
- Remaining capitalization may be evidenced in either additional liquid assets or non-liquid forms, for example equity in real property, supplies, equipment, and fixtures.
- Evidence must be provided proving that there is no lien or encumbrance on the asset provided as a source of capitalization.

Additionally, the capitalization amounts and sources must be validated by CPA-attested financial statements.

This bulletin does not constitute legal advice and is subject to change. It is intended to be advisory only, in anticipation of the Department of Licensing and Regulatory Affairs' promulgation of emergency rules consistent with statutory requirements. Potential licensees are encouraged to seek legal counsel to ensure their licensure applications and operations comply with the Medical Marihuana Facilities Licensing Act and associated administrative rules.

More information on the BMMR can be found at the bureau's website: www.michigan.gov/bmmr.



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