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BANKING ON MARIJUANA

Three State-Chartered Banks Said To Be Working In Marijuana Business

Private Investors Bullish On Massachusetts' Marijuana Market

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Century Bank has been the only known bank in Massachusetts willing to do business with marijuana dispensaries. But apparently there are others.

Ryan Ansin, a Massachusetts marijuana investor, told a group of private equity firms and venture capitalists at a cannabis conference in Dedham hosted by Boston-based Law Firm Burns & Levinson that there are currently three state-chartered banks working with marijuana businesses.

He declined to name the specific banks when asked by Banker & Tradesman.

"It's evolving rapidly. There was a web of credit unions on Indian reservations [looking to get involved], but as those groups were starting to get legs, state-chartered banks started working with the industry," Ansin, also president of the Family Office Association, told conference participants. "The rigor they put you through is astronomical and it is totally reasonable to do that."

Frank Segall, co-chairman of Burns & Levinson's Cannabis Business Advisory Group, said that while banks are still very cautious, his firm has been approached by others in the state looking to get involved in the potentially \$1 billion industry.

Segall said his firm has also been approached by a software firm looking to get involved with marijuana bank compliance.

Massachusetts A Bull Market

While banks are still largely staying away from the marijuana business, private capital is flowing into the industry and starting to pick up the slack.

According to Viridian Capital Advisors, one of the sponsors of the conference, capital raises in the U.S. cannabis industry have risen from \$148 million in 2014 to \$1.8 billion through September of this year.

"There is continued acceleration in the amount of capital coming," said Scott Greiper, president and founding partner at Viridian Capital Advisors. "Four years ago, we couldn't find an equity deal in the space."

And it is clear that along with Florida and California, investors believe Massachusetts has some serious potential.

"From an investment standpoint, we think Massachusetts is a terrific investment," said Kris Krane, the keynote speaker and president of 4Front Ventures, one of the prominent players in the marijuana industry.

Krane, who was introduced as "the man, the myth, the legend," said Massachusetts' geographic location is part of what makes it stand out.

"When you think about it, Colorado is not really near anything; it is very difficult to get to ... and yet we have seen a massive influx of tourism into Colorado we believe because of legal marijuana," he said. "Think about how many people live within a six or seven-hour drive from the borders of Massachusetts."

Krane also said the challenging regulatory

environment to obtain a marijuana license in the state also presents an opportunity because it limits the amount of competition and therefore increases the value of each license.

"Because of enormous barriers to entry, I am by far most excited about Massachusetts and Florida," said Ansin. "Once you are well established in a state like Massachusetts ... once you have cash flow and once you reach equilibrium, I think you can then franchise or spread capital in other ways."

Perception Isn't Necessarily Reality

Banks are wary of the marijuana industry because the substance is still illegal at the federal level. But with all the grassroots support for legalization and progress, attendees and speakers of the conference seemed to think the real worry banks have is perception.

"People talk about the risk in this industry like it's unique," said Michael Harlow, partner in Washington D.C.-based CohnReznik, the only national accounting firm currently in the cannabis space. But it is really not fundamentally different from other business sectors CohnReznik deals with, he said.

Skyler Wildenstein, vice president and trust officer of Albuquerque, New Mexico-based Empire Trust, a trust company and private multifamily office who attended the conference, is also interested in the cannabis space for Empire's clients. But when he has spoken to state-chartered banks in New Mexico, he finds they are ill-informed on the actual regulations relating to marijuana, and think

all their assets can be taken if they have \$1 of money related to marijuana in the bank.

"It's a perception problem; they can afford compliance," he told Banker & Tradesman. "They feel that if clients or politicians knew they were involved in the industry, it would taint them."

Many speakers at the conference had impressive backgrounds, and first got involved in the cannabis industry on the social justice side by trying to help people that actually need medical marijuana gain access.

"If these individuals could go to financial institutions, they could show them they are good corporate citizens and working very hard to maintain compliance with all the regulations," said Wildenstein. "These are business people. They have way too much business to lose, and the bankers don't recognize that." ■

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Photo courtesy of Burns & Levinson

Burns & Levinson and Viridian Capital Advisors hosted an investor-focused cannabis business conference in Boston on Oct. 17.